IOOF Holdings Ltd

ABN 49 100 103 722

31 December 2019

Condensed consolidated interim financial report

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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 2019 and the auditor's report thereon.

Directors

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

Name

Mr Allan Griffiths, Chairman
Mr Renato Mota, Managing Director
Mr George Venardos - resigned effective 28 November 2019
Mr Christopher Kelaher - resigned effective 4 July 2019
Ms Jane Harvey
Ms Elizabeth Flynn
Mr John Selak
Mr Andrew Bloore - appointed 2 September 2019
Ms Michelle Somerville - appointed 1 October 2019

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

Operating and financial review

In accordance with current Australian Accounting Standards, the financial results of the benefit funds of IOOF Ltd are included in the consolidated results of the IOOF Group. The inclusion of the benefit funds has no impact on the profit after tax for the six months ended 31 December 2019 (2018: $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 recurring, 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. The 6 months to 31 December 2018 is denoted as prior comparative period or pcp. The items reversed, and the rationale for that reversal, is also addressed in detail.

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

	Note	Six months ended 31 Dec 19 $'000	31 Dec 18 * $'000
Profit attributable to Owners of the Company		**114,981**	**135,429**
Discontinued operations		(87,034)	(65,312)
Profit from continuing operations attributable to Owners of the Company		**27,947**	**70,117**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Reverse the impact of:			
Amortisation of intangible assets		18,287	18,965
Acquisition costs - Acquisition advisory	2-4	438	1,733
Acquisition costs - Integration preparation	2-4	8,942	6,515
Acquisition costs - Finance costs	2-4	65	416
Termination payments	2-4	2,677	254
Profit on divestment of assets	2-2	(297)	(365)
Non-recurring professional fees paid	2-4	4,401	230
Unwind of deferred tax liability recorded on intangible assets		(4,858)	(4,979)
Remediation costs	2-4	1,511	3,805
Governance uplift costs	2-4	3,187	-
Other	2-4	719	61
Income tax attributable		(6,401)	(3,694)
UNPAT from continuing operations		**56,618**	**93,058**
UNPAT from discontinued operations		4,736	6,884
UNPAT		**61,354**	**99,942**

* 31 December 2018 has been restated. Refer Note 2-2 for details.

Operating and financial review (continued)

UNPAT Adjustments:

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

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

Acquisition costs - Integration preparation: Staff and specialist contractor costs related to integration preparation for the acquisition of the ANZ ADGs and planned acquisition of the ANZ P&I business.

Acquisition costs - Finance costs: Costs of securing finance for the acquisition of the ANZ ADGs and substantial economic completion of the ANZ P&I business.

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

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

Non-recurring professional fees paid: Payment of certain legal costs that are not reflective of conventional recurring operations.

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

Remediation costs: Remediation costs that arose outside the ordinary course of business.

Governance uplift costs: Costs incurred in undertaking projects that are outside the ordinary course of business.

Other: Losses on divestment of non-current assets.

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

Review of Strategy

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 offer administration services and investment management products through financial advisers. However, technological development is enabling an increasing range of offerings direct to fund members.

Operating and financial review (continued)

Review of Strategy (continued)

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 regulated by the Australian Prudential Regulation Authority (APRA).

The IOOF Group administers and manages Retail funds. Australian Superannuation assets totalled **$2.9 trillion** as at 30 September 2019. Over the 12 months to September 2019 there was an **7.1%** increase in total superannuation assets and retail providers had a market share of approximately **21.6%** (30 September 2018: 22.8%). The IOOF Group's market share of that sub-set was **7.1%** (30 September 2018: 6.4%) when measured by portfolio and estate administration segment Funds Under Administration (FUAdmin). 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 operates in the Wealth Management sector. The sector has a substantial and growing pool of funds underpinned by legislation which has longstanding bi-partisan political support in an affluent advanced economy. The attraction of the sector is further enhanced by high regulatory and technological barriers to entry from new competitors. As a participant, we seek to grow our Funds Under Management, Administration and Advice (FUMA) 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 FUMA. 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 FUMA.

The IOOF Group's future FUMA growth will be underpinned by asset revaluation, flows of funds from new and existing clients and acquisition initiatives. Funds flow will be advanced through:

- a focus on advice as the service which investors and superannuants truly value. This focus will include, inter-alia: increasing adviser numbers; a relatively higher number of salaried advisers within that growing total; a better share of advice revenues for offering licensee services; and increased returns from services to self-licensed advisers;
- increasing brand and product awareness to increase revenue;
- enhancing the adviser and fund client experience through continued technology development and experienced knowledgeable support staff;
- operating an open architecture environment which allows our advisers and clients to utilise the administration service which best meets their objectives irrespective of whether it is an IOOF Group proprietary service or a competitor's service. All options, however, generate a favourable economic return for the IOOF Group;
- enhanced training initiatives and leading minimum qualification standards to give our staff and advisers every opportunity to optimise the experience of our clients;
- establishing skilled teams and robust analytical processes to enhance the prospect of achieving above benchmark performance in investment management; and
- continuous improvement in process efficiency to minimise operating costs.

Operating and financial review (continued)

Review of Strategy (continued)

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

Divestments of certain operations have been entered into selectively and opportunistically, chiefly with the aim of recalibrating the business overall to focus on the group's core wealth management capabilities, in addition to generating divestment profits. Proceeds from those divestments have been applied to reduce borrowings and fund acquisition integration.

Acquisitions and divestments

ANZ P&I acquisition
Final completion of the acquisition of the ANZ P&I business occurred on 31 January 2020. A renegotiated sale price of $850m, down $125m (14.7%) from the original $975m, was announced on 17 October 2019. This reflected the parties to the transaction having reached the point in time where either could legally break the sale and purchase agreement with no adverse legal consequences.

The financial, cultural and operational impact of this transaction will be transformative. It will also have a material impact on profitability in the second-half of the year to 30 June 2020. Assuming stable economic conditions more generally, the acquisition is expected to deliver Earnings Per Share accretion in excess of forecasts previously disclosed in the initial announcement of the transaction. Relevant material inputs to EPS accretion estimates are as follows:
- Estimates of cost synergies revised to $68m pre-tax per annum (from $65m pre-tax per annum), with $13m of those savings having been achieved prior to completion;
- On a full year basis, the combined financial performance of the former ANZ businesses now owned by IOOF is currently broadly equivalent to what was announced in October 2017; and
- The antecedent IOOF Group's underlying profitability has been impacted by divestment of certain operations, notably Ord Minnett and AET Corporate Trust, in addition to legislative, competitive and pricing impacts on revenue.

Perennial Value Management divestment
On 10 October 2019, the IOOF Group divested its equity accounted investment in Perennial Value Management Limited. This divestment was not material.

Ord Minnett divestment
On 24 September 2019, IOOF completed the divestment of its 70% holding in Ord Minnett business for a total purchase consideration of $115.0m, $10.0m of which was received in the previous financial year as a non-refundable deposit. The Group's $88.6m profit on divestment of discontinued operations was virtually all attributable to the divestment of Ord Minnett.

AET Corporate Trust divestment
On 1 November 2018, IOOF completed the divestment of the AET Corporate Trust business to Sargon Capital Pty Ltd (Sargon) for a purchase consideration of $41.3m. The profit on this divestment was recognised in pcp.

Further detail on these divestments is provided at Note 2-2.

Operating and financial review (continued)

Analysis of financial results - IOOF Group

The IOOF Group's UNPAT from continuing operations decreased $36.4m to $56.6m for the 6 months ended 31 December 2019, compared to $93.1m UNPAT in the 6 months ended 31 December 2018.

The majority of this decrease was due to a step down in coupon rate on a debt note issued to ANZ (the original coupon having been calibrated to reflect the economic opportunity cost of ANZ's delays in separating its life insurance and P&I businesses through successor funds transfer); legislative, competitive and pricing impacts on revenue; and a full 6 months ownership of the ex-ANZ ADGs (pcp: 3 months).

The below analysis compares the 6 months to 31 December 2019 with the 6 months to 31 December 2018 and are denoted as pcp. The net profit arising from divesting Corporate Trust, Ord Minnett and Perennial Value Management, and their operating performance whilst owned, have been excluded from the review and the impact on particular items of revenue or expense.

Gross margin decreased by $6.2m

The gross margin decrease was partly offset by $5.3m additional net revenue attributable to having owned ex-ANZ ADGs for the full six months to 31 December 2019 (pcp: 3 months).

At 31 December 2019, Funds Under Management, Administration and Advice (FUMA), excluding ex-ANZ acquisition related Funds Under Advice (FUAdvice), were $145.7b, an increase of 5.2% for the 6 months ended 31 December 2019. This increase was derived largely from equity market performance over that period. Financial advice net inflows of $985m were bolstered by 11 new advice practices onboarded by ex-ANZ ADGs in the quarter to 31 December 2019. Portfolio flows of $756m were up 9.9% on $688m achieved in pcp. This segment benefited from enhanced capture of funds from other IOOF Group segments, principally Shadforth and Bridges in advice, and better penetration of the IOOF Group's existing client base.

The level of average FUMA, ex ANZ acquisition related, compared to pcp rose by $10.0b. This in turn increased gross margin by $18.8m. This was more than offset by a $30.5m impact from lower earning rates on certain services, principally advice and portfolio and estate administration. In the case of advice, significant price competition had an adverse impact whereas portfolio and estate administration earning rates reflected the continuing trend for a higher proportion of funds to be directed towards more contemporary platforms with lower fee scales. Investment management margins were relatively stable which is reflective of the steady state maturity and complementary nature of that segment.

Other revenue decreased by $0.9m

Brokerage revenue for Shadforth clients has been allocated to a bundled service offering and recognised as service revenue. Underlying brokerage activity is broadly equivalent to pcp.

Operating expenditure increased by $14.3m ($1.3m excluding additional months' ex-ANZ ADG ownership)

The modest increase in operating expenditure excludes the impact of expenditure items reversed when calculating UNPAT. The introduction of AASB 16 meant there was a $7.6m favourable reclassification of occupancy expenses to interest ($1.2m) and depreciation ($6.4m) charges. Occupancy overall, irrespective of lease reclassification was a $1.2m lower impost on pre-tax profitability when compared to pcp. See Note 6 for further details. Increased operating expenditure more broadly was due to an increased number of high salary employees required to uplift our governance activity in the Office of the Superannuation Trustee as well as a higher cohort of risk, compliance and governance professionals added. IT expenditure increased due to the implementation of new systems in preparation for the acquisition of ANZ P&I and enhanced governance monitoring. Marketing expenditure had a conventional first half seasonal increase as adviser conferences are predominantly held in that period.

Net financing income decreased by $26.6m

Net financing income decreased largely in line with 11 May 2019 12.4% step down in coupon rate on a debt note issued to ANZ and an additional $1.2m in interest charges under AASB 16.

Other profit impacts decreased by $3.3m

Depreciation expense increased $6.2m, reflecting the impact of adoption of AASB 16. Share-based payments expense was $2.6m lower due to non-vesting of previously expensed grants.

Income tax expense decreased by $14.8m

The decrease in income tax expense relative to pcp reflected lower profitability. Overall, tax expense was broadly in line with a 30% corporate tax rate on underlying profit before tax adjusted for share based payments and non-controlling interest. The shortfall to 30% is largely attributable to R&D concessions on software development costs.

Operating and financial review (continued)

Analysis of financial results - Segments (excl Ex-ANZ wealth management and discontinued operations)

Financial advice	31 Dec 19 $'000	31 Dec 18 * $'000	Movement $'000	Movement %
Net operating revenue	93,699	99,427	(5,728)	(5.8%)
Other revenue (incl share of net profits of associates)	2,415	2,661	(246)	(9.2%)
Operating expenditure	(52,763)	(55,627)	2,864	5.1%
Net financing	(253)	64	(317)	(495.3%)
Net non-cash items	(5,046)	(2,486)	(2,560)	(103.0%)
Income tax expense and non-controlling interest	(11,626)	(13,534)	1,908	14.1%
Underlying Profit after Tax	**26,426**	**30,505**	**(4,079)**	**(13.4%)**

- Net operating revenue has been adversely impacted by competitive pricing from a third party administrator which has since been matched in an equivalent offer. In addition, Shadforth advisers have increased their clients' weighting to IOOF administration. This results in the portfolio administration fee being increasingly apportioned to that segment whereas third party administration margin was previously recognised in advice.
- Operating expenditure has reduced in line with an increasing share of managerial and compliance oversight occurring within the ex-ANZ segment.
- Non cash items adversely impacted profitability due to imposition of AASB 16.

Portfolio & estate administration	31 Dec 19 $'000	31 Dec 18 * $'000	Movement $'000	Movement %
Net operating revenue	112,190	120,351	(8,161)	(6.8%)
Operating expenditure	(58,885)	(56,593)	(2,292)	(4.0%)
Net financing	(15)	2	(17)	(850.0%)
Net non-cash items	(5,771)	(4,317)	(1,454)	(33.7%)
Income tax expense and non-controlling interest	(14,560)	(18,286)	3,726	20.4%
Underlying Profit after Tax	**32,959**	**41,157**	**(8,198)**	**(19.9%)**

- Net operating revenue reflected growth in average FUA tempered by the impact of basis points margin reduction. Basis point margin outcomes are largely the result of client preference for contemporary lower priced services.
- Increased operating expenditure resulted primarily from increased governance via implementation of the Office of the Superannuation Trustee and additional Risk and Compliance FTE.
- Non cash items adversely impacted profitability due to imposition of AASB 16.

Investment management	31 Dec 19 $'000	31 Dec 18 * $'000	Movement $'000	Movement %
Net operating revenue	34,551	32,730	1,821	5.6%
Operating expenditure	(5,198)	(5,120)	(78)	(1.5%)
Net non-cash items	(1,104)	(1,351)	247	18.3%
Income tax expense and non-controlling interest	(8,617)	(8,159)	(458)	(5.6%)
Underlying Profit after Tax	**19,632**	**18,100**	**1,532**	**8.5%**

- Net operating revenue improved in line with market based growth in average funds flowing largely from improved platform FUMA.

Operating and financial review (continued)

Financial Position

The IOOF Group held cash and cash equivalents of $68.8m at 31 December 2019 (30 June 2019: $97.4m). 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.

On 27 October 2019, IOOF Group amended the syndicated facility agreement (SFA) with lenders to reduce the available facilities to reflect the reduced consideration for the ANZ P&I business. The amended SFA consists of the following facilities:

- $240m revolving cash advance facility with a 3 year repayment term from the SFA effective date.
- $375m revolving cash advance facility with a 5 year repayment term from the SFA effective date.
- $60m multi-option facility with a 3 year repayment term from the SFA effective date.

Proceeds from SFA borrowings were initially applied towards the subscription of a debt note with face value $800m from ANZ. The debt note was redeemed on 31 January 2020 and applied against the consideration owing for the ANZ P&I business.

The overall debt to equity ratio stood at 21% at 31 December 2019 (30 June 2019: 21%) reflecting a net $443m in borrowings (including lease liabilities), principally $355m under the SFA, as at period end.

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

Risks

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

(i) Changes in investment markets

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

(ii) Competition

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

(iii) Information technology

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

(iv) Cyber security

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

Operating and financial review (continued)

Risks (continued)

(v) Brands and reputation

The IOOF Group's capacity to attract and retain financial advisers, employees, clients and FUMA depends to a certain extent upon the brands and reputation of its businesses. A significant and prolonged decline in key brand value or IOOF 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 the IOOF Group's future profitability and financial position. The IOOF Group actively monitors media and other public domain commentary on its affairs as well as proactively promoting the value of its services, products and community initiatives and building a customer centric culture.

(vi) Provision of investment advice

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

(vii) Operational risks

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

(viii) Conduct risk

Conduct risk is the risk of intentionally or unintentionally delivering poor outcomes for clients as a result of improper conduct or inadequate systems.
-Improper conduct is conduct that is illegal, dishonest, unacceptable or undesirable (or the concealment of such conduct) by IOOF staff or officers and is a breach of IOOF values; the IOOF Code of Conduct; and IOOF's ClientFirst philosophy.
-Inadequate systems are the frameworks, technologies, systems and programs that our people use to do their jobs and may be caused by operational or design flaws (including complexity).
Conduct risk goes beyond legal and regulatory obligations. It is about how IOOF clients are treated (includes fairness of outcomes) and whether IOOF products and services meet the needs and expectations of stakeholders.
Conduct risk is recognised as a stand-alone, material risk.
The IOOF Group's culture of honest and ethical behaviour is supported by the IOOF Code of Conduct and its Compliance Manual for Authorised Representatives, which set out the tenets of professional and personal conduct with which directors, employees, contractors, Authorised Representatives, agents and consultants are required to comply. These include promoting a healthy and safe environment, protecting private and confidential information, acting at all times within the law and acting in the best interests of the IOOF Group, its shareholders, clients and investors. As an additional safeguard, the IOOF Group's Whistleblower Policy protects eligible whistleblowers who make protected disclosures to eligible recipients in accordance with the IOOF Whistleblower Policy.

(ix) Credit risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss that arises from receivables, loans and other receivables. With the exception of ANZ, who was the counterparty to the Debt Note until it was redeemed on 31 January 2020, the IOOF Group's counterparties generally do not have an independent credit rating. The IOOF Group assesses the credit quality of the debtor taking into account its financial position, past experience with the debtor, and other available credit risk information.

(x) Cash flow and interest rate risk

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

Operating and financial review (continued)

Risks (continued)

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

(xii) Reliance on Australian Financial Services Licence, Registrable Superannuation Entity and other licences
In order to provide the majority of its services in Australia, a number of the IOOF Group's controlled entities are required to hold a number of licences, most notably Australian Financial Services (AFS) or Registrable Superannuation Entity (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. A breach or loss of licences could have a material adverse effect on business and financial performance. AFS and RSE licences also require the licence holder to maintain certain levels of capital. These capital requirements may change from time to time. Earnings dilution may occur where a higher capital base is required to be held. Ongoing compliance with the general obligations and conditions of licences is carefully monitored by dedicated and experienced risk and compliance professionals.

(xiii) Insurance
The IOOF Group holds insurance policies, including errors and omissions (professional indemnity) and directors' and officers' insurance, which are commensurate with industry standards, and adequate having regard to our business activities. These policies provide a degree of protection for the IOOF Group's assets, liabilities, officers and employees. However, no assurance can be given that any insurance that the IOOF Group currently maintains will:
• be available in the future on a commercially reasonable basis; or
• provide adequate cover against claims made against or by the IOOF Group, noting that there are some risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake, flood, fire).
The IOOF Group also faces risks associated with the financial strength of its insurers to meet indemnity obligations when called upon which could have an adverse effect on earnings. If the IOOF Group incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected.

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

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

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

Operating and financial review (continued)

Risks (continued)

(xvii) Acquisitions and integration

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;
• potential for litigation risk in acquired businesses not being adequately indemnified;
• 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 the IOOF Group's financial position. The IOOF Group maintains a significant complement of experienced staff and holds relationships with specialist merger and acquisition advisers to assess acquisition opportunities. This is designed to ensure the Board is fully informed of the risks and opportunities associated with any potential individual acquisition.

(xviii) Dilution

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

(xix) Regulatory and legislative risk and reform

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

(xx) Financing risk

Financing risk refers to the IOOF Group’s inability to refinance debt facilities or to secure new financing on satisfactory terms which could adversely affect the IOOF Group’s financial performance and prospects. To the extent that additional equity or debt funding is not available from time to time on acceptable terms, or at all, the IOOF Group may not be able to take advantage of acquisition and other growth opportunities, develop new ideas or respond to competitive pressures. If at any time the IOOF Group requires an extension to a facility but is unable to obtain it and is unable to repay the relevant facility, this will constitute a default under the other existing facilities and enable the financiers to demand immediate repayment and cancel the facilities. Cancellation of the debt financing arrangements would have an adverse impact on the IOOF Group’s financial position and performance. This risk is minimised via a dedicated Treasury function with established policies and procedures which are subject to continuous monitoring and oversight.

(xxi) Environmental, social, and governance risk

Environment, social, and governance (ESG) risk relates to the consideration of non-financial risks, as they arise from environmental, reputational, legal, technological, operational, cultural and strategic considerations. The IOOF Group considers the impacts of its operations on the natural environment - actively working to reduce the Group's ecological footprint. The IOOF Group also maintains a number of policies dedicated to diversity, inclusion and engagement to ensure that its interactions with clients, staff and other key external parties are conducted in a compliant manner which also meets community expectations.

Operating and financial review (continued)

Shareholder returns

The IOOF Group dividend is calibrated to provide shareholders with a benefit which reflects performance and offers an attractive yield when assessed against a range of other external economic factors and investment options. The Board also understands that dividend payments should not hinder future organisational plans. The Board has therefore determined that a pay-out ratio range of 60% - 90% of UNPAT is generally appropriate, but not binding.

Total Shareholder Return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. The IOOF Group's TSR in the 5 year period from 1 January 2015 was 16.4% in total and 3.1% on a compounding annualised basis. The TSR for the 12 months to 31 December 2019 was 58.8% with a dividend yield of 6.8% combined with a share price increase of 52.0%.

	Six months ended 31 December		
	2019	2018	% change
Profit attributable to owners of the Company ($'000s)[(1)]	114,981	135,429	(15.1%)
Basic EPS (cents per share)	32.8	38.6	(14.9%)
Diluted EPS (cents per share)	32.8	38.5	(14.9%)
UNPAT ($'000s)	61,354	99,942	(38.6%)
UNPAT EPS (cents per share)	17.5	28.5	(38.6%)
Dividends declared ($'000s)	56,172	89,425	(37.2%)
Dividends per share (cents per share)	16.0	25.5	(37.3%)
Opening share price	$ 5.17	$ 8.99	(42.5%)
Closing share price at 31 December	$ 7.86	$ 5.17	52.0%
Return on equity [(2)]	7.2%	10.9%	(33.6%)

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

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

Returns to shareholders increase / decrease through both dividends and capital growth/decline. Dividends, including the special dividend for 2020, and interim and final dividends for 2019 and prior years were fully franked.

Dividends

In respect of the six months ended 31 December 2019, the Directors declared the payment of an interim dividend of 16.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 16 March 2020. This dividend will be paid to all shareholders recorded on the Register of Members on 26 February 2020.

In respect of the financial year ended 30 June 2019, a final dividend of 12.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 27 September 2019.

In respect of the financial year ended 30 June 2020, a special dividend of 7.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 27 September 2019.

Events occurring after balance date

The Directors have declared the payment of an interim dividend of 16.0 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 16 March 2020.

The acquisition of ANZ's Pensions and Investments business ("P&I") was completed on 31 January 2020. The economics of P&I accrue to IOOF from 1 February 2020. A renegotiated sale price of $825m for the P&I business, down $125m (15.2%) from the original $950m, was announced on 17 October 2019.

The debt note with a face value of $800m was redeemed on 31 January 2020 and applied against the consideration owing for the ANZ P&I business. Additionally, $95m of available facilities were drawn on completion date and applied against the purchase price consideration owing.

Events occurring after balance date (continued)

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 2019 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 14 of the interim financial report and forms part of the Directors' Report for the six months ended 31 December 2019.

Rounding off of amounts

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

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

Allan Griffiths

Chairman
18 February 2020

Directors' declaration

In the opinion of the Directors of the Company:

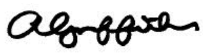
(a) the condensed consolidated financial statements and notes set out on pages 17 to 40, are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 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:



Allan Griffiths

Chairman

Melbourne

18 February 2020

KPMG

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 of IOOF Holdings Ltd for the half-year ended 31 December 2019 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

Chris Wooden
Partner

Melbourne
18 February 2020

Independent Auditor's Review Report

To the shareholders of IOOF Holdings Ltd

Report on the review of the Financial Report

Conclusion

We have reviewed the accompanying ***Condensed Consolidated Interim Financial Report*** of IOOF Holdings Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Interim Financial Report of IOOF Holdings Ltd 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 2019 and of 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*.

The ***Condensed Consolidated Interim Financial Report*** comprises

- Condensed consolidated statement of financial position as at 31 December 2019;
- Condensed consolidated statement of profit or loss and other 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 6-6 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises IOOF Holdings Ltd (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ended on 31 December 2019.

Responsibilities of the Directors for the Condensed Consolidated Interim Financial Report

The Directors of the Company are responsible for:

- The preparation of the Condensed Consolidated Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001; and*
- Such internal control as the Directors determine is necessary to enable the preparation of the Condensed Consolidated Interim Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

Auditor's responsibility for the review of the Condensed Consolidated Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Consolidated 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 Condensed Consolidated 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 2019 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 Period 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.

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

KPMG	KPMG
KPMG	KPMG
Chris Wooden *Partner*	Rachel Milum *Partner*
Melbourne	Melbourne
18 February 2020	18 February 2020

IOOF Interim Financial Report 2019
Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended	Note	31 Dec 19 $'000	31 Dec 18 * $'000
Continuing operations			
Revenue	2-3	527,198	505,493
Expenses	2-4	(479,872)	(401,308)
Share of profits/(losses) of associates accounted for using the equity method		(109)	15
Finance costs		(7,809)	(4,816)
Profit before tax		39,408	99,384
Income tax expense	2-5	(12,015)	(29,397)
Statutory fund			
Statutory fund revenue**	5-1	26,668	20,510
Statutory fund expenses**	5-1	(17,558)	(33,529)
Income tax (expense)/benefit - statutory**	5-1	(9,110)	13,019
Statutory fund contribution to profit, net of tax		-	-
Profit for the period from continuing operations		**27,393**	**69,987**
Discontinued operation			
Profit for the period from discontinued operation	2-2	88,644	67,785
Profit for the period		116,037	137,772
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		41,380	5,133
Exchange differences on translating foreign operations		10	29
Income tax on other comprehensive income		(12,412)	(1,540)
Total items that may be reclassified subsequently to profit or loss		28,978	3,622
Other comprehensive income/(expense) for the period, net of income tax		28,978	3,622
Total comprehensive income for the period		145,015	141,394
Profit attributable to:			
Owners of the Company		**114,981**	**135,429**
Non-controlling interest		1,056	2,343
Profit for the period		116,037	137,772
Total comprehensive income attributable to:			
Owners of the Company		143,959	139,051
Non-controlling interest		1,056	2,343
Total comprehensive income for the period		145,015	141,394
Earnings per share:			
Basic earnings per share (cents per share)	2-7	32.8	38.6
Diluted earnings per share (cents per share)	2-7	32.8	38.5
Earnings per share - continuing operations:			
Basic earnings per share (cents per share)		7.5	19.3
Diluted earnings per share (cents per share)		7.5	19.2

Notes to the consolidated financial statements are included on pages 22 to 40.

* 31 December 2018 has been restated. Refer Note 2-2 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.

Condensed consolidated statement of financial position

	Note	31 Dec 19 $'000	30 Jun 19 $'000
Assets			
Cash	1-1	68,796	97,442
Receivables	1-1	365,844	328,691
Debt note	1-1	800,000	800,000
Other financial assets	1-1	1,124,578	1,047,137
Current tax assets		47,749	3,897
Prepayments		11,039	15,307
Deferred acquisition costs		1,171	1,182
Associates		16,398	21,509
Property and equipment	4-4	115,900	36,010
Intangible assets	4-2	352,187	364,707
Goodwill	4-3	937,316	936,891
		3,840,978	3,652,773
Assets classified as held for sale	2-2	-	52,474
Total assets		**3,840,978**	**3,705,247**
Liabilities			
Payables	1-1	77,470	90,235
Other financial liabilities	1-1	1,075,930	1,038,118
Loans and borrowings	1-1, 3-1	447,473	426,503
Provisions	4-1	487,386	453,332
Deferred tax liabilities		23,757	5,895
Deferred revenue liability		1,121	1,121
Lease incentives		-	5,752
		2,113,137	2,020,956
Liabilities directly associated with assets classified as held for sale	2-2	-	27,434
Total liabilities		**2,113,137**	**2,048,390**
Net assets		**1,727,841**	**1,656,857**
Equity			
Share capital	3-2	1,965,377	1,963,109
Reserves	3-4	52,682	25,225
Accumulated losses		(289,622)	(339,140)
Total equity attributable to equity holders of the Company		**1,728,437**	**1,649,194**
Non-controlling interest		(596)	7,663
Total equity		**1,727,841**	**1,656,857**

Notes to the consolidated financial statements are included on pages 22 to 40.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2019	Note	Ordinary shares $'000	Treasury shares $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019		1,970,999	(7,890)	25,225	(339,140)	**1,649,194**	7,663	**1,656,857**
Total comprehensive income for the period								
Profit for the period attributable to owners of the Company		-	-	-	114,981	**114,981**	1,056	**116,037**
Other comprehensive income for the period, net of income tax		-	-	28,978	-	**28,978**	-	**28,978**
Total comprehensive income for the period		-	-	28,978	114,981	**143,959**	1,056	**145,015**
Transactions with owners, recorded directly in equity								
Contributions by and (distributions to) owners								
Dividends paid		-	-	-	(66,489)	**(66,489)**	(10)	**(66,499)**
Disposal of non-controlling interest		-	-	-	-	**-**	(9,305)	**(9,305)**
Share-based payment expense	2-4	-	-	1,773	-	**1,773**	-	**1,773**
Transfer from employee equity-settled benefits reserve on exercise of performance rights	3-2	2,268	-	(2,268)	-	**-**	-	**-**
Treasury shares transferred to recipients during the period	3-2	(2,172)	2,863	-	-	**691**	-	**691**
Shares returned from recipients during the period	3-2	-	(691)	-	-	**(691)**	-	**(691)**
Transfer of lapsed performance rights to retained earnings		-	-	(1,026)	1,026	**-**	-	**-**
Total transactions with owners		96	2,172	(1,521)	(65,463)	**(64,716)**	(9,315)	**(74,031)**
Balance at 31 December 2019		1,971,095	(5,718)	52,682	(289,622)	**1,728,437**	(596)	**1,727,841**

Notes to the consolidated financial statements are included on pages 22 to 40.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2018	Ordinary shares $'000	Treasury shares $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	1,971,648	(4,625)	19,413	(184,169)	**1,802,267**	10,420	**1,812,687**
Total comprehensive income for the period							
Profit for the period attributable to owners of the Company	-	-	-	135,429	**135,429**	2,343	**137,772**
Other comprehensive income for the period, net of income tax	-	-	3,622	-	**3,622**	-	**3,622**
Total comprehensive income for the period	-	-	3,622	135,429	**139,051**	2,343	**141,394**
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends paid	-	-	-	(94,716)	**(94,716)**	(4,520)	**(99,236)**
Return of capital to non-controlling interest	-	-	-	-	**-**	(1,201)	**(1,201)**
Share-based payment expense	-	-	4,477	-	**4,477**	-	**4,477**
Transfer from employee equity-settled benefits reserve on exercise of performance rights	3,682	-	(3,682)	-	**-**	-	**-**
Treasury shares transferred to recipients during the period	(4,265)	4,265	-	-	**-**	-	**-**
Transfer of lapsed performance rights to retained earnings	-	-	(524)	524	**-**	-	**-**
Purchase of treasury shares	-	(3,780)	-	-	**(3,780)**	-	**(3,780)**
Additional non-controlling interests arising upon acquisition	-	-	-	-	**-**	537	**537**
Total transactions with owners	(583)	485	271	(94,192)	**(94,019)**	(5,184)	**(99,203)**
Balance at 31 December 2018	1,971,065	(4,140)	23,306	(142,932)	**1,847,299**	7,579	**1,854,878**

Notes to the consolidated financial statements are included on pages 22 to 40.

Condensed consolidated statement of cash flows

For the six months ended	Note	31 Dec 19 $'000	31 Dec 18 $'000
Cash flows from operating activities			
Receipts from customers		601,406	562,847
Payments to suppliers and employees		(525,122)	(447,636)
Dividends from associates		119	206
Net stockbroking purchases		(30)	188
Non-recurring professional fees paid		(4,401)	-
Net legal settlements		943	(8,480)
Termination payments		(2,564)	(316)
Remediation costs		(9,552)	(3,805)
Governance uplift costs		(3,187)	-
Coupon interest received on debt note		8,066	18,937
Income taxes paid - corporate		(38,734)	(54,255)
Contributions received - statutory		55,943	66,108
Withdrawal payments - statutory		(56,711)	(76,318)
Dividends and distributions received - statutory		905	1,163
Proceeds from divestment of financial instruments - statutory		72,167	96,685
Payments for financial instruments - statutory		(54,561)	(73,946)
Amounts (advanced to)/borrowed from other entities - statutory		(6,701)	447
Income taxes paid - statutory		(9,326)	(10,502)
Net cash provided by operating activities		28,660	71,323
Cash flows from investing activities			
Dividends and distributions received		788	658
Interest received		1,178	5,236
Acquisition costs - Acquisition advisory		(438)	(1,733)
Acquisition costs - Integration preparation		(6,866)	(6,515)
Acquisition costs - Finance costs		(65)	(416)
Interest and other costs of finance paid		(5,627)	(8,706)
Redemption/(purchase) of certificates of deposit		-	407,443
Purchase of debt note		-	(800,000)
Net proceeds on divestment of subsidiaries		90,024	40,978
Purchase of shares in associate		(2,100)	(1,750)
Acquisition of subsidiary, net of cash acquired		-	(5,846)
Payments for property and equipment		(3,209)	(22,709)
Payments for intangible assets		(5,359)	(3,163)
Repayment of loan principal (related parties)		7,298	-
Net cash provided by/(used in) investing activities		75,624	(396,523)
Cash flows from financing activities			
Net borrowings drawn/(repaid)		(74,970)	419,997
Purchase of treasury shares		-	(3,780)
Return of capital to non-controlling interest		-	(1,201)
Net repayment of leasing liabilities		(6,426)	-
Dividends paid:			
- members of the Company		(66,489)	(94,716)
- non-controlling members of subsidiary entities		(10)	(4,520)
Net cash provided by/(used in) financing activities		(147,895)	315,780
Net increase/(decrease) in cash and cash equivalents		(43,611)	(9,420)
Cash and cash equivalents at the beginning of period		97,442	125,619
Cash classified in assets held for sale at the beginning of the period		14,963	-
Effects of exchange rate changes on cash and cash equivalents		2	27
Cash and cash equivalents at the end of period		68,796	116,226

Notes to the consolidated financial statements are included on pages 22 to 40.

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 2019.

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.

Assets and liabilities relating to statutory funds

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 policyholder 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 policyholder liabilities have been designated at fair value through profit or loss as the assets are managed on a fair value basis.

Policyholder liabilities have been determined in accordance with applicable accounting standards. Policyholder liabilities for life insurance contracts are valued in accordance with AASB 1038, whereas life investment contracts are valued in accordance with AASB 9 and AASB 15. There are differences between the valuation requirements of the accounting standards and those of the Life Insurance Act 1995.

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

Section 1 - Risk management

1-1 Financial Instruments (continued)

	Carrying amount			Fair value			
	Current	Non-Current	Total	Level 1	Level 2	Level 3	Total
31 December 2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at amortised cost							
Cash - corporate	65,269	-	65,269				
Cash - statutory	3,527	-	3,527				
Total cash	68,796	-	68,796				
Receivables - corporate							
Trade receivables	47,499	-	47,499				
Other receivables	51,573	5,242	56,815				
Ex-ANZ ADG remediation indemnity	28,203	155,117	183,320				
Security bonds	-	250	250				
Recovery of legal claims	54,528	-	54,528				
Receivables - statutory			-				
Trade receivables	203	-	203				
Other receivables	16,576	-	16,576				
Dividends and distributions receivable	6,653	-	6,653				
Total receivables	205,235	160,609	365,844				
Fair value through profit or loss							
Debt note - corporate	800,000	-	800,000	-	-	800,000	800,000
Other financial assets							
Fair value through profit or loss							
Unlisted unit trusts - corporate	-	760	760	760	-	-	760
Unlisted unit trusts - statutory	999,911	-	999,911	999,911	-	-	999,911
Fair value through OCI	-	83,008	83,008	83,008	-	-	83,008
Loans and other receivables							
Loans to directors/executives of associated entities - corporate	-	-	-	-	-	-	-
Loans to policyholders - statutory	40,899	-	40,899	40,899	-	-	40,899
Total other financial assets	1,040,810	83,768	1,124,578				
Total financial assets	**2,114,841**	**244,377**	**2,359,218**				
Financial liabilities							
Payables - corporate	75,935	-	75,935				
Payables - statutory	1,535	-	1,535				
Total payables	77,470	-	77,470				
Ex-ANZ ADG remediation provision - corporate	23,611	129,862	153,473				
IOOF adviser remediation provision - corporate	34,316	188,739	223,055				
Legal provision	54,528	-	54,528				
Other financial liabilities - corporate							
Ex-ANZ ADG remediation settlements liability	-	29,847	29,847				
Contingent consideration	2,576	-	2,576				
Other financial liabilities - statutory							
Insurance contract liabilities	191,023	-	191,023				
Investment contract liabilities	852,484	-	852,484				
Total other financial liabilities	1,046,083	29,847	1,075,930				
Borrowings - corporate	-	352,431	352,431				
Lease liabilities - corporate	11,988	83,054	95,042				
Total loans and borrowings	11,988	435,485	447,473				
Total financial liabilities	**1,247,996**	**783,933**	**2,031,929**				
Net financial assets/(liabilities)	**866,845**	**(539,556)**	**327,289**				

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 2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at amortised cost							
Cash - corporate	91,687	-	91,687				
Cash - statutory	5,755	-	5,755				
Total cash	97,442	-	97,442				
Receivables - corporate							
Trade receivables	46,260	-	46,260				
Other receivables	59,095	681	59,776				
Ex-ANZ ADG remediation indemnity	26,189	157,131	183,320				
Security bonds	-	250	250				
Receivables - statutory			-				
Trade receivables	1,978	-	1,978				
Other receivables	10,540	-	10,540				
Dividends and distributions receivable	26,567	-	26,567				
Total receivables	170,629	158,062	328,691				
Fair value through profit or loss							
Debt note - corporate	800,000	-	800,000	-	-	800,000	800,000
Other financial assets							
Fair value through profit or loss							
Unlisted unit trusts - corporate	-	641	641	641	-	-	641
Unlisted unit trusts - statutory	963,373	-	963,373	963,373	-	-	963,373
Fair value through OCI	-	41,627	41,627	41,627	-	-	41,627
Loans and other receivables							
Loans to directors/executives of associated entities - corporate	-	7,298	7,298	7,298	-	-	7,298
Loans to policyholders - statutory	34,198	-	34,198	34,198	-	-	34,198
Total other financial assets	997,571	49,566	1,047,137				
Total financial assets	**2,065,642**	**207,628**	**2,273,270**				
Financial liabilities							
Payables - corporate	86,360	-	86,360				
Payables - statutory	3,875	-	3,875				
Total payables	90,235	-	90,235				
Ex-ANZ ADG remediation provision - corporate	24,116	144,694	168,810				
IOOF adviser remediation provision - corporate	31,881	191,284	223,165				
Other financial liabilities - corporate							
Ex-ANZ ADG remediation settlements liability	2,073	12,437	14,510				
Contingent consideration	837	-	837				
Other financial liabilities - statutory							
Insurance contract liabilities	202,434	-	202,434				
Investment contract liabilities	820,337	-	820,337				
Total other financial liabilities	1,025,681	12,437	1,038,118				
Borrowings - corporate	-	426,503	426,503				
Total financial liabilities	**1,171,912**	**774,919**	**1,946,831**				
Net financial assets/(liabilities)	**893,729**	**(567,290)**	**326,439**				

Section 1 - Risk management

1-1 Financial Instruments (continued)

Financial instruments valuation

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 (i.e.. as prices) or indirectly (i.e.. derived from prices). Level 2 fair values for the over-the-counter foreign exchange and index swaps are provided by the counterparty and verified by the IOOF Group. Fair values are derived from published market indices and include adjustments to take account of the credit risk of the IOOF Group entity and counterparty.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The IOOF Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six months ended 31 December 2019. (2018: nil).

Reconciliation of movements in level 3 financial instruments	**Debt Note**		**Contingent consideration**	
	31 Dec 19 $'000	**30 Jun 19 $'000**	**31 Dec 19 $'000**	**30 Jun 19 $'000**
Opening balance	800,000	-	837	392
Issuance of debt note	-	800,000	-	-
Unwinding of discount	-	-	-	8
Take up of deferred consideration liability	-	-	2,215	2,907
Contingent consideration paid	-	-	(476)	(2,470)
Closing balance	800,000	800,000	2,576	837

Level 3 financial assets consist of a debt note carried at fair value. The debt note is valued via a discounted cash flow, which incorporates unobservable inputs such as discount rates and probability-adjusted revenues expected to be received under the arrangement. An increase in the discount rate used in isolation would result in a decrease to the fair value of the debt note. An increase in the probability adjusted revenues in isolation would result in an increase in the fair value of the debt note.

Level 3 financial liabilities consist of deferred purchase consideration in respect of client lists purchased by the IOOF Group, which is valued at the maximum deferred consideration amount payable under the relevant contracts. The amount of deferred consideration payable is linked to the retention of clients, which is an unobservable output and may decrease the value of the liability.

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 IOOF 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 Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

Portfolio and estate 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.

Ex-ANZ wealth management
Aligned Dealer Groups (ADGs) acquired from ANZ during the prior year, which provide financial planning advice services. This is also inclusive of the debt note revenue which represented proportionate economic contribution from the P&I business.

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 (excluding the benefit funds) 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)

	Financial advice and distribution		Portfolio and estate administration		Investment management		Ex-ANZ wealth management		Corporate and other		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018(ii) $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Management and service fees revenue	137,390	145,542	200,345	205,240	51,282	49,443	99,423	47,704	-	-	488,440	447,929
External other fee revenue	7,744	7,893	4,459	4,566	3,604	1,888	7,017	2,894	301	179	23,125	17,420
Service fees and other direct costs	(99,305)	(95,215)	(46,985)	(51,192)	(18,985)	(17,140)	(97,010)	(46,458)	-	198	(262,285)	(209,807)
Deferred acquisition costs	-	(18)	(38)	(59)	-	-	-	-	-	-	(38)	(77)
Gross Margin	**45,829**	**58,202**	**157,781**	**158,555**	**35,901**	**34,191**	**9,430**	**4,140**	**301**	**377**	**249,242**	**255,465**
Stockbroking revenue	1,658	2,253	-	-	-	-	19	15	-	-	1,677	2,268
Stockbroking service fees expense	(660)	(624)	-	-	-	-	-	-	-	-	(660)	(624)
Stockbroking net contribution	**998**	**1,629**	**-**	**-**	**-**	**-**	**19**	**15**	**-**	**-**	**1,017**	**1,644**
Inter-segment revenue(i)	48,115	40,550	3,947	1,354	-	-	-	-	69	69	52,131	41,973
Inter-segment expenses(i)	(1,243)	(954)	(49,538)	(39,558)	(1,350)	(1,461)	-	-	-	-	(52,131)	(41,973)
Net Operating Revenue	**93,699**	**99,427**	**112,190**	**120,351**	**34,551**	**32,730**	**9,449**	**4,155**	**370**	**446**	**250,259**	**257,109**
Other external revenue	2,527	2,646	-	-	-	-	1,143	1,520	426	166	4,096	4,332
Finance income	72	73	2	2	-	-	8,185	28,851	1,304	4,253	9,563	33,179
Share of profits/(losses) of associates	(112)	15	-	-	-	-	3	-	-	-	(109)	15
Operating expenditure	(52,763)	(55,627)	(58,885)	(56,593)	(5,198)	(5,120)	(26,107)	(13,132)	(21,271)	(19,476)	(164,224)	(149,948)
Share-based payments expense	(635)	(1,200)	(644)	(1,498)	(474)	(1,034)	(91)	-	71	(714)	(1,773)	(4,446)
Finance costs	(325)	(9)	(17)	-	-	-	(15)	-	(7,452)	(4,807)	(7,809)	(4,816)
Depreciation of property & equipment	(4,411)	(1,286)	(4,758)	(2,468)	(630)	(317)	(497)	(5)	-	-	(10,296)	(4,076)
Amortisation of intangible assets - IT Development	-	-	(369)	(351)	-	-	-	-	-	-	(369)	(351)
Non-controlling interest	1	18	-	-	-	-	553	112	-	-	554	130
Income tax expense	(11,627)	(13,552)	(14,560)	(18,286)	(8,617)	(8,159)	2,353	(6,545)	9,177	8,472	(23,274)	(38,070)
UNPAT from continuing operations	**26,426**	**30,505**	**32,959**	**41,157**	**19,632**	**18,100**	**(5,024)**	**14,956**	**(17,375)**	**(11,660)**	**56,618**	**93,058**
Discontinued operations											4,736	6,884
UNPAT											**61,354**	**99,942**

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

(ii) For the period 1 October 2018 to 31 December 2018.

Segment disclosures have been prepared on an underlying (UNPAT) basis as discussed in the Operating and Financial Review section of the Directors' Report.

Section 2 - Results for the period

2-1 Operating segments (continued)

Reconciliation of reportable segment revenues and expenses

	Note	31 Dec 19 $'000	31 Dec 18 $'000
Profit attributable to Owners of the Company		**114,981**	**135,429**
Discontinued operations		(87,034)	(65,312)
Profit from continuing operations attributable to Owners of the Company		**27,947**	**70,117**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Amortisation of intangible assets	2-4	18,287	18,965
Acquisition costs - Acquisition advisory	2-4	438	1,733
Acquisition costs - Integration preparation	2-4	8,942	6,515
Acquisition costs - Finance costs	2-4	65	416
Termination payments	2-4	2,677	254
Profit on divestment of assets	2-3	(297)	(365)
Non-recurring professional fees paid	2-4	4,401	230
Unwind of deferred tax liability recorded on intangible assets		(4,858)	(4,979)
Remediation costs	2-4	1,511	3,805
Governance uplift costs	2-4	3,187	-
Other	2-4	719	61
Income tax attributable		(6,401)	(3,694)
UNPAT from continuing operations		**56,618**	**93,058**
UNPAT from discontinued operations		4,736	6,884
UNPAT		**61,354**	**99,942**

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 2019.

2-2 Discontinued operations

(a) AET Corporate Trust business

On 1 November 2018, the IOOF Group completed the divestment of the AET Corporate Trust business to Sargon Capital Pty Ltd (Sargon) for an upfront consideration of $41.3m and a deferred component of $10.3m dependent on the novation of certain contract revenue to Sargon. An additional $1.6m consideration relating to a net asset adjustment was received in January 2019. At 30 June 2019, the deferred consideration was written back as it is considered unlikely that the performance hurdles will be met and the deferred consideration will be received.

The recovery of legal claims in 2018 relates to recoveries as a result of agreed settlements with PwC, HLB Mann Judd, IOOF's insurers and insurance broker, in respect of the cross-claims brought by Australian Executor Trustees Limited against those parties as part of the proceedings related to Provident Capital Limited. Settlement of legal claims expenditure of $44.3m was recognised in June 2018 in relation to the Provident proceedings.

(b) Ord Minnett business

On 27 June 2019, the Directors announced the divestment of the Group's 70% holding in Ord Minnett Holdings Pty Ltd (Ord Minnett). The disposal is consistent with the Group's long-term strategy to focus on its core wealth management capabilities. The Group entered into a contract with a consortium of private investors led by current Ord Minnett management to dispose of its stake in Ord Minnett for sale consideration of $115m. Completion of the sale occurred on 24 September 2019.

(c) Investment in Perennial Value Management

On 10 October 2019, the IOOF Group divested its equity accounted investment in Perennial Value Management Limited.

Section 2 - Results for the period

2-2 Discontinued operations (continued)

(d) Analysis of profit for the year from discontinued operations

Revenue, expenses and associated income tax in the financial statements and notes have been restated to a continuing basis, where applicable, and therefore exclude the below results of the discontinued operations.

Results of discontinued operations	31 Dec 19 $'000	31 Dec 18 $'000
Revenue	45,338	79,178
Expenses	(38,105)	(67,167)
Share of profits of associate	1,043	416
Recovery of legal claims	-	36,000
Results from operating activities	8,276	48,427
Income tax	(2,216)	(14,608)
Results from operating activities, net of tax	6,060	33,819
Gain on sale of discontinued operation	81,874	48,959
Income tax on gain on sale of discontinued operation	710	(14,993)
Gain on disposal of discontinued operation, net of tax	82,584	33,966
Profit for the period	88,644	67,785
Attributable to:		
Owners of the entity	87,034	65,312
Non-controlling interest	1,610	2,473
Profit for the period	88,644	67,785
Basic earnings per share (cents per share)	25.3	19.3
Diluted earnings per share (cents per share)	25.3	19.3
Cash flows from the discontinued operation		
Net cash (used in)/provided by operating activities	60,315	(24,490)
Net cash provided by investing activities	(1,169)	38,184
Net cash flow for the period	59,146	13,694
Profit for the period from discontinued operations	**87,034**	**65,312**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:		
Amortisation of intangible assets	358	787
Termination payments	3	62
Profit on divestment of assets	(81,874)	(48,959)
Provident legal settlement	-	(36,000)
Unwind of deferred tax liability recorded on intangible assets	(74)	(161)
Income tax attributable	(711)	25,843
UNPAT from discontinued operations	4,736	6,884

Section 2 - Results for the period

2-2 Discontinued operations (continued)

(e) Assets and liabilities of discontinued operations

Assets and liabilities of disposal group

The net assets of the disposal groups at the dates of disposal are shown below.

	Ord Minnett Group 24 Sep 19 $'000	AET Corporate Trust 1 Nov 18 $'000
Assets		
Cash	19,782	1,605
Receivables	9,967	3,127
Prepayments	9,199	53
Plant & equipment	12,907	5
Intangible assets	-	279
Other assets	5,171	-
Deferred tax assets	2,496	188
Total assets	59,522	5,257
Liabilities		
Payables	11,050	453
Provisions	15,031	456
Lease liabilities	11,157	-
Deferred tax liabilities	74	4
Total liabilities	37,312	913
Net assets	22,210	4,344
Net assets of Ord Minnett business attributable to non-controlling interests	(6,663)	-
Net assets attributable to owners of the Company	15,547	4,344
Consideration received in cash	115,000	41,316
Income tax paid	(12,690)	(14,993)
Cash and cash equivalents disposed of	(19,782)	(1,605)
Net cash inflow	82,528	24,718

Assets classified as held for sale

The Ord Minnett Group was classified and accounted for at 30 June 2019 as a disposal group held for sale.

	31 Dec 19 $'000	30 Jun 19 $'000
Assets related to Ord Minnett Group	-	52,474
Liabilities associated with assets held for sale	-	27,434

As described above, the Group disposed of its Ord Minnett businesses on 24 September 2019. The fair value less costs to sell of the businesses was higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the asset and liabilities as held for sale nor as at 30 June 2019. The major classes of assets and liabilities of the Ord Minnett businesses at the date of disposal are included above.

2-3 Revenue

	31 Dec 19 $'000	31 Dec 18 * $'000
Management and service fees revenue	488,440	447,929
Stockbroking revenue	1,677	2,268
External other fee revenue	23,125	17,420
Finance income		
Interest income on loans to Directors of controlled and associated entities	78	134
Interest income from non-related entities	8,678	32,372
Dividends and distributions received	788	676
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	19	(3)
	9,563	33,179
Other revenue		
Profit on divestment of assets	297	365
Other	4,096	4,332
	4,393	4,697
Total revenue	527,198	505,493

Section 2 - Results for the period

2-4 Expenses

	Note	31 Dec 19 $'000	31 Dec 18 * $'000
Service Fees and other direct costs			
Service and marketing fees expense		248,285	197,397
Stockbroking service fees expense		660	624
Other direct costs		14,000	12,410
		262,945	210,431
Operating expenditure			
Salaries and related employee expenses		117,548	102,690
Information technology costs		19,890	17,732
Professional fees		4,493	4,465
Marketing		6,571	5,607
Office support and administration		9,062	7,219
Occupancy related expenses		3,050	8,939
Travel and entertainment		3,593	3,159
Other		17	137
		164,224	149,948
Other expenses			
Share-based payments expense		1,773	4,446
Acquisition costs - Acquisition advisory		438	1,733
Acquisition costs - Integration preparation		8,942	6,515
Acquisition costs - Finance costs		65	416
Termination payments		2,677	254
Depreciation of property and equipment		10,296	4,076
Amortisation of intangible assets	4-2	18,287	18,965
Amortisation of intangible assets - IT development	4-2	369	351
Remediation costs		1,511	3,805
Governance uplift costs		3,187	-
Deferred acquisition costs		38	77
Non-recurring professional fees paid		4,401	230
Other		719	61
		52,703	40,929
Total expenses		479,872	401,308

2-5 Income taxes

	31 Dec 19		31 Dec 18 *	
Reconciliation of effective tax rate	%	$'000	%	$'000
Profit before tax from continuing operations		39,408		99,384
Tax using the IOOF Group's domestic tax rate	30.0%	11,822	30.0%	29,815
Tax effect of:				
Share of tax credits with statutory funds	2.0%	786	0.5%	534
(Non assessable income)/Non-deductible expenses	(0.5%)	(189)	(0.5%)	(544)
Share of net profits of associates	0.1%	33	(0.0%)	(4)
Assessable associate dividends	0.3%	107	0.1%	93
Revenue loss not recognised	0.8%	331	- %	-
Imputation credits	(0.8%)	(323)	(0.2%)	(248)
Other	(0.8%)	(303)	(0.1%)	(128)
Under/(over) provided in prior periods	(0.6%)	(249)	(0.1%)	(121)
Income tax expense from continuing operations	**30.5%**	12,015	**29.6%**	29,397

Section 2 - Results for the period

2-5 Income taxes (continued)

For statutory reporting purposes, the Group had an effective tax rate (ETR) of 30.5% on its continuing operations for the period ended 31 December 2019 (2018: 29.6%) compared to a statutory corporate tax rate of 30%. This rate difference is primarily due to the transfer of deductions to the statutory funds in accordance with the Taxation of Insurance Companies, current year losses from minority interests not expected to be recoverable, and tax offsets for fully franked dividend income and research and development expenditure. For the period ended 31 December 2018, the ETR difference was impacted by similar factors, with the exception of minority interest losses. Excluding these items IOOF's effective tax rate would be 30% across both periods. The effective tax rate for New Zealand operations was 28.4% (2018: 28.1%), for 6 months ending 31 December 2019.

Tax contribution analysis
The IOOF Group contributes taxes directly and indirectly to Australia through both taxes paid and collected. For the year ended 30 June 2019 the IOOF Group contributed a total of $160.6m in taxes to Australian, New Zealand and Hong Kong governments with $160.2m or 99.75% of this amount attributable to the Australian Government. Further taxes collected and remitted by the IOOF Group on behalf of employees and members totalled a further $133m for the same period.

Tax transparency
The ATO publish tax information in respect of large public taxpayers in its annual tax transparency report. For the IOOF tax group, the latest ATO published report disclosed payments of $80.3m in income tax relating to the financial year ended 30 June 2018. IOOF is committed to tax transparency and is a signatory to the Board of Taxation's Voluntary Tax Transparency Code (the Code). The Code is a set of principles and 'minimum standards' to guide disclosure of tax information by businesses, encourage those businesses to avoid aggressive tax planning, and to help educate the public about their compliance with Australia's tax laws.

Approach to tax strategy and governance
Tax governance is part of the IOOF Group's overall risk management framework, as well as being part of an overall tax strategy. The overall tax strategy drives the IOOF Group's approach to tax risk management and is aimed at good corporate tax compliance and reporting, ability to meet and be prepared for regulatory changes, and in ensuring shareholder value. Tax governance is continuously monitored and in line with the IOOF Group's strategy. The IOOF Group regards its relationship with the ATO as effective and open thereby maintaining transparency and collaboration.

2-6 Dividends

The following dividends were declared by the IOOF Group:	Six months ended 31 December 2019		Six months ended 31 December 2018	
	Cents per share	Total '000	Cents per share	Total '000
Fully paid ordinary shares				
Interim dividend	16.0	56,172	25.5	89,425

In respect of the six months ended 31 December 2019, the Directors declared the payment of an interim dividend of 16.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 16 March 2020. This dividend will be paid to all shareholders recorded on the Register of Members on 26 February 2020.

In respect of the six months ended 31 December 2019, the Directors declared the payment of a special dividend of 7.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares, which was paid on 27 September 2019.

2-7 Earnings per share

	31 Dec 19 Cents per share	31 Dec 18 Cents per share
Basic earnings per share	32.8	38.6
Diluted earnings per share	32.8	38.5

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 19 $'000	31 Dec 18 $'000
Profit for the period attributable to owners of the Company	114,981	135,429
Earnings used in the calculation of basic and diluted EPS	114,981	135,429

Weighted average number of ordinary shares	No. '000	No. '000
Weighted average number of ordinary shares (basic)	350,062	317,738
Effect of unvested performance rights	691	691
Weighted average number of ordinary shares (diluted)	350,753	318,429

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 Loans and borrowings

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

On 27 October 2019, IOOF Group amended the syndicated facility agreement (SFA) with lenders to reduce the available facilities to reflect the reduced consideration for the ANZ P&I business. The amended SFA consists of the following facilities:

- $240m revolving cash advance facility with a 3 year repayment term from the SFA effective date.
- $375m revolving cash advance facility with a 5 year repayment term from the SFA effective date.
- $60m multi-option facility with a 3 year repayment term from the SFA effective date.

The current interest-bearing borrowings have a debt duration profile of approximately 2.8 years (calculated on a facility limit basis).

Proceeds from SFA borrowings were initially applied towards the subscription of a debt note with a face value of $800m from ANZ. The debt note was redeemed on 31 January 2020 and applied against the consideration owing for the ANZ P&I business.

(a) Revolving Cash Advance Facility
The unsecured revolving cash advance facilities provided under the SFA are as follows:

	31 Dec 19 $'000	31 Dec 18 $'000
Total revolving cash advance facility limit under the SFA	675,000	770,000
Less drawn	355,000	420,000
Available revolving cash advance facility limit under the SFA	320,000	350,000

The financial liability under the facility has a fair value equal to its carrying amount.

(b) Other bank facilities
In addition to the revolving cash advance facilities, the IOOF Group has contingent liability facilities. The aggregate of the contingent liability facilities is $65.6m (30 June 2019: $71.3m) of which $46.7m was used at 31 December 2019 (30 June 2019: $67.8m).

(c) Lease liabilities
The Group initially adopted AASB 16 Leases from 1 July 2019. AASB 16 introduces significant changes to the lessee accounting by requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

	Loans and borrowings $'000
Revolving Cash Advance Facility	
Opening balance 1 July 2019	426,503
Net borrowings drawn/(repaid)	(75,000)
Amortised capitalised establishment fees	928
Closing balance 31 December 2019	352,431
Lease liabilities	
Current	11,988
Non-current	83,054
Total lease liabilities at 31 December 2019	95,042
Total	**447,473**

Section 3 - Capital management and financing

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 19 $'000	30 Jun 19 $'000
351,076,027 fully paid ordinary shares (30 June 2019: 351,076,027)	1,971,095	1,970,999
862,255 treasury shares (30 June 2019: 1,237,144)	(5,718)	(7,890)
	1,965,377	1,963,109

	Six months ended 31 Dec 19		Year ended 30 Jun 19	
Ordinary shares	No. '000	$'000	No. '000	$'000
On issue at 1 July	351,076	1,970,999	351,076	1,971,648
Transfer from employee equity-settled benefits reserve on exercise of performance rights	-	2,268	-	4,000
Treasury shares transferred to recipients during the period	-	(2,172)	-	(4,649)
On issue at the end of the period	351,076	1,971,095	351,076	1,970,999
Treasury shares				
On issue at 1 July	(1,237)	(7,890)	(485)	(4,625)
Purchase of treasury shares	-	-	(1,240)	(7,914)
Treasury shares transferred to recipients during the period	375	2,863	488	4,649
Shares returned from recipients during the period	(72)	(691)	-	-
On issue at the end of the period	(934)	(5,718)	(1,237)	(7,890)
Total share capital	350,142	1,965,377	349,839	1,963,109

Issue of performance rights

During the six months to 31 December 2019, the Company issued the following performance rights to employees and executives:

Recipients	No. of Rights Issued	Fair Value $
Managing Director	37,500	7.11
Senior Management	34,500	7.11
Other Key Stakeholders	92,500	7.11
Managing Director	37,500	5.83
Senior Management	34,500	5.83
Other Key Stakeholders	92,500	5.83
Other Key Stakeholders	270,322	5.57
Other Key Stakeholders	57,592	5.90
	656,914	

3-3 Commitments and Contingent liabilities

ANZ P&I

On 9 December 2019, IOOF received the required approvals from the Australian Prudential Regulation Authority (APRA) to hold the controlling stake in OnePath Custodians Pty Limited and Oasis Fund Management Limited. These approvals were the last remaining requirements in relation to the transfer of ANZ P&I to IOOF.
IOOF agreed to purchase the P&I business for a revised cash consideration of A$825m, subject to a net asset completion adjustment. The transaction completed on 31 January 2020.

Buyer of Last Resort Facility

Two subsidiaries of the Group have contractual agreements with their planners to provide a put option “Buyer of Last Resort Facility” should a planner wish to sell their business and on the satisfaction of certain specific requirements. The terms and conditions provide that where the specific requirements have been met, a predetermined purchase price will be payable for the business as agreed by all parties over a predetermined period. Where certain terms and conditions have not been met, the predetermined purchase price will be discounted accordingly. As at 31 December 2019, the Group had received requests from planners which satisfied requirements to exercise its obligation. The resale value of such businesses purchased may differ from the cost to the Group. Where confirmation notices have been received, the Group has a fixed obligation to purchase the businesses at market value, the aggregate value of this fixed obligation is $13.9m (30 June 2019: $3.0m).

Other claims

Contingent liabilities of the IOOF Group 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 financial position.

Section 3 - Capital management and financing

3-4 Reserves

	31 Dec 19 $'000	30 Jun 19 $'000
Available-for-sale investment revaluation reserve	53,292	24,326
Business combinations reserve	(326)	(326)
Foreign currency translation reserve	42	30
Operating Risk Financial Reserve*	2,655	2,655
Share-based payments reserve	(2,981)	(1,460)
	52,682	25,225

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

Section 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 19 $'000	30 Jun 19 $'000
Employee entitlements	54,671	59,312
Ex-ANZ ADG remediation provision	153,473	168,810
IOOF ADG remediation provision	223,055	223,165
Other provisions	56,187	2,045
	487,386	453,332

As of 31 December 2019, the Group has recognised provisions of $376.5m (30 June 2019: $391.8m) in respect of client remediation and related costs. Of this amount, $153.5m is indemnified by the ANZ Banking Group and an offsetting receivable has also been recognised. There is no material cash flow impact arising from that component of the provision. Determining the amount of the provision, which represents management's best estimate of the costs of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted clients, the average refund per client, and associated remediation costs. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence, and adjustments are made to the provisions where appropriate.
Other provisions includes $54.5m in relation to the judgement in the Kerr v Australian Executor Trustees (SA) Ltd proceedings. This amount is held in escrow pending the appeal outcome. The escrow lodgement was made by the Group's insurers and an offsetting receivable has also been recognised. There is no cash flow impact arising from this provision.

4-2 Intangible assets (other than goodwill)

	31 Dec 19 $'000	30 Jun 19 $'000
Cost	658,384	652,248
Accumulated amortisation	(306,197)	(287,541)
	352,187	364,707

	IT Developm-ent $'000	Computer software $'000	Customer relationships $'000	Brand names $'000	Other Intangibles $'000	Total $'000
Carrying value at 1 July 2019	2,223	3,282	294,284	59,371	5,547	364,707
Additions	687	27	5,029	-	393	6,136
Amortisation expense	(369)	(458)	(16,863)	(400)	(566)	(18,656)
Carrying value at 31 December 2019	2,541	2,851	282,450	58,971	5,374	352,187

Section 4 - Operating assets and liabilities

4-3 Goodwill

	31 Dec 19 $'000	30 Jun 19 $'000
Cost	1,030,746	1,030,321
Accumulated impairment	(93,430)	(93,430)
Net carrying value of goodwill	937,316	936,891
Opening carrying value	936,891	940,226
Acquisition through business combination	425	6,155
Impairment of goodwill	-	(9,490)
Closing carrying value	937,316	936,891

For the purposes of impairment testing, goodwill is allocated to the IOOF Group's cash-generating units (CGUs). These represent the lowest level within the IOOF Group at which the goodwill is monitored for internal management purposes. The recoverable amounts for goodwill allocated to all CGUs have been determined based on value-in-use calculations using 2019 actual balances to forecast 2020 and beyond cash flows. No impairment was identified.

4-4 Property and equipment

	31 Dec 19 $'000	30 Jun 19 $'000
Cost	184,578	94,389
Accumulated depreciation	(68,678)	(58,379)
Net carrying value of property and equipment	115,900	36,010

	Office equipment $'000	Leasehold improve-ments $'000	IT assets $'000	Land and buildings $'000	Right-of-use assets $'000	Total $'000
Carrying value at 1 July 2019	3,190	11,655	19,622	1,543	-	36,010
Recognition on initial application of AASB 16	-	-	-	-	75,998	75,998
Additions	352	304	2,334	-	11,208	14,198
Disposals	(4)	-	(6)	-	-	(10)
Depreciation expense	(388)	(868)	(2,649)	(7)	(6,384)	(10,296)
Carrying value at 31 December 2019	3,150	11,091	19,301	1,536	80,822	115,900

Section 5 - Statutory funds

A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the Life Insurance Act 1995. Details of the assets and liabilities of the statutory funds are included in Section 1. Statutory funds are not

5-1 Statutory fund contribution to profit or loss, net of tax

	Statutory 31 Dec 19 $'000	Statutory 31 Dec 18 $'000
Statutory fund revenue		
Interest income	463	504
Dividends and distributions received	11,220	13,269
Net fair value gains/(losses) on other financial assets designated as fair value through profit or loss	22,287	(51,161)
Investment contracts with DPF:		
Contributions received - investment contracts with DPF	536	1,213
DPF policyholder liability decrease	11,411	26,409
Non - DPF policyholder liability (increase)	(20,632)	29,185
Other fee revenue	1,383	1,091
	26,668	**20,510**
Statutory fund expenses		
Service and marketing fees expense	5,304	5,382
Direct operating expenses	2	2
Investment contracts with DPF:		
Benefits and withdrawals paid	12,208	28,096
Termination bonuses	14	13
Interest expense	30	36
	17,558	**33,529**
Income tax (benefit)/expense	**9,110**	**(13,019)**
Statutory fund contribution to profit or loss, net of tax	-	-

Section 6 - Basis of preparation

This section sets out the IOOF Group's accounting policies that relate to the financial statements as a whole. This section also shows new accounting standards, amendments and interpretations, and whether they are effective for the year ended 30 June 2020 or later years.

6-1 Reporting entity

The Company is a public company listed on the Australian Stock Exchange (trading under the symbol 'IFL'), domiciled in Australia. The consolidated financial statements of the Company as at and for the six months ended 31 December 2019 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 2019 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 2019. This condensed consolidated interim financial report does not include all of the information required for full annual financial reports and shall be read in conjunction with the most recent annual financial report.

This condensed consolidated interim financial report was approved by the Board of Directors on 18 February 2020.

(b) Use of estimates and judgements

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

In preparing this condensed consolidated interim financial report the significant judgements made by management in applying the IOOF Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019.

(c) Rounding of amounts

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

6-3 Other significant accounting policies

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 2019. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020.

6-4 New standards and interpretations adopted

The IOOF Group has adopted the following new or amended standards in preparing these consolidated financial statements.

AASB 16 Leases

<u>General impact of application of AASB 16 Leases</u>

The Group has initially adopted AASB 16 Leases (as issued by the Australian Accounting Standards Board in February 2016) from 1 July 2019.
AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases, and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Section 6 - Basis of preparation

6-4 New standards and interpretations adopted (continued)

AASB 16 Leases (continued)

The Group has applied AASB 16 using the modified retrospective application of AASB 16 in accordance with AASB 16:C5(b). Consequently, the Group will not restate the comparative information. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 Leases and IFRIC 4 will continue to apply to those leases entered or modified before 1 July 2019. The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

– The right to obtain substantially all of the economic benefits from the use of an identified asset; and
– The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract).
In preparation for the first-time application of AASB 16, the Group carried out an implementation project.
The project showed that the new definition in AASB 16 does not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

AASB 16 has changed how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group has:

a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) have been recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This has replaced the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted in some instances to recognise a lease expense on a straight-line basis as permitted by AASB 16.

Former finance leases

The main difference between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. As the Group does not have any finance leases in place, this change has not had any effect on the Group's consolidated financial statements.

Significant accounting policies

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the new lessee, except for certain short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is determined with reference to the following factors:

– length of the lease;
– lessee specific credit risk; and
– secured borrowings adjustment.

Section 6 - Basis of preparation

6-4 New standards and interpretations adopted (continued)

AASB 16 Leases (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) any by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
– the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
– a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset of the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

<u>Impacts on transition</u>

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group as a lessee recognises right-of-use assets and lease liabilities for contracts that convey a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applied the modified retrospective transition approach, resulting in the cumulative effect of adopting AASB 16 as an adjustment to opening retained earnings at 1 January 2019, with no restatement to comparative information.

At transition, for leases classified as operating leases under AASB 117:
- Lease liabilities were measured at present value of the remaining lease payments, discounted using the determined incremental borrowing rate, as appropriate for each identified lease arrangement, as at 1 January
- Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; and
- In addition, the Group elected to apply the option to adjust the carrying amount of the right-of-use assets for any onerous lease provisions that had been recognised on the Group balance sheet as at 31 December 2018.

The impact on transition is summarised below:

	1 Jul 19 $'000
Right-of-use assets presented in property, plant and equipment	75,998
Lease incentives reclassified to reduce right of use asset	5,752
Lease liabilities	(81,750)
	-

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.75%.

Transition practical expedients

The Group elected to apply the following transition practical expedients:

i. Exemption for certain lease arrangements with a short-remaining-term from the date of initial application;
ii. Discount rates applied to a portfolio of leases with similar characteristics; and
iii. The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Section 6 - Basis of preparation

6-4 New standards and interpretations adopted (continued)

AASB 16 Leases (continued)

The table below reconciles the Group's operating lease commitments at 30 June 2019 to the transition lease liabilities recognised at 1 July 2019:

	1 Jul 19 $'000
Operating lease commitment at 30 June 2019 - continuing operations	81,750
Total lease liabilities recognised at 1 July 2019	81,750
Comprising:	
Current lease liabilities	8,786
Non-current lease liabilities	72,964
	81,750

Impacts for the period

The statement of financial performance contains the following amounts relating to leases:

	31 Dec 19 $'000	31 Dec 18 $'000
Interest charge	1,253	-
Depreciation charge	6,384	-
Lease expense	632	7,314
	8,269	7,314

The statement of financial position shows the following amounts relating to leases:

	31 Dec 19 $'000
Right of use assets - premises	80,822
Lease liabilities - current	11,988
Lease liabilities - non-current	83,054
Total lease liabilities	95,042

6-5 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual years beginning after 1 July 2020 and earlier application is permitted; however the IOOF Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. They are not expected to have a significant impact on the Group's consolidated financial statements.

New standards or amendments	Effective date
Definition of a business (AASB 3) Definition of Material (AASB 101 and AASB 108)	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to AASB 10 and AASB 128)	Available for optional adoption Effective date deferred indefinitely

6-6 Subsequent events

The Directors have declared the payment of an interim dividend of 16.0 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 16 March 2020.

The acquisition of ANZ's Pensions and Investments business ("P&I") was completed on 31 January 2020. The economics of P&I accrue to IOOF from 1 February 2020. A renegotiated sale price of $825m for the P&I business, down $125m (15.2%) from the original $950m, was announced on 17 October 2019.
The debt note with a face value of $800m was redeemed on 31 January 2020 and applied against the consideration owing for the ANZ P&I business. Additionally, $95m of available facilities were drawn on completion date and applied against the purchase price consideration owing.

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 2019 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.