Appendix 4D
Interim Financial Report
IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting Period	**31 December 2011**
Previous reporting period	31 December 2010

2. Results for announcement to market

	$'000	**% change from previous corresponding period**
Revenue from Shareholder activities [(1)]	316,409	down 2%
Life insurance revenue	23,464	down 56%
Profit from ordinary activities after tax attributable to members	46,089	down 6%
Net profit for the period attributable to members	46,089	down 6%
Underlying Net Profit After Tax (pre-amortisation) [(2)]	48,722	down 11%

		Amount per share (cents)	**Franked amount per share (cents)**
Final dividend for the year ended 30 June 2011			
Paid:	20 October 2011	22.0	22.0
Interim dividend for the year ended 30 June 2012			
Record date:	2 March 2012		
To be paid:	4 April 2012	19.0	19.0

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

[(2)] Underlying Net Profit After Tax (UNPAT) pre amortisation excludes the impact of amortisation of intangible assets, acquisition costs of DKN Financial Group Ltd ("DKN"), fair value gain on investment in DKN, income tax benefit from acquisition accounting and restructuring costs (pcp: amortisation of intangible assets, income tax benefit from acquisition accounting, profit on transfer of life policies and restructuring costs).

IOOF Holdings Ltd - Appendix 4D for the six months ended 31 December 2011

The net profit attributable to members of the Company for the six months ended 31 December 2011 was $46.1 million (31 December 2010: $48.9 million). Underlying net profit after tax ("UNPAT") pre amortisation was $48.8 million (31 December 2010: $54.6 million).
In calculating its UNPAT pre amortisation, the Group reverses the impact on profit of certain, predominantly non cash, items to enable a better understanding of its operational result. The reversed items of revenue or expense have at least one of the following characteristics i) not reflective of operations; ii) non recurring; or iii) represent revaluations unlikely to be realised. The acquisition of the DKN Financial Group Limited ("DKN") on 4 October 2011 has resulted in a number of these items and a detailed explanation for all such items is provided in the directors report accompanying the financial statements and in the detailed results presentation available at www.ioof.com.au

The Group's Funds Under Management, Administration and Supervision (FUMAS) were $106.6 billion as at 31 December 2011, an increase of $0.4 billion from 30 June 2011. This movement is primarily a result of acquiring DKN funds under advice offset by decreases in the market value of the assets underpinning FUMAS and net institutional outflows in Funds Under Management. The resultant impact has been a decline in FUMAS related net revenue and expense of approximately $6.1 million in the pre-acquisition businesses partly offset by a FUMAS related net revenue and expense contribution from DKN of $5.5m (all amounts pre-tax).
The uncertain economic environment responsible for the market value declines noted has also had an unfavourable impact on other revenue lines, most notably stockbroking where the sector's traded volumes generally remain low in comparison to the years preceding the global financial crisis. The Group has constrained its costs to below inflation with the exceptions of increasing expenditure on its technology and brand to promote the long term interests of its businesses.
The Group incurred debt of $55 million to facilitate the $96 million acquisition of DKN. The residual amount was funded through DKN's cash reserves of approximately $10 million and the Group's pre-acquisition cash reserves. Details pertinent to the borrowings incurred and the subsidiary acquired are contained in notes to the financial statements.

3. Net tangible assets

	31 December 2011 (cents)	31 December 2010 (cents)
Net tangible assets per share	15.9	60.3

4. Entities over which control has been gained or lost

On 4 October 2011, the Group gained control of DKN by acquiring 100% of shares not already owned by the Group under a scheme of arrangement. The acquisition price was $0.80 per share and resulted in a total consideration payable to shareholders of $96 million.
Control over the Perennial Cash Enhanced Wholesale Trust was lost during the period. The control was lost on 1 December 2011. The Group held 53.3% of the units on issue as at 30 June 2011.
Due to additional units being issued, this ownership interest has reduced to 49.4% as at 31 December 2011.
Control over the Perennial Western Asset Management Global Bond Trust was gained during the period. The control was gained on 1 September 2011.

5. Dividends

	Amount $'000	Cents per share	% Franked
Final dividend for the year ended 30 June 2011	51,019	22.0	100%
Interim dividend for the year ended 30 June 2012	44,087	19.0	100%
Record date for determining entitlements to dividends	2 March 2012		
Date for payment of final dividend	4 April 2012		

IOOF Holdings Ltd - Appendix 4D for the six months ended 31 December 2011

6. Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

7. Details of associates and joint venture entities

	Ownership interest held at the end of period		Contribution to net profit	
	Current period	**Previous corresponding period**	**Current period**	**Previous corresponding period**
Equity accounted associates				
Perennial Value Management Ltd *	52.4	52.4	4,025	4,128
Other associates			207	46
			4,232	4,174

* Due to voting rights associated with different classes of shares in Perennial Value Management Ltd, 52.4% ownership interest does not result in control as defined by AASB 127 *Consolidated and Separate Financial Statements* .

8. Other

The information contained in this Appendix 4D is based on the 31 December 2011 condensed consolidated interim financial statements of IOOF Holdings Ltd and its subsidiaries, which have been subject to review by our external auditors. The financial statements are not subject to qualification. A copy of the financial statements is attached.

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

IOOF Holdings Ltd

ABN 49 100 103 722

Condensed consolidated interim financial statements

31 December 2011

IOOF HOLDINGS LTD
31 December 2011 Interim Financial Report

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by IOOF Holdings Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Directors of IOOF Holdings Ltd ("the Company") present their report together with the financial report of the Company and its subsidiaries ("the Group") and the Group's interests in associates for the six months ended 31 December 2011 and the review report thereon.

Directors

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

Name

Mr Ian Blair (Chairman)
Mr Christopher Kelaher (Managing Director)
Mr Ian Griffiths
Ms Jane Harvey
Dr Roger Sexton
Mr George Venardos
Mr Kevin White (appointed 4 October 2011)

Mr James Pfeiffer resigned as a director on 30 June 2011. All directors held office during and since the end of the six months unless otherwise stated.

Review of operations

In accordance with current Australian Accounting Standards, the reviewed financial results of the benefit funds of IOOF Ltd are included in the consolidated results of the Group. The inclusion of the benefit funds has a minimal impact on the profit for the six months but results in offsetting pre-tax profit and income tax amounts not available to shareholders. The following table, which has not been subjected to auditor review, provides a reconciliation between the reported results of the Group and underlying net profit after tax (UNPAT) pre-amortisation, with the results of the benefit funds excluded. In calculating its UNPAT pre amortisation, the Group reverses the impact on profit of certain, predominantly non cash, items to enable a better understanding of its operational result. The reversed items of revenue or expense have at least one of the following characteristics i) not reflective of operations; ii) non recurring; or iii) represent revaluations unlikely to be realised. The acquisition of the DKN Financial Group Limited ("DKN") on 4 October 2011 has resulted in a number of these reversed items and a detailed explanation for all such items is provided below.

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

	Note	2011 $'000	2010 $'000
Profit attributable to Owners of the Company		**46,089**	**48,935**
Underlying net profit after tax (UNPAT) pre-amortisation adjustments:			
Reverse the impact of:			
Amortisation of intangible assets	8	9,539	9,008
DKN acquisition costs	8	2,669	-
Termination and retention incentive payments	8	2,238	1,006
Fair value gain on investment in DKN	7	(9,587)	-
Write-down of DKN leasehold improvements	8	336	-
Amortisation of deferred tax liability recorded on intangible assets		(298)	(1,983)
Profit on life policy transfer	7	-	(220)
Reinstatement of Perennial non-controlling interests		(1,492)	(1,862)
Income tax attributable		(772)	(236)
UNPAT pre-amortisation		**48,722**	**54,648**

Amortisation of intangible assets: Non-cash entry reflective of declining intangible asset values over their useful lives. Intangible assets are continuously generated within the 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.
Acquisition costs - DKN: One off payments to external advisers by both DKN and IOOF in pursuit of a successful acquisition which are not reflective of conventional recurring operations.
Termination and retention incentive payments: Facilitation of restructuring to ensure long term efficiency gains, predominantly DKN related in the current period and AWM related in the prior comparative period, which are not reflective of conventional recurring operations.

Fair value gain on investment in DKN: An initial 18.5% holding in DKN prior to its acquisition means this is a business combination achieved in stages under AASB 3 *Business Combinations* . The Group is therefore required to measure this previously held equity interest in DKN at acquisition-date fair value and recognise the resulting gain in P&L. The initial entry ensures the assets acquired are held on balance sheet at fair value, however the impact on profit is reversed as it is regarded as highly unlikely to be realised due to the Group's intention to hold its investment in DKN long term.
Write-down of DKN leasehold improvements: One off non-cash revaluation which is not reflective of conventional recurring operations.

Review of operations (continued)

Amortisation of deferred tax liability recorded on intangible assets: There were higher, overwhelmingly intangible, asset valuations for AASB 3 accounting when compared with the required cost base as set under tax consolidation rules upon acquisition of DKN. This means a deferred tax liability ("DTL") exists should the assets be disposed of and realise their accounting values. Unwinding of this associated DTL occurs at 30% of the amortisation applicable to those assets which have different accounting and tax valuations and results in a tax benefit to profit. This benefit is regarded as unlikely to be realised as it would require disposal of the intangible assets.

Profit on life policy transfer: The life policies held in the IOOF Life statutory fund were disposed of on the 2 September 2010 and resulted in a non-recurring profit on sale.

Reinstatement of Perennial non-controlling interests: Embedded derivatives exist given the Group's obligation to buy-back shareholdings in certain Perennial subsidiaries if put under the terms of their shareholders' agreements. IFRS deems the interests of these non-controlling holders to have been acquired. Those interests must therefore be held on balance sheet as a liability to be revalued to a reserve each reporting period. In calculating UNPAT, the non-controlling interest holders share of the profit of these subsidiaries is subtracted from the group result as though there were no embedded derivatives to better reflect the current economic interests of Company shareholders in the activities of these subsidiaries.

The Group's Funds Under Management, Administration and Supervision (FUMAS) were $106.6 billion as at 31 December 2011, an increase of $0.4 billion from 30 June 2011. This movement is primarily a result of acquiring DKN funds under advice offset by decreases in the market value of the assets underpinning FUMAS and net institutional outflows in Funds Under Management. The resultant impact has been a decline in FUMAS related net revenue and expense of approximately $6.1 million in the pre-acquisition businesses partly offset by a FUMAS related net revenue and expense contribution from DKN of $5.5m (all amounts pre-tax).
The uncertain economic environment responsible for the market value declines noted has also had an unfavourable impact on other revenue lines, most notably stockbroking where the sector's traded volumes generally remain low in comparison to the years preceding the global financial crisis. The Group has constrained its costs to below inflation with the exceptions of increasing expenditure on its technology and brand to promote the long term interests of its businesses.

The Group incurred debt of $55 million to facilitate the $96 million acquisition of DKN. The residual amount was funded through DKN's cash reserves of approximately $10 million and the Group's pre-acquisition cash reserves. Details pertinent to the borrowings incurred and the subsidiary acquired are contained in notes to the financial statements.

Basic earnings per share decreased from 21.2 cents per share in the year to 31 December 2010 to 19.9 cents per share for the six months to 31 December 2011.

Likely future developments

Uncertain tax positions

Tax Laws Amendment (2010 Measures No. 1) Bill 2010, received Royal Assent on 3 June 2010. The Act contains a number of amendments to the tax consolidation regime that deal with the recognition of tax cost setting amounts in the income tax law. A new section (s. 716-405 ITAA 1997) may provide a specific tax deduction for the tax cost setting amount on assets that qualify as rights to future income assets acquired upon an entity joining a tax consolidated group. The Company has analysed customer related intangibles, acquired as part of various acquisitions the Company or its subsidiaries have made since 2005, and recognised its right to additional tax deductions. The Company has sought a private ruling to confirm its entitlement to these tax deductions in respect to the merger with Australian Wealth Management Ltd in 2009. Additional deductions were claimed by DKN, prior to the Company's acquisition of the Group.

On 25th November 2011, the Federal Government announced proposals to amend the existing tax consolidation legislation. This announcement proposes both retrospective and prospective changes to the tax consolidation legislation. The proposed changes in the legislation are yet to pass through the Parliamentary processes before being substantively enacted as legislation. Should the November 2011 proposals be enacted as legislation, some of these future tax deductions, and deductions claimed to date, may no longer be recoverable or available to the Group. The Company has taken a conservative approach and booked all deductions to date, including those made by DKN pre-acquisition, as uncertain tax positions.

If enacted in accordance with the Government announcement, the impact of the current $30m uncertain tax position will affect the Group's tax position. The eventual financial statement impacts are dependent on the final legislation as enacted by Parliament and the actual effect on current tax liability, deferred tax liabilities, deferred tax assets and income tax expenses are unable to be quantified given a range of outcomes is possible.

Until this legislation is substantively enacted, no financial consequences of these proposed amendments will be recognised in the financial statements.

Acquisition accounting for DKN

The Company has accounted for the acquisition of DKN using the current law (s. 716-405 ITAA 1997), to apply tax cost base to customer related intangibles for capital gains tax purposes. On the 25th November 2011, The Federal Government announced proposals to amend the existing tax consolidation legislation. These changes will see a removal of the ability to apply tax cost base to customer related intangibles. Should the proposals be enacted, the acquisition accounting for DKN may be required to be revisited which may result in an increase to Goodwill and Deferred Tax Liability of $12,720,000.

Dividends

In respect of the six months ended 31 December 2011, on 22 February 2012 the directors declared the payment of an interim dividend of 19.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 4 April 2012. This dividend will be paid to all shareholders recorded on the Register of Members on 2 March 2012.

In respect of the financial year ended 30 June 2011, a final dividend of 22.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 20 October 2011.

Subsequent events

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

Lead auditor’s independence declaration

The lead auditor’s independence declaration is included on page 5 of the interim financial report and forms part of the Directors' Report for the six months ended 31 December 2011.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, narrative disclosures are expressed in whole dollars or as otherwise indicated.

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

Ian Blair
Chairman
22 February 2012

DIRECTORS' DECLARATION

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

(a) the financial statements and notes set out on pages 8 to 24, 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 2011 and of its performance for the six month period ended on that date; and

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

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

Signed in accordance with a resolution of the Directors:

Ian Blair

Chairman

Melbourne

22 February 2012

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 audit for the financial half-year ended 31 December 2011 there have been:

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

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

KPMG

KPMG

M Hinchliffe

Michelle Hinchliffe
Partner

Melbourne

22 February 2012

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

Report on the financial report

We have reviewed the accompanying half-year financial report of IOOF Holdings Ltd (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year 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 half-year 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 2011 and its performance for the half-year 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 a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

(a) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

M Hinchliffe

Michelle Hinchliffe
Partner

Melbourne

22 February 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER

	Note	2011 $'000	2010 Restated* $'000
Revenue	7	316,409	324,464
Expenses	8	(257,199)	(260,688)
Life insurance revenue	28(c)	23,464	53,310
Life insurance expense	28(d)	(32,530)	(40,790)
Share of profits of associates accounted for using the equity method (net of income tax)		4,232	4,174
Finance costs	9	(908)	(433)
Profit before income tax expense		53,468	80,037
Income tax (expense)/benefit - shareholder		(16,464)	(17,879)
Income tax (expense)/benefit - statutory benefit funds		9,066	(12,531)
Profit for the period		46,070	49,627
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(8,729)	3,715
Net change in fair value of share buy back liability *		(1,185)	(2,702)
Income tax on other comprehensive income		3,296	(1,115)
Other comprehensive income/(expense) for the period, net of tax		(6,618)	(102)
Total comprehensive income for the period		39,452	49,525
Profit attributable to:			
Owners of the Company		**46,089**	**48,935**
Policyholders of the IOOF Life Ltd Statutory Fund		-	(14)
Non-controlling interests		(19)	706
Profit for the period		46,070	49,627
Total comprehensive income attributable to:			
Owners of the Company		39,471	48,833
Policyholders of the IOOF Life Ltd Statutory Fund		-	(14)
Non-controlling interest		(19)	706
Total comprehensive income for the period		39,452	49,525
Earnings per share:			
Basic earnings per share (cents per share)		19.9	21.2
Diluted earnings per share (cents per share)		19.8	21.1

Notes to the condensed consolidated financial statements are included on pages 12 to 24.

* Refer note 6.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2011 $'000	30 Jun 2011 $'000
Assets			
Cash and cash equivalents	10	87,715	152,999
Receivables	11	61,426	73,068
Other financial assets	12	30,947	60,573
Assets relating to insurance business	28	924,947	968,017
Other assets	13	22,584	24,961
Investments in equity-accounted investees	15	26,735	14,739
Property and equipment		14,642	12,553
Goodwill	14	553,555	491,856
Other intangible assets	16	299,876	258,997
Total assets		2,022,427	2,057,763
Liabilities			
Payables	18	44,735	50,664
Borrowings	19	56,984	38
Current tax liabilities	17	206	32,108
Other financial liabilities	20	37,789	43,112
Provisions	21	34,618	40,379
Deferred tax liabilities	17	17,160	4,074
Other liabilities	22	15,649	17,393
Liabilities relating to insurance business	28	924,947	968,017
Total liabilities		1,132,088	1,155,785
Net assets		890,339	901,978
Equity			
Share capital	23	870,557	868,451
Reserves	24	(15,241)	(7,756)
Retained earnings	25	20,197	25,126
Total equity attributable to equity holders of the Company		875,513	885,821
Non-controlling interest		14,826	16,157
Total equity		890,339	901,978

Notes to the condensed consolidated financial statements are included on pages 12 to 24.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER

	Note	2011 Share capital $'000	2011 Reserves $'000	2011 Retained earnings $'000	2011 Total $'000	2011 Non-controlling interest $'000	2011 Total equity $'000	2010 Share capital $'000	2010 Reserves $'000	2010 Retained earnings $'000	2010 Total $'000	2010 Non-controlling interest $'000	2010 Total equity $'000
Balance at 1 July	23,24,25	868,451	(7,756)	25,126	885,821	16,157	**901,978**	858,178	(3,324)	15,583	870,437	16,517	**886,954**
Total comprehensive income for the period													
Profit for the period attributable to owners of the Company		-	-	46,089	46,089	(19)	**46,070**	-	-	48,935	48,935	706	**49,641**
Loss for the period attributable to policyholders of the IOOF Life Ltd Statutory Fund		-	-	-	-	-	**-**	-	-	(14)	(14)	-	**(14)**
Other comprehensive income													
Net change in fair value of available-for-sale financial assets		-	(8,729)	-	(8,729)	-	**(8,729)**	-	3,715	-	3,715	-	**3,715**
Net change in fair value of share buy back liability *		-	(1,185)	-	(1,185)	-	**(1,185)**	-	(2,702)	-	(2,702)	-	**(2,702)**
Income tax on other comprehensive income		-	3,296	-	3,296	-	**3,296**	-	(1,115)	-	(1,115)	-	**(1,115)**
Total other comprehensive income		-	(6,618)	-	(6,618)	-	**(6,618)**	-	(102)	-	(102)	-	**(102)**
Total comprehensive income for the period		-	(6,618)	46,089	39,471	(19)	**39,452**	-	(102)	48,921	48,819	706	**49,525**
Transactions with owners, recorded directly in equity													
Contributions by and (distributions to) owners													
Dividends to equity holders		-	-	(51,018)	(51,018)	(1,312)	**(52,330)**	-	-	(41,443)	(41,443)	(746)	**(42,189)**
Share-based payment expense		-	1,690	-	1,690	-	**1,690**	-	1,521	-	1,521	-	**1,521**
Issue of shares on exercise of options under executive and employee share option plan		740	-	-	740	-	**740**	3,573	(267)	-	3,306	-	**3,306**
Transfer from employee equity-settled benefits reserve on exercise of options		216	(216)	-	-	-	**-**	-	-	-	-	-	**-**
Employee performance rights vested during the year		723	(723)	-	-	-	**-**	330	(330)	-	-	-	**-**
Adviser performance rights vested during the year		427	(427)	-	-	-	**-**	453	(453)	-	-	-	**-**
On-market purchase of treasury shares transferred to employees during the year		-	(1,425)	-	(1,425)	-	**(1,425)**	-	-	-	-	-	**-**
Replacement share-based payment awards on acquisition of subsidiary		-	234	-	234	-	**234**	(421)	-	-	(421)	-	**(421)**
Total transactions with owners		2,106	(867)	(51,018)	(49,779)	(1,312)	**(51,091)**	3,935	471	(41,443)	(37,037)	(746)	**(37,783)**
Balance at 31 December	23,24,25	870,557	(15,241)	20,197	875,513	14,826	**890,339**	862,113	(2,955)	23,061	882,219	16,477	**898,696**

Notes to the condensed consolidated financial statements are included on pages 12 to 24.

* Refer note 6.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER

		Consolidated	
		Six months ended	
	Note	31 Dec 2011 $'000	31 Dec 2010 Restated* $'000
Cash flows from operating activities			
Receipts from customers		309,231	313,355
Payments to suppliers and employees		(251,059)	(251,732)
Dividends received from associates		6,896	6,776
Net stockbroking purchases		(255)	(833)
Interest and other costs of finance paid		(790)	(433)
Income taxes paid		(35,232)	(22,297)
Net cash provided by/(used in) operating activities		28,791	44,836
Cash flows from investing activities			
Dividends and distributions received		1,227	1,162
Interest received		4,230	3,307
Acquisition of DKN	29	(86,436)	-
Acquisition costs of DKN		(2,669)	-
Additional interest acquired in associates		(647)	-
Net proceeds/(payments) from sales or purchases of financial assets		2,613	(1,020)
Payments for property and equipment		(1,354)	(4,118)
Proceeds on disposal of property and equipment		-	73
Amounts (advanced to)/borrowed from other entities		(883)	(248)
Proceeds on sale of life policies		-	175
Payments for intangible assets		(2,466)	-
Acquisition of shares subject to contractual share buy-back		(6,740)	-
Acquisition of non-controlling interests		-	(580)
Net cash provided by/(used in) investing activities		(93,125)	(1,249)
Cash flows from financing activities			
Net borrowings drawn		54,680	(4,569)
On-market purchase of treasury shares transferred to employees during the year		(1,425)	(414)
Proceeds from issues of equity securities on exercise of options		740	3,298
Dividends paid:			
- members of the Company		(51,018)	(41,444)
- non-controlling members of subsidiary entities		(1,312)	(747)
- shareholders entitled to contractual share buy-back		(2,615)	(2,837)
Net cash provided by/(used in) financing activities		(950)	(46,713)
Net increase/(decrease) in cash and cash equivalents		(65,284)	(3,126)
Cash and cash equivalents at the beginning of period		152,999	132,780
Cash and cash equivalents at the end of period		87,715	129,654

Notes to the condensed consolidated financial statements are included on pages 12 to 24.

* The comparative cash flow disclosures have been restated to remove the impact of the IOOF Ltd benefit funds.

1 Reporting entity

IOOF Holdings Ltd (the Company) is a public company listed on the Australian Stock Exchange (trading under the symbol 'IFL'), domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2011 comprise the Company and its controlled entities (together referred to as the Group) and the Group's interests in associates.

The Group is primarily involved in the provision of wealth management services.

The consolidated financial statements of the Group as at and for the year ended 30 June 2011 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 as follows:

Registered office	Principal place of business
Level 6	Level 6
161 Collins Street	161 Collins Street
MELBOURNE VIC 3000	MELBOURNE VIC 3000

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 February 2012.

(b) Estimates

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

In preparing these condensed consolidated interim financial statements the significant judgements made by management in applying the 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 2011.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2011.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2011.

(a) Change in accounting policy in effect at 30 June 2011

As disclosed by the Group in its consolidated financial statements as at and for the year ended 30 June 2011, the Group adopted a change in accounting policy for the recognition of the movement in liabilities to buy back vested shares from 1 July 2010.

Under the previous accounting policy, the changes in the fair value of the liability was recorded in profit or loss. The change in accounting policy is to recognise these movements in a share buy back revaluation reserve which more accurately reflects the nature of the underlying instruments. The liability to buy back vested shares is measured and recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* precluding any adjustment for the probability that settlement of the liability will occur. The Directors have assessed the probability that the Group will be required to settle the share buy back liability in its entirety as low and therefore recognition of movements in the reserve provides users with increased relevance and reliability of the financial performance of the Group.

This change in accounting policy has had an effect on consolidated earnings per share and on net profit for the comparative six months ended 31 December 2010 as disclosed in Note 6.

4 Risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2011.

5 Operating segments

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

Platform management and administration
The provision of administration and management services through master trust platforms, which offer a single access point to a range of investment products.

Investment management
The management and investment of monies on behalf of corporate, superannuation, institutional and private individual investor clients. Investment management segment includes revenue and results of the Perennial Group.

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

Estate and trustee services
The provision of estate planning, trustee, custodial, agency and estate administration services to clients.

Corporate and other
Corporate and other costs include those of a strategic, shareholder or governance nature necessarily incurred in carrying on business as a listed entity managing multiple business units.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Platform management and administration		Financial advice and distribution		Investment management		Estate and trustee services		Corporate and other		Total	
	31 Dec 2011 $'000	30 Jun 2011 $'000	31 Dec 2011 $'000	30 Jun 2011 $'000	31 Dec 2011 $'000	30 Jun 2011 $'000	31 Dec 2011 $'000	30 Jun 2011 $'000	31 Dec 2011 $'000	30 Jun 2011 $'000	31 Dec 2011 $'000	30 Jun 2011 $'000
Reportable segment assets	196,925	209,086	229,268	122,684	129,136	150,191	8,913	10,784	533,238	597,001	1,097,480	1,089,746
Reportable segment liabilities	(1,069)	(1,604)	38,712	41,020	50,587	68,589	641	308	118,269	79,455	207,141	187,768
Investment in associates	-	-	19,181	4,403	6,622	9,469	-	-	931	867	26,735	14,739

Reportable segment assets and liabilities include inter-segment assets and liabilities
Life Insurance segment assets and liabilities are disclosed in the Statement of Financial Position and detailed in Note 28.

5 Operating segments (continued)

	Platform management and administration		Financial advice and distribution		Investment management		Estate and trustee services		Corporate and other		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
External management and service fee revenue	160,477	174,499	31,230	30,468	61,347	64,482	9,772	9,554	-	541	262,826	279,544
External other fee revenue	4,448	4,895	2,878	1,163	884	686	1,084	933	-	19	9,294	7,696
Inter-segment revenue (i)	-	-	33,887	33,935	-	-	-	-	-	-	33,887	33,935
Service fees and other direct costs	(43,045)	(50,547)	(60,316)	(63,805)	(23,633)	(26,306)	64	(40)	100	(109)	(126,830)	(140,807)
Amortisation of deferred acquisition costs	(2,154)	(2,462)	(1,605)	(1,715)	-	-	-	-	-	-	(3,759)	(4,177)
Inter-segment expenses (i)	(33,506)	(33,795)	-	-	(290)	(63)	(91)	(77)	-	-	(33,887)	(33,935)
Gross Margin	**86,220**	**92,590**	**6,074**	**46**	**38,308**	**38,799**	**10,829**	**10,370**	**100**	**451**	**141,531**	**142,256**
Other external revenue	-	-	27,854	30,150	1,197	1,064	-	-	11	18	29,062	31,232
Finance income	4	-	852	869	639	904	-	-	13,732	4,219	15,227	5,992
Inter-segment revenue (i)	-	-	61	245	-	155	-	-	-	(158)	61	242
Share of net profits of associates	-	-	309	45	3,923	4,129	-	-	-	-	4,232	4,174
Operating expenditure	(38,644)	(42,574)	(30,486)	(24,419)	(17,795)	(14,719)	(6,938)	(7,454)	(19,364)	(14,073)	(113,227)	(103,239)
Share-based payments expense	(406)	(397)	(411)	(392)	(463)	(429)	(55)	(76)	(355)	(227)	(1,690)	(1,521)
Finance costs	-	-	(3)	(17)	(22)	-	-	-	(883)	(416)	(908)	(433)
Inter-segment expenses (i)	-	-	-	-	-	-	-	-	(61)	(242)	(61)	(242)
Depreciation and amortisation	(6,425)	(5,693)	(3,664)	(2,507)	(1,365)	(1,098)	(61)	-	(178)	(1,646)	(11,693)	(10,944)
Reportable segment profit before income tax	**40,749**	**43,926**	**586**	**4,020**	**24,422**	**28,805**	**3,775**	**2,840**	**(6,998)**	**(12,074)**	**62,534**	**67,517**
Life Insurance segment profit before income tax (ii)											**(9,066)**	**12,520**
Profit before income tax expense											**53,468**	**80,037**

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

(ii) Life Insurance segment profit after application of income tax expense is reduced to $0 (2010: $14,000).

6 Change in accounting policy

As a result of the change in accounting policy at 30 June 2011 for the recognition of fair value movements in the share buy back liability, the following adjustments to the statement of comprehensive income and statement of financial position have been made.

	Profit $'000	Share buy back revaluation reserve $'000	Retained Earnings $'000
Balance as reported 31 December 2010	46,925	-	11,235
Reversal of revaluation of shareholder liabilities	2,702	(2,702)	2,702
Restated balance as at 31 December 2010	49,627	(2,702)	13,937

The change in accounting policy had no impact on the weighted average number of ordinary shares.

The change in accounting policy had the following impact on earnings per share.

	Consolidated 2010	
	Published cents	Restated cents
Basic earnings per share	20.1	**21.2**
Diluted earnings per share	19.9	**21.1**

7 Revenue

	Six months ended	
	31 Dec 11 $'000	31 Dec 10 $'000
Management and service fees revenue	262,826	279,544
Stockbroking revenue	27,181	30,148
Other fee revenue	9,294	7,696
Finance income		
Interest income on loans to directors of controlled and associated entities	321	364
Interest income from non-related entities	3,696	3,716
Dividends and distributions received	1,293	1,150
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	(308)	388
Profit on life policy transfer	-	220
Fair value gain on investment in DKN	9,587	-
Profit on sale of financial assets	638	154
	15,227	5,992
Other revenue		
Service revenue charged to related parties	1,191	1,064
Other	690	20
	1,881	1,084
Total revenue	**316,409**	**324,464**

	Six months ended	
	31 Dec 11	31 Dec 10
	$'000	$'000
8 Expenses		
Service Fees and Other Direct Costs		
Service and marketing fees expense	121,609	135,852
Other direct costs	5,221	4,955
	126,830	140,807
Operating expenditure		
Salaries and related employee expenses	62,910	61,206
Employee defined contribution plan expense	4,607	4,507
Information technology costs	17,004	15,121
Professional fees	2,368	2,613
Marketing	4,205	2,998
Office support and administration	6,927	7,107
Occupancy related expenses	6,658	5,931
Travel and entertainment	3,140	2,679
Other	165	44
	107,984	102,206
Other expenses		
Share-based payments expense	1,690	1,521
DKN acquisition costs	2,669	-
Termination and retention incentive payments	2,238	1,006
Depreciation of property and equipment	2,154	1,936
Amortisation of intangible assets	9,539	9,008
Loss on disposal of non-current assets	-	27
Write-down of DKN leasehold improvements	336	-
Amortisation of deferred acquisition costs	3,759	4,177
	22,385	17,675
Total expenses	**257,199**	**260,688**

	31 Dec 11	31 Dec 10
	$'000	$'000
9 Finance costs		
Interest	908	433

	31 Dec 11	30 Jun 2011
	$'000	$'000
10 Cash and cash equivalents		
Bank balances	87,715	152,999

	31 Dec 11	30 Jun 2011
	$'000	$'000
11 Receivables		
Receivables	27,538	39,848
Provision for impairment of receivables	-	(32)
Interest receivable - related parties	47	156
Security bond	4,639	4,500
Other debtors	270	374
Stockbroking debtors	1,675	6,242
Accrued income	27,257	21,980
	61,426	73,068

	31 Dec 11 $'000	30 Jun 2011 $'000
12 Other financial assets		
Fair value through profit or loss		
Certificates of deposit and bank bills	2,503	2,428
Shares in listed companies	262	572
Unlisted unit trusts	2,764	5,029
	5,529	8,029
Available-for-sale investments	8,100	28,577
Loans and other receivables		
Loans to directors and executives	10,156	10,008
Seed capital receivable	7,153	7,153
Receivables from statutory benefit funds and other related parties	-	6,796
Other	9	10
	17,318	23,967
	30,947	**60,573**

	31 Dec 11 $'000	30 Jun 2011 $'000
13 Other assets		
Prepayments	9,496	9,370
Deferred acquisition costs	13,088	15,591
	22,584	24,961

	31 Dec 11 $'000	30 Jun 2011 $'000
14 Goodwill		
Cost	558,164	496,465
Accumulated impairment	(4,609)	(4,609)
Net carrying value of goodwill	553,555	491,856
Carrying value at beginning of period	491,856	491,856
Acquisition through business combination (see note 29)	61,699	-
Balance at end of period	553,555	491,856

	31 Dec 2011 $'000	30 Jun 2011 $'000
15 Investments in equity-accounted investees		
Carrying value	26,735	14,739
Carrying value at beginning of period	14,739	12,891
Share of profits of associates accounted for using the equity method (net of tax)	4,232	9,201
Dividends received from associates	(6,896)	(9,378)
Additional interest acquired in associates	647	2,025
Acquisition through business combination (see note 29)	14,013	-
Balance at end of period	26,735	14,739

	31 Dec 11 $'000	30 Jun 2011 $'000
16 Other intangible assets		
Cost	353,102	302,684
Accumulated amortisation and impairment losses	(53,226)	(43,687)
Net carrying value of other intangible assets	299,876	258,997

	Adviser relationships $'000	Computer software $'000	Customer relationships $'000	Brand names $'000	Contract Agreements $'000	Total $'000
Carrying value at beginning of period	1,773	3,915	225,171	21,051	7,087	258,997
Acquisition through business combination (see note 29)	-	572	45,800	500	-	46,872
Additions	-	1,609	1,937	-	-	3,546
Amortisation expense	(104)	(629)	(7,920)	(400)	(486)	(9,539)
Net carrying value of other intangible assets	1,669	5,467	264,988	21,151	6,601	299,876

	31 Dec 11 $'000	30 Jun 2011 $'000
17 Tax assets and liabilities		
Current tax liability	206	32,108
Deferred tax asset	23,739	21,632
Deferred tax liabilities	(40,899)	(25,706)
Net deferred tax liability	(17,160)	(4,074)

	31 Dec 11 $'000	30 Jun 2011 $'000
18 Payables		
Accounts payable	19,327	30,649
Payables to statutory benefit funds and other related parties	135	-
Income received in advance	1,388	859
Accrued expenses	19,783	15,478
Goods and service tax payable	4,102	3,678
	44,735	50,664

	31 Dec 11 $'000	30 Jun 2011 $'000
19 Borrowings		
Cash Advance & Working Capital Facility drawn - Commonwealth Bank of Australia	55,000	-
Finance lease liabilities	1,984	38
	56,984	38

During the period the Group drew down $55 million of the Commonwealth Bank of Australia (CBA) facility with a fixed term of three years at a variable interest rate for the purposes of acquiring DKN.

Maturity analysis as at 31 Dec 11	<3 months $'000	3 to 12 months $'000	12 months or more $'000	No stated maturity $'000	Total contractual cash flows $'000	Carrying amount $'000
CBA facilities	-	12,500	42,500	-	55,000	55,000
Finance lease liabilities	125	370	1,744	-	2,239	1,984
	125	12,870	44,244	-	57,239	56,984

	31 Dec 11 $'000	30 Jun 2011 $'000
20 Other financial liabilities		
Deferred purchase consideration	2,847	-
Share buy-back liability	34,942	43,112
	37,789	43,112

Maturity analysis as at 31 Dec 11	<3 months $'000	3 to 12 months $'000	12 months or more $'000	No stated maturity $'000	Total contractual cash flows $'000	Carrying amount $'000
Deferred purchase consideration	671	864	1,421	-	2,956	2,847
Share buy-back liabilities (i)	-	-	-	34,942	34,942	34,942
	671	864	1,421	34,942	37,898	37,789

(i) The Group is required to buy back vested shares held by executives of certain subsidiaries in the event of the death of those serving executives. Hence the probability of the total liability becoming payable in any individual financial year is very low. In addition, there are provisions that enable executives to put back their shares to the Group, but the maximum the Group is obliged to purchase in any individual financial year is capped at a small proportion of the class of shares of the relevant subsidiary. No contractual obligation exists in respect of these put options until a notice is received from an executive. No notices had been received at balance date.

	31 Dec 11 $'000	30 Jun 2011 $'000
21 Provisions		
Employee entitlements	32,094	37,328
Directors' retirement	668	659
Onerous contracts	497	730
Other provisions	1,359	1,662
	34,618	40,379

	31 Dec 11 $'000	30 Jun 2011 $'000
22 Other liabilities		
Deferred revenue liability	13,263	15,431
Lease incentives	2,386	1,962
	15,649	17,393

	31 Dec 11 $'000	30 Jun 2011 $'000
23 Share capital		
Ordinary shares	870,557	868,451

	Six months ended 31 December 2011		Year ended 30 June 2011	
	No. '000	$'000	No. '000	$'000
Ordinary shares				
On issue at the start of the period	231,904	868,451	230,156	858,181
Adviser performance rights vested during the period	-	427	46	453
Issue of shares on exercise of options under executive and employee share option plan	134	740	1,702	9,464
Employee performance rights vested during the period	-	723	-	330
Transfer from employee equity-settled benefits reserve on exercise of options	-	216	-	440
Treasury shares transferred to employees during the period	-	-	-	(3)
On-market purchase of treasury shares transferred to employees during the period	-	-	-	(414)
On issue at the end of the period	232,038	870,557	231,904	868,451

Issuances, repayments and repurchases of equity securities

Issuance of ordinary shares
During the period, 134,048 ordinary shares were issued as a result of the exercise of vested options (year ended 30 June 2011: 1,702,000) issued under the Group's Option Plan. Options were exercised at a price of $5.52. All issued shares are fully paid.

	31 Dec 11 $'000	30 Jun 2011 $'000
24 Reserves		
Asset revaluation reserve	1,072	1,072
Available-for-sale investment revaluation reserve	(150)	5,283
Business combinations reserve	(301)	(301)
Share buy back revaluation reserve	(20,282)	(19,097)
Share-based payments reserve	4,420	5,287
	(15,241)	(7,756)

	Six months ended 31 Dec 2011 $'000	Year ended 30 Jun 2011 $'000
25 Retained earnings		
Opening retained earnings	25,126	15,583
Profit for the period attributable to owners of the Company	46,089	99,489
Loss for the period attributable to policyholders of the IOOF Life Statutory Fund	-	(11)
Dividends paid	(51,018)	(89,935)
Closing retained earnings	20,197	25,126

26 Dividends

The following dividends were declared and paid by the Company:

	Six months ended 31 December 2011		Six months ended 31 December 2010	
	Cents per share	Total $'000	Cents per share	Total $'000
<u>Recognised amounts</u>				
Fully paid ordinary shares				
Interim dividend	19.0	44,087	18.0	41,443

In respect of the six months ended 31 December 2011, on 22 February 2012 the directors declared the payment of an interim dividend of 19.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 4 April 2012. This dividend will be paid to all shareholders recorded on the Register of Members on 2 March 2012.

27 Contingencies and commitments

Other contingent liabilities exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where appropriate. The Group does not consider that the outcome of any current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position. There have been no significant changes in contingent liabilities or contingent assets since the consolidated financial report as at and for the year ended 30 June 2011.

28 Life Insurance Business

A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the Life Insurance Act 1995. Balances below are disclosed inclusive of amounts receivable from or paid/payable to Group entities.

(a) Assets relating to insurance business

	31 Dec 11 $'000	30 Jun 2011 $'000
Cash at bank	7,620	6,269
Receivables	12,154	13,836
Certificates of deposit and bank bills	-	46,672
Debt securities	28,251	180,084
Shares in listed companies	16,275	18,815
Unlisted unit trusts	726,408	680,841
Derivatives	102,302	35
Loans to policyholders	9,715	9,530
Mortgages	69	117
Margin accounts	1,816	1,771
Deferred tax assets	20,337	10,047
Investments backing policyholder liabilities designated at fair value through profit or loss	924,947	968,017

Investments held in the benefit funds are subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995. Monies held in the benefit funds and controlled trusts are held for the benefit of the members of those funds, and are subject to the constitution and rules of those funds.

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

(b) Liabilities relating to insurance business

Liabilities relating to insurance business have been determined in accordance with applicable accounting standards. Policy liabilities for life insurance contracts are valued in accordance with AASB 1038 *Life Insurance Contracts*, whereas life investment contracts are valued in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 118 *Revenue*. There are differences between the valuation requirements of the accounting standards and those of the Life Insurance Act 1995.

	31 Dec 11 $'000	30 Jun 2011 $'000
Payables	10,744	19,476
Derivatives	101,937	-
Contract policy liabilities - investment contracts with DPF	418,258	427,323
Investment contract liabilities	377,386	411,737
Non-controlling interests in controlled trusts	16,622	109,481
	924,947	968,017

(c) Contribution to profit or loss of life insurance business

	Six months ended 31 Dec 11 $'000	Six months ended 31 Dec 10 $'000
Revenue		
Interest income	1,058	520
Dividends and distributions received	12,995	16,333
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	(53,156)	27,312
Net gains/(losses) on foreign exchange	334	-
Contributions received - investment contracts with DPF	10,534	7,801
<u>Investment contracts with DPF:</u>		
DPF policyholder liability decrease	9,065	13,903
Non - DPF policyholder liability decrease/(increase)	40,539	(15,448)
Other fee revenue	2,095	2,889
	23,464	**53,310**

(d) Expenses

	Six months ended 31 Dec 11 $'000	Six months ended 31 Dec 10 $'000
Service and marketing fees expense	6,878	7,693
Life insurance operating expenses	30	91
<u>Investment contracts with DPF:</u>		
Benefits and withdrawals paid	23,377	29,714
Termination bonuses	65	74
Distribution to policyholders	2,062	3,063
Interest	118	155
	32,530	**40,790**

29 Acquisition of subsidiary

On 4 October 2011, the Group gained control of DKN by acquiring 100% of shares not already owned by the Group under a scheme of arrangement. The acquisition price was $0.80 per share and resulted in a total consideration payable to shareholders of $96 million.

In the period from acquisition to 31 December 2011, DKN contributed revenue of $6,043,000 and a profit of $66,000 to the Group's results. This excludes integration and transaction costs (refer Other Expenses in note 8) and the fair value gain on investment in DKN (refer note 7).

If the acquisition had occurred on 1 July 2011, management estimates that the consolidated revenue would have been $313,784,000 and consolidated profit for the period would have been $41,844,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2011.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	**Note**	**$'000**
Cash		96,119
Cash balances acquired		(9,683)
Net cash consideration		86,436
Replacement share-based payment awards	30	234
Total consideration		**86,670**

Replacement share-based payment awards

The terms of the scheme of arrangement required the Group to exchange equity-settled share-based payment awards held by DKN option holders (the acquiree's awards) for equity-settled share-based payment awards of the Company (the replacement awards). The details of the acquiree's awards and replacement awards are as follows:

	Acquiree's awards			Replacement awards		
	Expiry Date	Exercise Price	Quantity	Vesting Date	Exercise Price	Quantity
DKN Equity Partner Options	30 Sep 11	$ 2.03	150,000	n/a	n/a	-
DKN Employee Options	14 Nov 11	$ 2.10	525,000	n/a	n/a	-
DKN Practice Options (2009)	30 Sep 13	$ 0.75	1,562,813	30 Sep 13	$ 7.50	91,782
DKN Employee Options	24 Nov 13	$ 0.75	2,925,000	30 Sep 13	$ 7.50	76,613
DKN Practice Options (2010)	10 Nov 14	$ 0.76	1,660,000	30 Sep 13	$ 7.50	96,061
DKN Employee Options	02 Dec 14	$ 0.76	2,690,000	30 Sep 13	$ 7.50	105,336
			9,512,813			**369,792**

The consideration of the business combination includes $234,000 transferred to optionholders of DKN when the acquiree's awards were replaced by Group awards.

An amount of $380,000 will be recognised as post-acquisition compensation cost. The determination of these amounts does not include an estimated rate of forfeiture. See note 30 for further details on the replacement awards.

	Acquiree's carrying amounts on acquisition $'000	Fair value adjustments $'000	Provisional values recognised on acquisition $'000
Identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	9,683	-	9,683
Receivables	3,074	-	3,074
Other assets	199	-	199
Property and equipment	741	-	741
Computer software	572	-	572
Intangible assets	-	46,300	46,300
Investments in equity-accounted investees	14,013	-	14,013
Payables	(3,891)	-	(3,891)
Other financial liabilities	(1,767)	-	(1,767)
Provisions	(1,977)	-	(1,977)
Deferred tax liabilities	(9,879)	(1,031)	(10,910)
Other liabilities	(49)	-	(49)
Total net identifiable assets	**10,719**	**45,269**	**55,988**

The fair values of intangible assets (customer relationships and brand name) have been determined provisionally pending completion of an independent valuation.

29 Acquisition of subsidiary (continued)

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

	$'000
Total consideration transferred	86,670
Fair value of existing holding in the acquiree	21,334
Fair value of identifiable assets	(55,988)
Cash balances acquired	9,683
Goodwill acquired	**61,699**

The Group's existing interest in the acquiree was as a component of the acquisition of Australian Wealth Management Ltd at 30 April 2009 at $12,001,000. The remeasurement of the existing holding to fair value resulted in a gain of $9,587,000, which has been recognised in income in the condensed consolidated statement of comprehensive income.

The goodwill is attributable mainly to the skilled workforce and the synergies expected to be achieved from integrating DKN into the Group.

Acquisition-related costs

The Group incurred acquisition costs of $2,669,000 relating to external legal fees and due diligence costs. These amounts have been included in other costs disclosed in note 8.

30 Share-based payments

The Group issued the following share-based payments:

Performance rights and share options

As approved at the Annual General Meeting (AGM) of shareholders on 23 November 2010, on 1 July 2011 Mr Kelaher was granted 150,000 performance rights and 300,000 options in respect of the 2011/12 financial year.

The performance rights and share options will be subject to a three year performance period commencing on the date of grant. They will vest after the performance period and be exercisable in the following manner:

- 50% on the third anniversary of the grant date;
- 25% on the fourth anniversary of the grant date; and
- 25% on the fifth anniversary of the grant date.

The exercise period will lapse 12 months after the fifth anniversary of the relevant grant date.

The Board has the discretion to either purchase shares on market or to issue new shares.

Performance rights – performance hurdles

The Board has determined that this element of the plan will not activate unless a minimum average Return on Equity (ROE) of 5.5% per annum over the performance period has been achieved. The performance hurdle of the performance rights will be based on the Company's Total Shareholder Return (TSR) relative to a comparator group comprising the ASX200 index companies over the performance period.

Following a review of the Company's LTI program during the 2009 financial year, with advice being obtained from external remuneration consultants, the Board determined that the comparator group for the 2010 and future grants should be the ASX200. This comparator group provides an objective measure of performance across a range of industries and company types which compete with the Group for capital. The Board reserves the right to make changes to the peer group to allow for changing circumstances (e.g. takeover) for peer group companies.

TSR measures the return to the shareholder over the performance period in terms of changes in the market value of the shares plus the value of the dividends paid on the shares.

Performance rights that do not vest will lapse and will not be retested. Consistent with the Company's hedging policy, Mr Kelaher will be prohibited from entering into hedging arrangements in respect of unvested performance rights.

Upon exercise of the performance rights, shares will be allocated to Mr Kelaher. Shares allocated to Mr Kelaher will rank equally with all other ordinary shares on issue. Any dealing in shares resulting from performance rights that have been exercised will be subject to IOOF's Securities and Insider Trading Policy.

The percentage of performance rights that will vest at the end of the three year performance period each year will be determined by reference to the level of TSR performance of the Company over the vesting period compared with the performance of the comparator group as follows:

Relative TSR performance	% of performance rights vesting
At or above 75th percentile	100%
At or above median	50%
Between median and 75th percentile	Progressive vesting on a straight line basis, such that 2% of LTI awards vest for each 1% ranking increase from 50th percentile.
Below median	0%

30 Share-based payments (continued)

Share options – performance hurdles

The options issued to Mr Kelaher have an exercise price of $6.81, calculated as the three month Volume Weighted Average Share Price up to and including the date of grant, being 1 July 2011.

Shareholders approved that this element of the plan will not activate unless a minimum average ROE of 5.5% per annum over the performance period has been achieved. The performance hurdle for vesting of the options is a pre-determined target growth in Earnings per Share (EPS) over the performance period.

The EPS target will be compound growth of 10% per annum in each financial year 2011-12, 2012-13 and 2013-14 from a base point of 40 cents per share, being the final actual EPS figure for financial year 2010/11.

EPS for the purposes of the hurdle will be calculated on the basis of post-acquisition purchase price allocation Underlying Net Profit After Tax divided by average shares on issue during the year.

Share options that do not vest will lapse and not be retested. Consistent with the Company's hedging policy, Mr Kelaher will be prohibited from entering into hedging arrangements in respect of unvested share options.

Upon exercise of the share options (including payment of the exercise price) Mr Kelaher will be allocated one ordinary share in the Company for each option exercised. Shares allocated to Mr Kelaher will rank equally with all other ordinary shares on issue. Any dealing in shares resulting from share options that have been exercised will be subject to IOOF's Securities and Insider Trading Policy.

Replacement awards (equity-settled)

DKN options

In connection with the acquisition of DKN the Group exchanged equity-settled share-based payment awards held by DKN option holders for 369,792 equity-settled share-based payment awards of the Group with a contractual life of 2 years.

The fair value of the replacement awards at grant date (business combination acquisition date) was determined using a binomial pricing model.

Inputs for measurement of grant date fair values

Series	Fair value	Exercise price	Grant date share price	Expected volatility	Expected life (years)	Risk free interest rate	Dividend yield
2012-01 (1) Rights - Managing Director	$ 3.11	$ -	$ 6.58	46.38%	3	5.31%	5.93%
2012-01 (2) Rights - Managing Director	$ 2.93	$ -	$ 6.58	46.38%	4	5.53%	5.93%
2012-01 (3) Rights - Managing Director	$ 2.77	$ -	$ 6.58	46.38%	5	5.67%	5.93%
2012-02 (1) Options - Managing Director	$ 1.62	$ 6.81	$ 6.58	46.38%	3	5.31%	5.93%
2012-02 (2) Options - Managing Director	$ 1.77	$ 6.81	$ 6.58	46.38%	4	5.53%	5.93%
2012-02 (3) Options - Managing Director	$ 1.87	$ 6.81	$ 6.58	46.38%	5	5.67%	5.93%
2012-05 Options - DKN	$ 1.66	$ 7.50	$ 5.07	50.00%	2	5.50%	5.50%

31 Subsequent events

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