Appendix 4D
Rule 4.2A.3

Appendix 4D
Half year report

IOOF HOLDINGS LIMITED

ABN: 49 100 103 722

1. Reporting Period	**31 DECEMBER 2007**
Previous corresponding period	31 DECEMBER 2006

2. Results for announcement to the market

	$'000	**% change from previous corresponding period**
Revenue from Shareholder activities #	143,363	up 12.8%
Revenue from ordinary activities	193,450	down 16.5%

Underlying Net Profit After Tax *	15,734	down 4.0%
Profit from ordinary activities after tax attributable to members	5,727	down 59.3%
Net profit for the period attributable to members	5,727	down 59.3%

	Amount per share (cents)	**Franked amount per share (cents)**
Final dividend for the year ended 30 June 2007 Paid: 11 October 2007	18	18 (franked at 30%)
Interim dividend for the year ended 30 June 2008 Record date for determining entitlements: 19 March 2008 Payable: 11 April 2008	15	15 (franked at 30%)

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

* *Underlying Net Profit After Tax (UNPAT) results exclude the impact of investment value write downs, Perennial Investment Partners Limited acquisition costs and share agreement liability revaluations.*

Explanation of results for the half year:

The consolidated net profit for the period attributable to members of IOOF Holdings Ltd, comprising the Company as the parent entity and controlled entities, ('IOOF Group') was $5,727,000 (31 December 2006 :$14,066,000).

The controlled entities include the benefit funds of IOOF Ltd, a subsidiary of IOOF Holdings Ltd. The change in revenue from ordinary activities is attributed to a decrease in gains on investments earned by the benefits funds. Revenue from ordinary activities if the benefit fund revenues are excluded increased by 12.8% on the previous corresponding period.

The decrease for the period has been driven by the inclusion of several AIFRS adjustments, the recognition of loss on sale of investments and the impairment of other investments, as detailed below.

During the period, AIFRS adjustments were made in respect of commitments contained in shareholder agreements with executives of Perennial subsidiaries. A liability exists under AASB 132 in relation to IOOF's commitment to provide liquidity, under certain circumstances, in the vested shares held by the minority interests in two Perennial subsidiaries (Perennial Fixed Interest Partners Pty Ltd and Perennial Growth Management Pty Ltd). Accordingly, IOOF has derecognised the minority interest in these companies. At balance date and as additional shares vest, IOOF is required to recognise movements in this liability. A net revaluation expense of $3,713,000 has been recognised in the Income Statement. This reflects fair value of these vested shares. Furthermore, based upon this valuation, Goodwill recorded on recognition initially has become impaired. This has resulted in a reduction in the carrying value of goodwill during the period of $2,863,000.

As a result of IOOF's acquisition of the remaining 21.85% shares of the subsidiary Perennial Investment Partners Limited in December 2006, a deferred liability of $38,456,000 (30 June 2007 : $37,183,000) has been recognised. The deferred liability represents the best estimate of the net present value of payments due in 2009 to all parties for the acquisition of these minority interests. A charge of $1,273,000 representing the movement in value over this period has been recognised through the Income Statement.

In order for PIPL option holders to receive the deferred payment, it is a condition that they be employed at 30 June 2009 when the payment is due. As a result, a prepayment was recognised at acquisition date (December 2006) and an expense is recognised on a monthly basis to match the cost of acquiring the PIPL options with the services provided by the employees. An expense amounting to $1.1m (06/07 FY $1.3m) was recognised for the period ending 31 December 2007.

During the period, IOOF has undertaken a strategic review of its investments. As a result of this review several investments have been sold, while others have been adjusted to fair value. These transactions and the assessment of value represent a total charge to the Income Statement of $2,313,000.

The controlled entities include the benefit funds of IOOF Ltd, a subsidiary of IOOF Holdings Ltd. The inclusion of the benefit funds has no impact on the net profit for the period attributable to members of IOOF Holdings Ltd. In order to disclose the tax expense separately, the profit before tax of $15,673,000 (31 December 2006: $37,928,000) includes an amount equal to the tax expense of the benefit funds of $4,108,000 (31 December 2006: $18,210,000). This treatment results in disclosure of a reported tax rate of 53.7% (31 December 2006: 57.1%). The actual underlying reported corporate tax rate, if the benefit funds are excluded is 37.3% (31 December 2006: 17.5%).

The increase in tax rate was primarily the result of non-deductible amounts referred to above (losses on investments, deferred employment charges and deferred settlement finance costs relating to the acquisition of the minority in Perennial Investment Partners Ltd, and non-deductible revaluations associated with the share buy-back liability). The effective underlying corporate tax rate ignoring these items is 21.5%. In addition, the previous corresponding period reflected the benefit of the initial recognition of tax losses upon Perennial Investment Partners Limited joining the IOOF tax consolidation group.

The Group's Funds Under Management and Administration ("FUMA") closed at $34.6 billion as at 31 December 2007 from $34.8 billion at 30 June 2007. This movement represents a small movement in net inflows offset by the overall fall in the market value of equities. The FUMA level as at 31 December 2007 does represent a 12.3% increase over the 31 December 2006 figure of $30.8 billion.

The growth in FUMA has translated into higher management fees, as management fees from funds are calculated based on an agreed percentage of the respective funds under management and administration in accordance with each fund's Product Disclosure Statement or offer document. A partial offset is the increased commission expense associated with the increased sales.

3. Net tangible assets

	31 December 2007 (cents)	31 December 2006 (cents)
Net tangible assets per share	33.2	17.7

4. Entities over which control has been gained or lost

Control has not been gained or lost over any entity during the half year.

5. Dividends

During the half year the Company paid a fully franked dividend of final 18 cents per ordinary share in respect of the financial year 30 June 2007, amounting to $12,293,629. Subsequent to the end of the reporting period, the Directors have declared an interim dividend of 15 cents per share in respect of the financial year 30 June 2008.

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**	
Equity accounted associates:	Current period %	Previous corresponding period %	Current period $'000	Previous corresponding period $'000
Perennial Value Management Ltd	52.3	50.0	3,637	3,739

Due to voting rights associated with different classes of shares in Perennial Value Management Ltd, 52.3% ownership interest does not result in control as defined by AASB 127.

8. Other

The information contained in this Appendix 4D is based on the 31 December 2007 half year consolidated financial statements of IOOF Holdings Limited and its subsidiaries, which have been subject to audit review. The financial statements are not subject to audit 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
A.B.N. 49 100 103 722
FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Melbourne, 20 February 2008

IOOF HOLDINGS LTD
A.B.N. 49 100 103 722
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

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 2007 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.

Principal registered office in Australia:
Level 29, 303 Collins Street, Melbourne, VIC 3000

IOOF HOLDINGS LTD
DIRECTORS' REPORT

The Directors of IOOF Holdings Ltd (the Company) present the interim consolidated financial report for IOOF Holdings Ltd and the entities it controlled at the end of, or during, the half year ended 31 December 2007.

Directors

The following persons were Directors of the Company during the half year and up to the date of this report :

Mr I Blair
Mr A D Robinson
Dr R N Sexton
Mr A P Hodges
Ms K D Spargo
Ms J Harvey
Mr J Pfeiffer
Mr R Harper

Mr M U R Crivelli was a director from the beginning of the financial period until his resignation on 17 December 2007.

Consolidated Results and Review of Operations

The consolidated net profit for the period attributable to members of IOOF Holdings Ltd, comprising the Company as the chief entity and controlled entities, ('IOOF Group') was $5,727,000 (31 December 2006: $14,066,000). The decrease for the period has been driven by the inclusion of several AIFRS adjustments, the recognition of loss on sale of investments and the impairment of other investments, as detailed below:

During the period, AIFRS adjustments were made in respect of commitments contained in shareholder agreements with executives of Perennial subsidiaries. A liability exists under AASB 132 in relation to IOOF's commitment to provide liquidity, under certain circumstances, in the vested shares held by the minority interests in two Perennial subsidiaries (Perennial Fixed Interest Partners Pty Ltd and Perennial Growth Management Pty Ltd). Accordingly, IOOF has derecognised the minority interest in these companies. At balance date and as additional shares vest, IOOF is required to recognise movements in this liability. A net revaluation expense of $3,713,000 has been recognised in the Income Statement. This reflects fair value of these vested shares. Furthermore, based upon this valuation, goodwill recorded on recognition initially has become impaired. This has resulted in a reduction in the carrying value of goodwill during the period of $2,864,000.

As a result of IOOF's acquisition of the remaining 21.85% shares of the subsidiary Perennial Investment Partners Limited in December 2006, a deferred liability of $38,456,000 (30 June 2007 : $37,183,000) has been recognised. The deferred liability represents the best estimate of the net present value of payments due in 2009 to all parties for the acquisition of these minority interests. A charge of $1,273,000 representing the movement in value over this period has been recognised through the Income Statement.

In order for PIPL option holders to receive the deferred payment, it is a condition that they be employed at 30 June 2009 when the payment is due. As a result, a prepayment was recognised at acquisition date (December 2006) and an expense is recognised on a monthly basis to match the cost of acquiring the PIPL options with the services provided by the employees. An expense amounting to $1.1m (30 June 2007 : $1.3m) was recognised for the period ending 31 December 2007.

During the period, IOOF has undertaken a strategic review of its investments. As a result of this review several investment have been sold, while others have been adjusted to fair value. These transactions and the assessment of value represent a total charge to the Income Statement of $2,313,000.

The controlled entities include the benefit funds of IOOF Ltd, a subsidiary of IOOF Holdings Ltd. The inclusion of the benefit funds has no impact on the net profit for the period attributable to members of IOOF Holdings Ltd. In order to disclose the tax expense separately, the profit before tax of $15,673,000 (31 December 2006: $37,928,000) includes an amount equal to the tax expense of the benefit funds of $4,108,000 (31 December 2006: $18,210,000). This treatment results in disclosure of an reported tax rate of 53.7% (31 December 2006: 57.1%). The actual underlying reported corporate tax rate, if the benefit funds are excluded is 37.3% (31 December 2006: 17.5%).

The increase in tax rate was primarily the result of non-deductible amounts referred to above (losses on investments, deferred employment charges and deferred settlement finance costs relating to the acquisition of the minority in Perennial Investment Partners Ltd, and non-deductible revaluations associated with the share buy-back liability). The effective underlying corporate tax rate ignoring these items is 21.5%. In addition, the previous corresponding period reflected the benefit of the initial recognition of tax losses upon Perennial Investment Partners Limited joining the IOOF tax consolidation group.

IOOF HOLDINGS LTD
DIRECTORS' REPORT
(Continued)

Consolidated Results and Review of Operations (cont.)

The Group's Funds Under Management and Administration ("FUMA") closed at $34.6 billion as at 31 December 2007 from $34.8 billion at 30 June 2007. This movement represents a small movement in net inflows offset by the overall fall in the market value of equities. The FUMA level as at 31 December 2007 does represent a 12.3% increase over the 31 December 2006 figure of $30.8 billion.

The growth in FUMA has translated into higher management fees, as management fees from funds are calculated based on an agreed percentage of the respective funds under management and administration in accordance with each fund's Product Disclosure Statement

Consolidated Balance Sheet

Growth in total net assets since 30 June 2007 has arisen from the following events or transactions:

- profit attributable to members of IOOF Holdings Ltd of $5,727,000 and profits attributable to minority interests of $1,526,000.

- early in July 2007, $40m was raised by way of a share placement. These proceeds were progressively applied against $33.5m of borrowings as at 30 June 2007 as and when it matured.

This growth in net assets has been largely offset by the following:

- payment of a final dividend in respect of the year ended 30 June 2007 of 18 cents per share amounting to $12,294,000 and payment of dividends to minority interests in subsidiaries amounting to $1,736,000.

Dividends Paid

During the financial period the Company paid a fully franked dividend of 18 cents per share in respect of the financial year ended 30 June 2007 (as mentioned above).

Matters Subsequent to the End of the Financial Period

The following matter has arisen subsequent to the end of the financial period:

- the Directors have declared an interim dividend of 15 cents per share.

- on 11 February 2008, the Directors announced an on-market buy-back program for the purchase of up to 2,000,000 ordinary shares over a 12 month period commencing 26 February 2008.

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 the end of the financial period, that has significantly affected, or may significantly affect the operations of the IOOF Group, the results of those operations, or the state of affairs of the IOOF Group in subsequent financial years.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under S307C of the Corporations Act 2001 is set out on page 4.

Mr I Blair	**Mr A D Robinson**
Chairman of the Board	**Director and Chief Executive Officer**

Melbourne, 20 February 2008

PRICEWATERHOUSECOOPERS

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Telephone 61 3 8603 1000
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Auditor's Independence Declaration

As lead auditor for the review of IOOF Holdings Ltd for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of IOOF Holdings Ltd and the entities it controlled during the period.

JF Power

JF Power
Partner
PricewaterhouseCoopers

Melbourne
20 February 2008

IOOF HOLDINGS LTD
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Notes	31 December 2007 $'000	31 December 2006 $'000
Revenue	2 (a)	193,041	166,873
Other Income	2 (b)	409	64,881
Expenses	4	(179,846)	(197,518)
Finance costs	4	(1,568)	(47)
Share of profit of associates	3	3,637	3,739
Profit before income tax		15,673	37,928
Income tax (expense)/benefit	5	(8,420)	(21,667)
Profit for the half-year		7,253	16,261
Profit is attributable to:			
Equity holders of IOOF Holdings Ltd		5,727	14,066
Minority interest		1,526	2,195
		7,253	16,261
Earnings per share for profit attributable to the ordinary equity holders of the company:		**Cents**	**Cents**
Basic earnings per share	28	8.40	22.14
Diluted earnings per share	28	8.30	21.72

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

IOOF HOLDINGS LTD
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	31 December 2007 $'000	30 June 2007 $'000
Assets			
Cash and cash equivalents	6	649,662	509,280
Receivables	7	47,292	61,416
Other financial assets	8	613,042	934,033
Investments accounted for using the equity method	9	9,467	8,369
Other assets	10	14,816	16,139
Plant and equipment	11	3,077	3,247
Deferred tax assets	12	7,402	7,006
Intangible assets	13	199,599	197,230
Total Assets		1,544,357	1,736,720
Liabilities			
Payables	14	40,044	32,809
Borrowings	15	-	33,500
Current tax liabilities	16	9,928	18,950
Deferred tax liabilities	16	21,315	29,713
Provisions	17	45,580	45,120
Other financial liabilities	18	28,292	20,690
Deferred revenue liability	19	4,776	4,967
Investment contract liabilities	20	523,298	519,644
Insurance contract liabilities	21	504,803	534,566
Outside interest in controlled trusts	22	142,502	306,856
Total Liabilities		1,320,538	1,546,815
NET ASSETS		223,819	189,905
Equity			
Parent entity interest			
Contributed equity	23	218,330	179,030
Treasury shares	23	(5,259)	(5,346)
Preference shares	23	1,400	1,400
Reserves	24	5,073	3,769
Retained profits	25	3,738	10,305
Total parent entity interest		223,282	189,158
Minority interest	26	537	747
TOTAL EQUITY		223,819	189,905

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

IOOF HOLDINGS LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Notes	31 December 2007 $'000	31 December 2006 $'000
Total Equity at the beginning of the period		189,905	189,022
Profit for the half year		7,253	16,261
Total recognised income and expense for the period		7,253	16,261
Transactions with equity holders in their capacity as equity holders:			
Shares issued to General staff share acquisition plan	23	326	290
Issue of shares net of capital raising costs	23	38,974	-
Treasury shares - Executive performance share plan	23	87	284
Reserve for share based payments	24	1,304	1,043
Dividends paid to shareholders of the Company	25	(12,294)	(9,559)
Dividends paid to minority interests in subsidiaries		(1,736)	(1,694)
Purchase of shares from minority interests in subsidiaries		-	(3,897)
		26,661	(13,533)
Total Equity at the end of the period		223,819	191,750

	Notes	31 December 2007 $'000	31 December 2006 $'000
Total recognised income and expense for the period is attributable to:			
- Members of IOOF Holdings Ltd	25	5,727	14,066
- Minority interest		1,526	2,195
		7,253	16,261

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

IOOF HOLDINGS LTD
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Notes	Half-year ended 31 December 2007 $'000	31 December 2006 $'000
Cash flows from operating activities			
Management fees and commission income received		178,664	160,220
Premium income received		333	329
Contributions proceeds		114,618	71,236
Payments to suppliers and employees		(135,782)	(148,161)
Distributions received		35,321	28,400
Dividends received from non-related parties		236	6,059
Dividends received from associate		2,539	2,000
Interest income received		14,785	11,742
Interest (paid)/received		(295)	41
Withdrawal payments		(318,735)	(110,352)
Proceeds/(payments) for purchases or sales of financial assets		306,446	78,422
Other income received		409	1,977
GST paid		(20,092)	(6,305)
Income tax paid		(26,237)	(30,896)
Net cash provided by/(used in) operating activities		152,210	64,712
Cash flows from financing activities			
Dividends paid to shareholders of the Company		(12,294)	(9,559)
Dividends paid to minority interests in subsidiaries		(1,736)	(1,694)
Dividends paid to shareholders entitled to contractual share buy-back		(1,491)	-
Cash proceeds from shares issued		38,974	-
Proceeds from/(payments to) line of credit facility		(33,500)	22,500
Net cash provided by/(used in) financing activities		(10,047)	11,247
Cash flows from investing activities			
Payment for purchase of shares in controlled entity		-	(68,152)
Loans and mortgage securities advanced		-	(4)
Proceeds from sale of plant and equipment		-	2
Payment for purchase of plant and equipment		(595)	(1,386)
Payment for purchase of intangible assets		(584)	(10)
Proceeds from loans repaid by Directors		178	1,130
Loans made to policy holders- Benefit Funds		(979)	(1,274)
Proceeds from loans repaid by policy holders-Benefit Funds		445	548
Proceeds from loans repaid by related parties		-	1,029
Loan made to executives of a related entity		(279)	(500)
Proceeds from loans repaid by executives of a related entity		12	239
Interest received on loans made to directors and executives		21	287
Release of regulatory deposits		-	20
Net cash provided by/(used in) investing activities		(1,781)	(68,071)
Net increase/(decrease) in cash and cash equivalents		140,382	7,888
Cash and cash equivalents at the beginning of the financial period	6	509,280	502,385
Cash and cash equivalents at the end of the financial period	6	649,662	510,273

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for the consolidated entity consisting of IOOF Holdings Ltd and its controlled entities ("The Group").

(a) Basis of Preparation

This is a general purpose financial report for the interim half year reporting period ended 31 December 2007. It has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

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 2007 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* .

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of IOOF Holdings Ltd comply with the International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRS.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are at fair value through the asset revaluation reserve, and those financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The Balance Sheet is presented in order of liquidity.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The financial statements were authorised for issue by the directors on 20 February 2008. The Company has the power to amend and reissue the financial report.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of IOOF Holdings Ltd ("Company" or "parent entity") as at 31 December 2007 and the results of all subsidiaries for the period then ended. This includes the benefit funds of its subsidiary, IOOF Ltd, and any controlled trusts. IOOF Holdings Ltd, its subsidiaries and the controlled trusts together are referred to in this financial report as the Group or the consolidated entity.

Control of an entity is identified where the Group has the power to govern the financial and operating policies of that entity; generally accompanying a shareholding of more than half of the voting rights. Consistent accounting policies have been employed across all entities in the Group.

In preparing the consolidated financial statements, assets, liabilities, equity, income and expenses of each controlled entity are included with the parent entity amounts on a line by line basis. All intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated Income Statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

The benefit funds, and any trusts controlled by those funds, are treated as statutory funds in accordance with the Life Insurance Act 1995. These statutory funds, in addition to the statutory funds of the life insurance business conducted by the Group, are shown separately from shareholder funds in the notes to the financial statements. Refer to Note 1 (k) *Product Classification* for information in relation to the different accounting treatment of investment contracts with discretionary participating features.

The financial statements of controlled life insurance entities, comprising policyholder funds and shareholders' funds are included in the consolidated financial report on a line by line basis.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(n) *Business Combinations and Acquisition of Other Assets*).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Principles of Consolidation (continued)

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity.

Employee Share Trust
The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the IOOF Executive Performance Share Plan Trust are disclosed as treasury shares and are deducted from contributed equity.

(c) Investment in Associates

Associates are entities over which the Group has significant influence but not control. Significant influence is generally identified with a shareholding of between 20% and 50% of the voting rights. The Group's investments in its associates are accounted for under the equity method of accounting in the consolidated financial statements, and are accounted for in the parent entity financial statements using the cost method.

The Group's share of its associates' post-acquisition profits or losses are recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the consolidated financial statements. Dividends receivable from associates reduce the carrying amount of the investment in the consolidated financial statements, whereas in the parent entity's financial statements they are recognised in the Income Statement.

When the Group's share of the losses in an associate equals or exceeds its interest in an associate, including any unsecured receivables, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Segment Reporting

The Group's predominant source and nature of risks and rewards is related to its business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, plant and equipment and goodwill and other intangibles, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, and employee benefits.

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

> Management fees earned from the funds are calculated based on an agreed percentage of the respective funds under management or administration and are recognised on an accruals basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Revenue (continued)

Distribution income is brought to account on an accruals basis. Interest income is recognised using the effective interest method as set out in AASB 139, where appropriate. Dividends are recognised when the right to receive payment is established.

Commission income from the provision of financial advisory services is recognised on an accruals basis.

Premium revenue is earned on life insurance products. Life insurance premiums with no due date are recognised on a cash received basis. Premiums with regular due dates are recognised as revenue on a basis which is consistent with the Actuary's valuation of liabilities. Deposit components of life insurance contracts are not revenue and are treated as movements in life insurance contract liabilities.

(f) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable tax rate, adjusted for changes in deferred tax assets and deferred tax liabilities. Such changes are attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The applicable rates of income tax vary depending upon the fund or entity involved. Segregated superannuation and rollover fund business of IOOF Ltd benefit funds attracts income tax at the rate of 15% (2006: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2006: 30%).

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is possible that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

IOOF Holdings Ltd and its wholly owned entities (including IOOF Ltd benefit funds) implemented the tax consolidation legislation. As a consequence, IOOF Holdings Ltd, as head entity in the tax consolidated group, recognises the current tax liability and any deferred tax assets arising from tax losses and any other relevant unused tax credit relating to the wholly-owned entities in the tax consolidation group; as if those liabilities and tax deferred tax assets relating to losses / credits were its own. In addition, IOOF Holdings Ltd recognises the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an tax funding agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable.

Current and deferred tax amounts are allocated to members of the tax group by utilising a modified 'standalone' approach which means that each group member will recognise transactions with another group member except for dividend income from other group members and capital gains and losses from transactions as with other group members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Cash and Cash Equivalents

For cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within liabilities on the balance sheet.

(h) Receivables

All receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. They are due for settlement at terms which vary between 14 days and, in exceptional circumstances, 180 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

(i) Other Financial Assets

The Group classifies its financial assets in the following categories, depending on the purpose for which the asset was acquired:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Management determines the classification at initial recognition for those financial assets classified as held to maturity and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss:

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Management will designate a financial asset to this category if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, assets, or services directly to a debtor with no intention of selling the receivable.

Held-to-maturity investments:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivatives that are either designated in this category or are not classified in any of the other categories.

Recognition and Derecognition

Purchases and sales of investments are recognised on trade-date, being the date on which a commitment is made to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and substantially all the risks and rewards of ownership have been transferred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Other Financial Assets (continued)

Subsequent Measurement
'Available-for-sale' financial assets and financial assets 'at fair value through profit or loss' are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of financial assets categorised as at fair value through profit or loss are included in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities held as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), fair value is determined by using valuation techniques. These techniques include reference to recent arms length transactions involving the same or substantially similar instruments, discounted cash flow analysis, and pricing models refined to reflect the issuer's specific circumstances.

At each balance date, management assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. For available-for-sale financial assets, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether it is impaired. If it is assessed as impaired, the cumulative loss (being the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

(j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(k) Product classification

The accounting treatment of certain transactions varies depending on the nature of the contract underlying the transaction. The major contract classifications are insurance contracts and investment contracts.

Insurance contracts

Insurance contracts are those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Investment contracts

Contracts not considered insurance contracts are classified as investment contracts. The accounting treatment of investment contracts depends on whether the investment has a discretionary participation feature (“DPF”). A DPF represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:
- likely to be a significant portion of the total benefits;
- distributed at the discretion of the insurer; and
- are based on the performance of a specified pool of assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Product classification (continued)

Deposits collected and benefits paid under investment contracts with DPF are accounted for through the Income Statement. The gross change in the liability to these policyholders for the period, which includes any participating benefits vested in policyholders and any undistributed surplus attributed to policyholders, is recognised in the Income Statement.

Deposits collected and withdrawals processed for investment contracts without DPF are accounted for directly through the Balance Sheet as a movement in the investment contract liability. Distributions on these contracts are charged to the Income Statement as an expense.

Where contracts contain both an investment component and an insurance component and the deposit component can be separately measured, the underlying amounts are unbundled. Premiums relating to the insurance component are accounted through the Income Statement and the investment component is accounted as a deposit through the Balance Sheet as described above.

(l) Assets backing policy liabilities

The Group has determined that all financial assets held within its reported statutory funds (including the benefit funds which are treated as statutory funds) represents the assets backing policy liabilities and are measured at fair value through profit or loss. Other than loans and receivables, financial assets held by the Group and its controlled entities, have been designated at fair value through profit or loss as the Group and its controlled entities are managed on a fair value basis.

(m) Deferred Acquisition Costs

Deferred acquisition costs relate to commissions paid, and are deferred as an asset in recognition that they relate to a future economic benefit. Deferred acquisition costs are initially measured at historical cost and are written down immediately to their recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Deferred acquisition costs which are carried as an asset in the Balance Sheet, are progressively amortised in the Income Statement by a systematic allocation over the period of time future economic benefits are expected to be received.

(n) Business Combinations and acquisitions of other assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on issue of equity instruments are recognised directly in equity.

Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note (q)(i))**.** If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Amounts are recognised only where payment is probable and can be reliably estimated.

(o) Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is shorter.

(p) Plant and Equipment

Property and equipment is carried at historical cost less any accumulated depreciation and any accumulated impairment losses. Historical cost includes all expenditure directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(p) Plant and Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives which range between 3 to 10 years.

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance sheet date.

Asset carrying amounts are written down immediately to recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

(q) Intangible Assets and Expenditure Carried Forward

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill acquired in a business combination is not amortised. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by the Group's investment in each reporting segment.

(ii) Development of Assets

Costs incurred with major software development and major projects are capitalised where the associated intangible asset is assessed as being separable from the entity, controlled by the entity, will provide future economic benefit, and the cost can be measured reliably. Capitalised costs are deferred until such time the asset is ready for use. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which has generally been assessed as being 3 years.

(iii) Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which has generally been assessed as being 3 years.

(iv) Adviser relationships

Adviser relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which has generally been assessed as being five years.

(r) Impairment of Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash-generating units). Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The impairment recognised for goodwill is not subsequently reversed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(s) Accounts Payable

Liabilities are recognised for amounts to be paid in the future**,** for goods and services received up to the balance date, whether or not billed. Trade accounts payable are settled within normal terms and conditions, with terms generally ranging from 7 to 55 days. Some agreements, for example those relating to certain commission payments, can require quarterly or annual settlement.

(t) Employee Entitlements

(i) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries, annual leave and sick leave represent the Group's present obligation in relation to employees' services provided up to balance date. The liabilities are recognised at the remuneration rates expected to be paid when obligations are settled, and do not include related on-costs such as workers compensation insurance and payroll tax. Where the absences are expected to occur within 12 months, they are recognised in other creditors, whereas where the absences are expected to occur beyond 12 months, they are discounted to present values and are recognised in non-current provisions.

(ii) Long Service Leave

Liability for long service leave benefits that are expected to be settled within 12 months are measured at the amount expected to be paid when they are settled.

Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using rates attaching to Commonwealth Government securities, which most closely match the terms of maturity of the related liabilities at balance date. This liability represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date.

In determining the liability for employee entitlements, consideration is given to future increases in wage and salary rates, experience with employee departures and periods of service.

(iii) Employee Benefits On-Costs

Employee benefits on-costs are recognised and included in payables when the employee benefits to which they relate are recognised as liabilities.

(iv) Equity-settled Share-based Compensation Benefits

Equity-settled compensation benefits are provided to employees via an employee share scheme. Shares allocated to employees pending the satisfaction of performance prerequisites, are placed with the IOOF Executive Performance Share Plan Trust. The IOOF Group has no right to recall placed shares. However, a subsidiary Company acts as the trustee of this Trust, and can direct the voting rights of shares held and strategic direction. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The cumulative expense recognised at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the number of shares that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is based on the best available information available at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is reflected in the determination of the fair value at grant date.

Shares in the Group held by IOOF Executive Performance Share Plan Trust are classified and disclosed as Treasury shares, and deducted from equity.

Employees have the opportunity to participate in the IOOF Deferred Share Purchase Plan. The plan provides a facility for staff to salary sacrifice base salary or future incentive entitlements in order to acquire shares. As the purchase is funded by employees' salary sacrifice or incentives provided, no additional expense is recorded by the Company.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(t) Employee Entitlements (continued)

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(v) Incentive Plans

A liability for employee benefits in the form of an incentive plan is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(vi) Termination Benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. These liabilities for termination benefits are recognised within other creditors.

Liabilities for redundancies arising from restructuring, are only recognised when the main features of a plan have been developed for redundancies and a valid expectation has been raised in those employees affected that the redundancies will be carried out. These liabilities for redundancies are recognised within provisions for restructure and through the Income Statement except where acquisition accounting principles are applicable.

Liability for termination benefits and redundancies that are expected to be settled within 12 months are measured at the amount expected to be paid when they are settled.

Liabilities for termination benefits and redundancies which are not expected to be settled within 12 months are discounted using rates attaching to Commonwealth Government securities, which most closely match the terms of maturity of the related liabilities at balance date. This liability represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date.

(vii) Retirement Benefit Obligations

Employees of the Group are entitled to benefits on retirement, disability or death from the Group's Superannuation Plan; subject to qualification for membership of the plan. This plan is a defined contribution scheme that receives fixed contributions from Group companies. The Group's legal or constructive obligation is limited to these contributions. Employees are entitled to nominate external superannuation plans to which fixed contributions are similarly directed. Contributions to defined contribution Superannuation Plans are recognised as an expense in the Income Statement when incurred.

(u) Provisions

Provisions are recognised when:
- it is established there is a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(u) Provisions (continued)

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(v) Other Financial Liabilities

Purchase commitments to reacquire interests from minority shareholders are accounted for in accordance with AASB 132 *Financial Instruments: Presentation* which specifies that an obligation for an entity to purchase its own equity instruments for cash gives rise to a financial liability. The liability is measured at the present value of the redemption amount irrespective of the probability of the exercise of the right by minority shareholders.

(w) Insurance Contract Liabilities and Claims Expense

Life insurance contract liabilities are calculated in accordance with actuarial standards.

A claim expense is recognised when the liability to the policyholder under the policy contract has been established, or upon notification of the insured event . Withdrawal components of life insurance contracts are not expenses and are treated as movements in life insurance contract liabilities.

(x) Deferred Revenue Liability

Investment contract policyholders are charged fees for investment management services. The fee is recognised as revenue in the period in which it is received unless they relate to services to be provided in future periods. Fees for services to be provided in future periods are deferred and recognised in the income statement as the service is provided, over the expected term of the service contract.

(y) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the Income Statement as finance costs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(z) Investment Contract Liabilities and Claims Expense

Investment contracts with DPF – the value of these liabilities changes in relation to the change in unit prices for unit linked contracts, and are decreased by management fee charges. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders. Adjustments to the liabilities at each reporting date are recorded in the Income Statement.

Other investment contracts – the value of these liabilities changes in relation to the change in unit prices for unit linked contracts, and are decreased by management fee charges. In accordance with the rules of the funds, any remaining surplus is attributed to the members of the fund. Amounts distributable to members are recorded in the Income Statement as an expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(z) Investment Contract Liabilities and Claims Expense (continued)

There is no claims expense in respect of life investment contracts. Surrenders and withdrawals which relate to life investment contracts are treated as a movement in life investment contract liabilities. Surrenders are recognised when the policyholder formally notifies of their intention to end the policy previously contracted.

(aa) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A leased asset is established at the commencement of the lease at the lower of the fair value of the leased property and the present value of minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. Each lease payment is allocated between the lease liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease asset is amortised on a straight-line basis over the shorter of the term of the lease or the useful life of the asset. Lease assets held at reporting date are being amortised over periods ranging from one to five years.

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the incentive.

The present value of future payments of surplus leased space under non cancellable operating leases is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the lease space will be of no future benefit to the Group. Each lease payment is allocated between the liability and the finance charge.

(ab) Shareholders entitlement to monies held in Statutory Funds

Monies held in the life insurance Statutory Funds (including the Benefit Funds) are subject to the distribution and transfer restrictions and other requirements of the *Life Insurance Act 1995* . Monies held in the benefit funds and controlled trusts are held for the benefit of the members of those funds, and are subject to the constitution and rules of those funds.

(ac) Contributed equity

Ordinary shares are classified as equity. Preference shares that are mandatorily redeemable or that attach a contractual obligation to pay a regular, cumulative, fixed-rate dividend are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(ad) Dividends

Provision is made for the amount of any dividend declared by the Directors on or before the end of the half year but not distributed at balance date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ae) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after tax attributable to members of the Company, excluding any costs of serving equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half year, adjusted for bonus elements in ordinary shares issued during the half year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(af) Goods and Services Tax

Revenues, expenses and assets are recorded net of GST. GST input tax credits are initially recorded as an asset and GST collected as a liability. These balances are offset as at the reporting date and recognised as either an amount receivable or payable to the Australian Taxation Office. The GST portion relating to financial supplies and non-deductible expenditure, for which an input tax credit cannot be claimed, is expensed.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(ag) Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand Australian dollars in accordance with that Class Order.

(ah) Comparatives

Changes in accounting policy are accounted for retrospectively, unless it is impractical to do so. Changes in accounting policy on initial adoption of an accounting standard are accounted for retrospectively, unless it is impractical to do so, or where they are adopted in accordance with the transitional provisions of the relevant standard. Specific disclosures are made wherever accounting policies have not been consistently applied to prior year comparatives.

2. REVENUE

	Half year ended 31 December 2007			Half year ended 31 December 2006		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
(a) Revenue						
Management fees:						
- Investment products	112,889	-	112,889	97,573	-	97,573
- Benefit Funds	9,236	-	9,236	8,854	-	8,854
- Associated entity	1,022	-	1,022	1,002	-	1,002
- Related entities	-	3,134	3,134	-	3,056	3,056
- Other entities	9,883	-	9,883	7,598	-	7,598
Deposits received - investment contracts with DPF	-	6,617	6,617	-	3,480	3,480
Commission revenue:						
- Non-related entities	10,269	-	10,269	10,682	-	10,682
Other fee revenue	682	-	682	803	-	803
Interest revenue:						
- Directors & Director-related entities	129	-	129	284	-	284
- Other related parties	10	-	10	274		274
- Non-related entities	1,812	12,844	14,656	450	11,557	12,007
Dividends:						
- Non-related entities	23	213	236	63	5,997	6,060
Distributions:						
- Non-related entities	-	23,955	23,955	-	14,767	14,767
Revenue	145,955	46,763	192,718	127,583	38,857	166,440
Life Insurance Revenue						
Direct insurance premiums	-	323	323	-	329	329
Insurance claims recovered	-	-	-	-	104	104
	-	323	323	-	433	433
Total Revenue	145,955	47,086	193,041	127,583	39,290	166,873
(b) Other income						
Gains on investments	-	-	-	281	62,754	63,035
Other	408	1	409	1,846	-	1,846
	408	1	409	2,127	62,754	64,881

3. SHARE OF EQUITY PROFITS

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Share of profit of associate	3,637	-	3,637	3,739	-	3,739

4. EXPENSES

	Half year ended 31 December 2007			Half year ended 31 December 2006		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Profit before income tax includes the following specific expenses:						
Finance costs :						
Interest - non-related entities	295	-	295	47	-	47
Discount on deferred settlement payment	1,273	-	1,273	-	-	-
	1,568	-	1,568	47	-	47
Expenses, excluding finance costs :						
Net movement in provision for doubtful debts in respect of amounts receivable from:						
- controlled entity	(558)	-	(558)	-	-	-
Depreciation of plant and equipment	765	-	765	587	-	587
Amortisation of software and infrastructure projects	306	-	306	353	-	353
Amortisation of adviser relationships	426	-	426	429	-	429
Goodwill impairment	2,864	-	2,864	-	-	-
Fair value losses on other financial assets at fair value through profit or loss	91	12,712	12,803	67	-	67
Net loss on sale of available-for-sale financial assets	1,213	-	1,213	-	-	-
Operating lease rental expenses - non-related entities	2,478	-	2,478	2,021	-	2,021
Occupancy related expenses	357	-	357	243	-	243
Net transfers to employee provisions	2,393	-	2,393	2,143	-	2,143
Salaries and related expenses	28,384	-	28,384	23,220	-	23,220
Employee Share-based payments expense	1,719	-	1,719	2,397	-	2,397
Employee Defined contribution plan expense	2,197	-	2,197	1,779	-	1,779
Commission, rebates and management fees						
- Related entity	7,296	-	7,296	6,366	-	6,366
- Benefit funds	-	8,202	8,202	-	8,170	8,170
- Non-related entities	65,862	836	66,698	58,751	2,339	61,090
Investment contracts with DPF						
- Benefits and withdrawals paid	-	40,796	40,796	-	50,990	50,990
- Decrease in policyholder liabilities	-	(29,753)	(29,753)	-	(37,927)	(37,927)
Termination bonuses	-	234	234	-	235	235
Distribution to policyholders	-	9,004	9,004	-	57,523	57,523
Professional fees	5,021	-	5,021	5,080	1	5,081
Marketing	1,805	-	1,805	2,126	-	2,126
Deferred acquisition costs amortisation	1,474	-	1,474	1,790	-	1,790
Computer maintenance and support	3,109	-	3,109	2,762	-	2,762
Office support	2,624	-	2,624	2,726	-	2,726
Travel and entertainment	2,223	-	2,223	1,881	-	1,881
Revaluation of shareholder liabilities	3,713	-	3,713	-	-	-
Provision for dimunition in value of investment	1,100	-	1,100	-	-	-
Other expenses from ordinary activities	676	52	728	845	249	1,094
	137,538	42,083	179,621	115,566	81,580	197,146
Life Insurance operating expenses includes:						
Outward reinsurance expense	-	186	186	-	187	187
Policy payments/claims	-	-	-	-	126	126
Operating expenses	-	39	39	-	59	59
	-	225	225	-	372	372
Total expenses, excluding finance costs	137,538	42,308	179,846	115,566	81,952	197,518

	Half year ended 31 December 2007			Half year ended 31 December 2006		
	Shareholder	**Statutory**	**Total**	**Shareholder**	**Statutory**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
5. INCOME TAX EXPENSE						
(a) Income tax expense						
Current tax	4,291	12,545	16,836	2,554	8,359	10,913
Deferred tax	1,636	(8,398)	(6,762)	899	9,879	10,778
Under / (over) provided in prior years	(1,654)	-	(1,654)	(24)	-	(24)
Income tax expense is attributed to Profit from continuing operations.	4,273	4,147	8,420	3,429	18,238	21,667
Deferred income tax (revenue)/ expense included in income tax expense comprises:						
Decrease / (increase) in deferred tax assets (Note 12)	1,744	(1,394)	350	1,172	55	1,227
(Decrease) / increase in deferred tax liabilities (Note 16)	(108)	(7,004)	(7,112)	(273)	9,824	9,551
	1,636	(8,398)	(6,762)	899	9,879	10,778
(b) Numerical reconciliation of income tax expense to prima facie tax payable						
Profit from operations before income tax expense and items eliminated on consolidation	10,894	4,779	15,673	17,836	20,092	37,928
Inter-group interest income eliminated on consolidation	531	(531)	-	1,790	(1,790)	-
Profit from continuing operations before income tax expense	11,425	4,248	15,673	19,626	18,302	37,928
Tax at the Australian tax rate of 30% (2006: 30%)	3,428	1,274	4,702	5,888	5,491	11,379
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:						
- Share of tax credits with Benefit Funds	1,641	(1,638)	3	1,604	(2,141)	(537)
- Tax on distribution to policyholders	-	4,511	4,511	-	14,888	14,888
- (Non Assessable Income)/Non Deductible Expenses	547	-	547	(2,879)	-	(2,879)
Current Year Tax Loss not recognised	311	-	311	(1,160)	-	(1,160)
	5,927	4,147	10,074	3,453	18,238	21,691
- Under / (over) provided in prior years	(1,654)	-	(1,654)	(24)	-	(24)
Income tax expense	4,273	4,147	8,420	3,429	18,238	21,667
(c) Amounts recognised directly in equity	-	-	-	-	-	-

(d) Tax consolidation

IOOF Holdings Ltd and its wholly owned entities have implemented the tax consolidation legislation.

These entities have entered into tax sharing and tax funding agreements. Under the terms of these agreements, the wholly owned entities reimburse IOOF Holdings Ltd for their share of the income tax expense arising in respect of their activities. This is recognised as a current tax related receivable / payable by IOOF Holdings Ltd and is reimbursed / funded by the wholly owned entities each month. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by IOOF Holdings Ltd.

Taxable income for the tax consolidated group includes the profit generated by IOOF Ltd benefit funds, which is distributable to policyholders of the Benefit Fund. The profit of these funds forms part of the consolidated profit for the calculation of the tax expense.

(e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	1,171	-	1,171	3,763	-	3,763
Potential tax benefit at 30% not recognised	351	-	351	1,129	-	1,129

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000

6. CASH AND CASH EQUIVALENTS

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Cash	39,069	9,581	48,650	39,250	18,432	57,682
Unlisted Unit Trusts - related party	-	601,012	601,012	-	451,598	451,598
	39,069	610,593	649,662	39,250	470,030	509,280

7. RECEIVABLES

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Receivables	8,501	-	8,501	9,062	3,250	12,312
Interest receivable - other	-	2,112	2,112	-	2,122	2,122
Interest receivable -related parties	694	-	694	695	-	695
Provision for doubtful debts	(846)	-	(846)	(1,488)	-	(1,488)
	8,349	2,112	10,461	8,269	5,372	13,641
Distributions receivable - other non related entity	-	19,824	19,824	-	29,508	29,508
Dividends receivable - other non related entities	3	-	3	-	1,685	1,685
Insurance contract asset	-	-	-	-	10	10
Gross policy liabilities ceded under reinsurance	-	261	261	-	261	261
Amounts receivable from related parties	16,743	-	16,743	16,311	-	16,311
	25,095	22,197	47,292	24,580	36,836	61,416

8. OTHER FINANCIAL ASSETS

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Fair value through profit and loss						
- Shares in listed corporations	-	18,766	18,766	-	359,281	359,281
- Certificates of deposit and Bank bills	-	108,221	108,221	-	105,696	105,696
- Debt securities	-	278,379	278,379	-	264,247	264,247
- Unlisted unit trusts	351	193,433	193,784	266	188,294	188,560
	351	598,799	599,150	266	917,518	917,784
Available for sale						
- Shares in other corporations	26	-	26	2,342	-	2,342
	26	-	26	2,342	-	2,342
Loans and Receivables						
- Mortgages (Note 8(b))	136	888	1,024	128	1,518	1,646
- Loans to Policyholders	-	9,882	9,882	-	9,348	9,348
- Loans to directors of associate entities	1,716	-	1,716	1,716	-	1,716
- Loan to related parties	43	-	43	97	-	97
- Loans to directors of controlled entities	-	-	-	166	-	166
- Loans to executives of related entities	1,115	-	1,115	848	-	848
- Regulatory deposits (Note 8(a))	86	-	86	86	-	86
	3,096	10,770	13,866	3,041	10,866	13,907
	3,473	609,569	613,042	5,649	928,384	934,033

(a) Regulatory deposits:
Cash held to satisfy Australian Financial Services Licence requirements as at 31 December 2007 was $85,570 (30 June 2007: $85,570). This amount is not available for use.

(b) Mortgages
Mortgages are stated at fair value and have a weighted average yield of 8.35% (30 June 2007 : 7.89%). They are expected to mature after 12 months from the financial year end.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Investment in associated companies	9,467	-	9,467	8,369	-	8,369
Reconciliation of carrying amounts:						
Balance at beginning of period	8,369	-	8,369	2,762	-	2,762
Share of operating profit after tax	3,637	-	3,637	7,810	-	7,810
Dividend received	(2,539)	-	(2,539)	(7,428)	-	(7,428)
Additional equity acquired	-	-	-	5,225	-	5,225
	9,467	-	9,467	8,369	-	8,369

(a) As at 31 December 2007 Perennial Investment Partners Limited (a subsidiary of IOOF Holdings Ltd) had a 52.3% (30 June 2007 : 52.3%) shareholding interest in Perennial Value Management Limited with a 42.3% (30 June 2007 : 42.3%) dividend entitlement to the profits of Perennial Value Management Limited. Due to the voting rights associated with different classes of shares in Perennial Value Management Limited, 52.3% ownership interest does not result in control. However, Perennial Investment Partners Limited can significantly influence Perennial Value Management Limited under the terms of the agreement between these entities. The principal activity of Perennial Value Management Limited is to act as investment manager.

(b) The Group's consolidated interest in its associates, which are unlisted and incorporated in Australia, is as follows:

	Assets $'000	Liabilities $'000	Revenues $'000	Profit/(Loss) $'000
As at / half year ended: **31 December 2007**				
Perennial Value Management Limited	5,976	1,055	6,977	3,637
As at / year ended: **30 June 2007**				
Perennial Value Management Limited	5,471	1,795	12,848	7,810

(c) The associates do not have any contingent liabilities, capital or lease commitments.

(d) There are a number of entities in which the Group holds greater than 20% equity investment that have not been equity accounted. Other indicators of significant influence such as Board representation, technical or financial dependency and ability to influence policies and procedures have not been satisfied. On this basis, the presumption of significant influence is overcome.

10. OTHER ASSETS

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Prepayments	5,458	-	5,458	5,899	-	5,899
Deferred acquisition costs	9,358	-	9,358	10,240	-	10,240
	14,816	-	14,816	16,139	-	16,139

11. PLANT AND EQUIPMENT

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Office Equipment						
Cost	4,650	-	4,650	4,127	-	4,127
Accumulated depreciation	(2,820)	-	(2,820)	(2,414)	-	(2,414)
	1,830	-	1,830	1,713	-	1,713
Leasehold Improvements						
Cost	5,329	-	5,329	5,257	-	5,257
Accumulated depreciation	(4,082)	-	(4,082)	(3,723)	-	(3,723)
	1,247	-	1,247	1,534	-	1,534
Total Plant and Equipment						
Cost	9,979	-	9,979	9,384	-	9,384
Accumulated depreciation	(6,902)	-	(6,902)	(6,137)	-	(6,137)
	3,077	-	3,077	3,247	-	3,247

	31 December 2007			30 June 2007		
Reconciliation of movements	Office Equipment $'000	Leasehold Improvements $'000	Total $'000	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Carrying amount at the beginning of the period	1,713	1,534	3,247	1,764	831	2,595
Additions	523	72	595	606	1,338	1,944
Disposals	-	-	-	(15)	(4)	(19)
Depreciation / amortisation	(406)	(359)	(765)	(642)	(631)	(1,273)
Carrying amount at the end of the period	1,830	1,247	3,077	1,713	1,534	3,247

12. DEFERRED TAX ASSETS

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Deferred tax asset (Note 12(a))	7,402	-	7,402	7,006	-	7,006
(a) Deferred tax asset balance comprises temporary differences attributable to:						
Employee benefits	2,807	-	2,807	2,458	-	2,458
Doubtful Debts	524	-	524	524	-	524
Provision for legal costs	840	-	840	782	-	782
Provisions, accruals and creditors	2,287	11	2,298	2,556	10	2,566
Fixed assets, computer software and infrastructure projects	1,075	-	1,075	1,536	3	1,539
Other, mainly tax losses not previously recognised	2,905	1,849	4,754	2,271	453	2,724
Deferred Tax Asset closing balance at the end of the period	10,438	1,860	12,298	10,127	466	10,593
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 16)	(3,036)	(1,860)	(4,896)	(3,121)	(466)	(3,587)
Net Deferred Tax Asset closing balance at the end of the period	7,402	-	7,402	7,006	-	7,006
(b) Reconciliation of movements						
Carrying amount at the beginning of the period	10,127	466	10,593	8,751	127	8,878
Adjustments to opening balance	-	-	-	551	-	551
Adjustments per Income tax return	1,381	-	1,381	(286)	-	(286)
Tax Losses	635	-	635	2,189	-	2,189
Transfers to/from other group companies	39	-	39	-	-	-
Credit/(Charge) to Income Statement (Note 5)	(1,744)	1,394	(350)	(751)	339	(412)
Reinstatment/(Writeback) of Deferred Tax Asset	-	-	-	(327)	-	(327)
Carrying amount at the end of the period	10,438	1,860	12,298	10,127	466	10,593
(c) Maturity						
Recoverable within 12 months	6,952	15	6,967	7,453	13	7,466
Recoverable after 12 months	3,486	1,845	5,331	2,674	453	3,127
	10,438	1,860	12,298	10,127	466	10,593

13. INTANGIBLE ASSETS

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Computer Software and Infrastructure projects - at cost	16,647	-	16,647	16,063	-	16,063
Accumulated amortisation and impairment	(15,376)	-	(15,376)	(15,070)	-	(15,070)
	1,271	-	1,271	993	-	993
Adviser relationships	4,289	-	4,289	4,289	-	4,289
Accumulated amortisation and impairment	(1,453)	-	(1,453)	(1,027)	-	(1,027)
	2,836	-	2,836	3,262	-	3,262
Goodwill	198,455	-	198,455	193,074	-	193,074
Accumulated amortisation and impairment	(2,963)	-	(2,963)	(99)	-	(99)
	195,492	-	195,492	192,975	-	192,975
	199,599	-	199,599	197,230	-	197,230

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000

14. PAYABLES

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Accounts payable	15,794	14,341	30,135	21,492	1,703	23,195
Amounts payable to other related parties	610	-	610	1,113	-	1,113
Other creditors - employee entitlements	9,299	-	9,299	8,501	-	8,501
	25,703	14,341	40,044	31,106	1,703	32,809

15. BORROWINGS

Unsecured and Non-Traded

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Cash Advance Facility	-	-	-	33,500	-	33,500

The Cash Advance Facility is provided under an Australian dollar line of credit facility, to which unrestricted access was available at balance date as follows:

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Total Cash Advance Facility	40,000	-	40,000	35,000	-	35,000
Used at balance date	-	-	-	33,500	-	33,500
Unused at balance date	40,000	-	40,000	1,500	-	1,500

The cash advance facility may be drawn down at any time following the 2 day drawdown notice required by the lender, Westpac Banking Corporation Limited. The facility was established in December 2007 with a maximum draw down availability of $40m provided all the terms and conditions pertaining to this facility are met. The term of this facility is until 30 November 2008 at which time it may be extended for a further 364 days upon IOOF giving at least 60 days written notice to Westpac prior to the expiry of the term. The base interest rate is the Reuters BBSY bid rate for that period on the first day of the period drawn down.

The financial liability under the Cash Advance Facility has a fair value equal to its carrying amount.

16. TAX LIABILITIES

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Current Income tax payable	9,928	-	9,928	18,950	-	18,950
Deferred tax liability (Note 16(a))	-	21,315	21,315	-	29,713	29,713

(a) Non-Current Deferred tax liability comprises temporary differences attributable to:

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Unrealised gains	-	23,090	23,090	-	30,123	30,123
Deferred acquisition costs	1,515	-	1,515	1,707	-	1,707
Prepayments	-	-	-	1	-	1
Depreciation	6	-	6	3	-	3
Interest receivable	208	85	293	6	56	62
Other	1,307	-	1,307	1,404	-	1,404
Deferred Tax Liability closing balance at the end of the period	3,036	23,175	26,211	3,121	30,179	33,300
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 12)	(3,036)	(1,860)	(4,896)	(3,121)	(466)	(3,587)
Net Deferred Tax Liability closing balance at the end of the period	-	21,315	21,315	-	29,713	29,713

(b) Reconciliation of movements

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Carrying amount at beginning of the period	3,121	30,179	33,300	3,948	24,982	28,930
Adjustments to opening balance	-	-	-	217	-	217
Adjustments per Income tax return	(13)	-	(13)	-	-	-
Writeback of Deferred Tax Liability	-	-	-	(323)	-	(323)
Transfers to/from other group companies	36	-	36	-	-	-
(Credited) / Charged to Income Statement (Note 5)	(108)	(7,004)	(7,112)	(721)	5,197	4,476
Carrying amount at the end of the period	3,036	23,175	26,211	3,121	30,179	33,300

17. PROVISIONS

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Employee entitlements	2,322	-	2,322	3,074	-	3,074
Directors' retirement	710	-	710	653	-	653
Deferred settlement	38,456	-	38,456	37,183	-	37,183
Other provisions	4,092	-	4,092	4,210	-	4,210
	45,580	-	45,580	45,120	-	45,120

(a) Description of provisions

Directors' retirement
Directors appointed prior to 13 April 2003 are entitled to participate in a retirement benefits program which provides a cash based benefit to Non-Executive Directors at the time of their retirement from the Board.

17. PROVISIONS (continued)

Deferred Settlement

The deferred settlement relates to a final payment due to parties of the acquisition of minority interest of Perennial Investment Partners Limited due in June 2009.

Other provisions

Provisions have been made for the present value of the Directors' best estimates of legal settlements. Litigation is in progress against the Company relating to disputes regarding the sale of businesses. The information usually required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice the outcome of the litigation.

(b) Movements in provisions

Movements in each class of provision during the financial period, other than employee entitlements, are set out below:

	Directors' Retirement $'000	Deferred Settlement $'000	Other Provisions $'000
31 December 2007			
Balance at the beginning of the period	653	37,183	4,210
Additional provisions recognised	57	1,273	192
Payments made	-	-	(310)
Balance at the end of the period	710	38,456	4,092

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
18. OTHER FINANCIAL LIABILITIES						
Share buy-back liabilities	28,292	-	28,292	20,690	-	20,690

A liability has been recognised in respect of an obligation by the Group to buy back vested shares in some Perennial Group subsidiaries under certain circumstances.

	31 December 2007			30 June 2007		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
19. DEFERRED REVENUE LIABILITY						
Deferred revenue liability	4,776	-	4,776	4,967	-	4,967
20. INVESTMENT CONTRACT LIABILITIES						
Member liabilities - other investment contracts	-	523,298	523,298	-	519,644	519,644
Reconciliation of movements in Investment contract liabilities						
Balance at the beginning of the period	-	519,644	519,644	-	457,678	457,678
Distribution to policy holders	-	6,527	6,527	-	73,583	73,583
Investment contract contributions	-	31,149	31,149	-	43,783	43,783
Investment contract withdrawals	-	(34,022)	(34,022)	-	(55,400)	(55,400)
Balance at the end of the period	-	523,298	523,298	-	519,644	519,644
21. INSURANCE CONTRACT LIABILITIES						
Policyholder liabilities - investment contracts with DPF	-	504,465	504,465	-	534,218	534,218
Policy liabilities ceded under reinsurance	-	338	338	-	348	348
	-	504,803	504,803	-	534,566	534,566
Reconciliation of movements in Policyholder liabilities:						
Balance at the beginning of the period	-	534,566	534,566	-	593,721	593,721
Net increase/ (decrease) in life insurance contract policy liabilities	-	4,416	4,416	-	19,846	19,846
Life insurance contract contributions	-	6,617	6,617	-	6,103	6,103
Life insurance contract withdrawals	-	(40,796)	(40,796)	-	(85,104)	(85,104)
Balance at the end of the period	-	504,803	504,803	-	534,566	534,566
22. OUTSIDE INTEREST IN CONTROLLED TRUSTS						
Outside interest in controlled trusts	-	142,502	142,502	-	306,856	306,856

23. CONTRIBUTED EQUITY

	Number of Shares	31 December 2007 Shareholder $'000	31 December 2007 Statutory $'000	31 December 2007 Total $'000	30 June 2007 Shareholder $'000	30 June 2007 Statutory $'000	30 June 2007 Total $'000
Ordinary Shares							
Balance at the beginning of the period	64,573,768	179,030	-	179,030	178,740	-	178,740
Issued during the period	4,248,033	39,300	-	39,300	290	-	290
Balance at the end of the period	68,821,801	218,330	-	218,330	179,030	-	179,030
Treasury Shares							
Balance at the beginning of the period	(828,869)	(5,346)	-	(5,346)	(7,416)	-	(7,416)
Employee shares vested during the period (Note 24)	27,500	87	-	87	2,070	-	2,070
Balance at the end of the period	(801,369)	(5,259)	-	(5,259)	(5,346)	-	(5,346)
Redeemable Converting Preference Shares							
Balance at the beginning of the period	176,012	1,400	-	1,400	1,400	-	1,400
Issued during the period	-	-	-	-	-	-	-
Balance at the end of the period	176,012	1,400	-	1,400	1,400	-	1,400

24. RESERVES

	31 December 2007 Shareholder $'000	31 December 2007 Statutory $'000	31 December 2007 Consolidated $'000	30 June 2007 Shareholder $'000	30 June 2007 Statutory $'000	30 June 2007 Consolidated $'000
Reserves						
Asset revaluation reserve	1,071	-	1,071	1,071	-	1,071
Share-based payments reserve	4,002	-	4,002	2,698	-	2,698
	5,073	-	5,073	3,769	-	3,769
Movements:						
Asset revaluation reserve						
Balance at the beginning of the period	1,071	-	1,071	1,071	-	1,071
Amount recognised during the period	-	-	-	-	-	-
Balance at the end of the period	1,071	-	1,071	1,071	-	1,071

The Asset Revaluation Reserve has arisen on the revaluation of the existing 25% interest in the adviser relationship asset held at the time of the acquisition of Financial Partnership Pty Ltd.

	Shareholder $'000	Statutory $'000	Consolidated $'000	Shareholder $'000	Statutory $'000	Consolidated $'000
Share-based payments reserve						
Balance at the beginning of the period	2,698	-	2,698	2,615	-	2,615
Amount recognised during the period	1,391	-	1,391	2,153	-	2,153
Shares vested during the year (Note 23)	(87)	-	(87)	(2,070)	-	(2,070)
Balance at the end of the period	4,002	-	4,002	2,698	-	2,698

25. RETAINED PROFITS

	Shareholder $'000	Statutory $'000	Consolidated $'000	Shareholder $'000	Statutory $'000	Consolidated $'000
Retained Profits						
Balance at the beginning of the period	9,808	497	10,305	6,775	339	7,114
Net profit attributable to members of IOOF Holdings Ltd	5,626	101	5,727	22,186	158	22,344
Dividends paid	(12,294)	-	(12,294)	(19,153)	-	(19,153)
Balance at the end of the period	3,140	598	3,738	9,808	497	10,305

26. MINORITY INTEREST

	Shareholder $'000	Statutory $'000	Consolidated $'000	Shareholder $'000	Statutory $'000	Consolidated $'000
Minority interest	537	-	537	747	-	747

27. DIVIDENDS

A final dividend of 18 cents per ordinary share franked to 100% based on a tax paid at 30% was paid during the period in respect of the financial year ended 30 June 2007.

The Directors have recommended the payment of an interim dividend of 15 cents per ordinary share franked to 100% based on tax at 30%.

28. EARNINGS PER SHARE

	31 December 2007	31 December 2006
	Cents	Cents
Basic earnings per share	8.40	22.14
Diluted earnings per share	8.30	21.72
Reconciliations of earnings used in calculating earnings per share	$'000	$'000
Profit after income tax	7,253	16,261
(Profit) / loss attributable to minority interests	(1,526)	(2,195)
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	5,727	14,066
Weighted average number of shares used in the calculation of earnings per share	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	68,023,079	63,540,708
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	68,904,929	64,755,069

29. CONTINGENT LIABILITIES

Contingent liabilities exist in relation to matters of litigation and/or possible litigation 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 consolidated entity 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.

The deferred settlement referred to in Note 17 *Provisions* relates to a final payment due to parties to the acquisition of minority interest of Perennial Investment Partners Limited due in June 2009. The amount recognised has been discounted to present value. Certain defined events would result in early settlement of the liability, increasing the amount payable by $3,837,090 (30 June 2007: $5,110,590).

The Group has provided indemnities for contingent obligations to Westpac Banking Corporation Limited in respect of bankers undertakings provided by Westpac to various parties. The total contingent obligation at 31 December 2007 was $978,057 (30 June 2007: $325,345).

The IOOF Group does not have any other contingent liabilities of a material nature which have not already been dealt with in these financial statements.

30. SEGMENT INFORMATION

Primary reporting - business segments

	Wholesale Funds	Retail Funds	Portfolio Solutions	Investor Solutions	Consultum Adviser Group	Statutory, Corporate Unallocated and Inter Segment Eliminations	Consolidated
31 December 2007	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total Segment Revenue	49,877	16,066	60,485	19,768	17,246	30,008	193,450
Profit before income tax	7,657	1,821	12,311	8,696	(3,781)	(11,031)	15,673
31 December 2006							
Total Segment Revenue	38,705	12,778	57,417	17,897	16,957	88,000	231,754
Profit before income tax	3,609	1,847	13,575	8,686	(2,125)	12,336	37,928

(a) Segments

Wholesale Funds	- Management and investment of monies on behalf of corporate, superannuation and institutional clients.
Retail Funds	- Management and investment of monies on behalf of private individual investor clients.
Portfolio Solutions	- Comprises a comprehensive range of investment solutions for both employers and investors. The portfolio administration system supports investment, superannuation and pension requirements with access to a diverse range of wholesale managed fund options with product and account features.
Investor Solutions	- Comprises investment administration services for investors and advisers.
Consultum Adviser Group	- Distribution and administration of retail funds including financial planning and back office services to dealer groups aligned to the Group.
Statutory, Corporate Unallocated and Inter Segment Eliminations	- Segment revenues, expenses and results include transfers between segments and of consolidated Benefit Funds. Transfers are priced on a commercial basis and are eliminated on consolidation.

31. SUBSEQUENT EVENTS

The following matter has arisen subsequent to the end of the financial period:

- the Directors have declared an interim dividend of 15 cents per share.

- on 11 February 2008, the Directors announced an on-market buy-back program for the purchase of up to 2,000,000 ordinary shares over a 12 month period commencing 26 February 2008.

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

IOOF HOLDINGS LTD
DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 31 are in accordance with the Corporations Act 2001, including:

(i) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the half-year ended on that date; 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.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

Mr I Blair
Chairman of the Board

Mr A D Robinson
Director and Chief Executive Officer

Melbourne, 20 February 2008

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INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of IOOF Holdings Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of IOOF Holdings Ltd, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the IOOF Holdings Ltd Group (the consolidated entity). The consolidated entity comprises both IOOF Holdings Ltd (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

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For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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 consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

JF Power

J F Power
Partner

Melbourne
20 February 2008