

Appendix 4D Half year report

IOOF HOLDINGS LIMITED

ABN: 49 100 103 722

1. Reporting Period	31 DECEMBER 2006
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Previous corresponding period 31 DECEMBER 2005

2. Results for announcement to the market
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	\$'000	% change from previous corresponding period
Revenue from ordinary activities	231,754	up 10.9%
Profit from ordinary activities after tax attributable to members	14,066	up 38.0%
Net profit for the period attributable to members	14,066	up 38.0%

	Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2006 Paid: 13 October 2006	15	15
Interim dividend for the year ended 30 June 2007 Record date for determining entitlements: 27 March 2007 Payable: 12 April 2007	15	15

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 \$14,066,000 (31 December 2005 :\$10,193,000).

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

IOOF Holdings Limited - Appendix 4D for the half year ended 31 December 2006

period attributable to members of IOOF Holdings Ltd. In order to disclose the tax expense separately, the profit before tax of \$37,928,000 includes an amount equal to the tax expense of the benefit funds of \$18,210,000 (31 December 2005: \$15,745,000). This treatment results in disclosure of an effective tax rate of 57.1% (31 December 2005: 62.7%). The actual tax rate, if the benefit funds are excluded is 17.5% (31 December 2005: 24.2%). The fall in tax rate was the result of recognising temporary differences and tax losses not previously recognised on Perennial Investment Partners Limited joining the IOOF tax consolidation group.

The Group's Funds Under Management and Administration ("FUMA") continued to increase during the half year, reaching \$30.8 billion as at 31 December 2006. This is a 6.3% increase over the 30 June 2006 figure of \$28.9 billion and a 22% increase over the 31 December 2005 figure of \$25.2 billion. Growth in the period ended 31 December 2006 was the result of favourable markets as funds inflows offset funds outflows.

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.

Wholesale FUMA grew by \$1.26 billion since 30 June 2006 whilst retail business grew by \$0.57 billion.

Operating expenditure, excluding commission and management fee expenses, increased compared to the previous corresponding period. In particular, increased staff numbers resulted in increased salaries to support this expansion and growth.

In December 2006, the IOOF Group acquired the minority interests in its subsidiary Perennial Investment Partners Limited. The cost of the acquisition was \$68,152,000 with recognition of \$102,910,000 goodwill on acquisition and recognition of a deferred payment of \$35,968,000. The deferred liability relates to a payment due to all parties to the acquisition of minority interest due in 2009.

As a result of the acquisition of minorities, it was necessary to draw down a line of credit facility to the extent of \$22,500,000 to ensure compliance with various licence requirements.

Loans to Directors and Executives of Perennial Investment Partners Limited made in respect of equity of that company were repaid.

3. Net tangible assets

	31 December 2006 (cents)	31 December 2005 (cents)
Net tangible assets per share	19.8	168.7

IOOF Holdings Limited - Appendix 4D for the half year ended 31 December 2006

4. Entities over which control has been gained or lost

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

The remaining 21.85% shares of the subsidiary Perennial Investment Partners Ltd were purchased by the group during the half year.

5. Dividends

During the half year the Company paid a fully franked dividend of final 15 cents per ordinary share in respect of the financial year 30 June 2006, amounting to \$9,559,000. Subsequent to the end of the reporting period, the Directors have recommended an interim dividend of 15 cents per share in respect of the financial year 30 June 2007.

6. Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

7. Details of associates and joint venture entities

Equity accounted associates:	Ownership interest held at the end of period		Contribution to net profit	
	Current period	Previous corresponding period	Current period	Previous corresponding period
	%	%	\$'000	\$'000
Perennial Value Management Ltd	50.0	39.1	3,739	3,352
Workforce Financial Services Pty Ltd	50.0	50.0	-	-

8. Other

The information contained in this Appendix 4D is based on the 31 December 2006 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 2006

Melbourne, 20 February 2007.

IOOF HOLDINGS LTD
A.B.N. 49 100 103 722
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by IOOF Holdings Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

IOOF 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 2006.

Directors

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

Mr I Blair O.A.M
Dr R N Sexton
Mr M U R Crivelli
Ms K D Spargo
Mr R Dewhurst
Mr A Hodges
Ms J Harvey
Mr J Pfeiffer
Mr R Harper (appointed 21 November 2006)

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 \$14,066,000 (31 December 2005 :\$10,193,000).

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 \$37,928,000 includes an amount equal to the tax expense of the benefit funds of \$18,210,000 (31 December 2005: \$15,745,000). This treatment results in disclosure of an effective tax rate of 57.1% (31 December 2005: 62.7%) The actual tax rate, if the benefit funds are excluded is 17.5% (31 December 2005: 24.2%). The fall in tax rate was the result of recognising temporary differences and tax losses not previously recognised on Perennial Investment Partners Limited joining the IOOF tax consolidation group.

The Group's Funds Under Management and Administration ("FUMA") continued to increase during the half year, reaching \$30.8 billion as at 31 December 2006. This is a 6.3% increase over the 30 June 2006 figure of \$28.9 billion and a 22% increase over the 31 December 2005 figure of \$25.2 billion. Growth in the period ended 31 December 2006 was the result of favourable markets as funds inflows offset funds outflows.

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.

Wholesale FUMA grew by \$1.26 billion since 30 June 2006 whilst retail business grew by \$0.57 billion.

Operating expenditure, excluding commission and management fee expenses, increased compared to the previous corresponding period. In particular, increased staff numbers resulted in increased salaries to support this expansion and growth.

Consolidated Balance Sheet

Growth in total net assets since 30 June 2006 has arisen from the following events or transactions:

- profit attributable to members of IOOF Holdings Ltd of \$14,066,000 and profits attributable to minority interests of \$2,195,000.
- issue of shares that have vested to employees amounting to \$284,000 and increase in the reserve for share based payments of \$1,043,000.

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

- payment of a final dividend in respect of the year ended 30 June 2006 of 15 cents per share amounting to \$9,559,000 and payment of dividends to minority interests in subsidiaries amounting to \$1,694,000.
- acquisition on minority shareholding interests amounting to \$3,897,000.

IOOF HOLDINGS LTD
DIRECTORS' REPORT
(Continued)

Consolidated Balance Sheet (continued)

In December 2006, the IOOF Group acquired the minority interests in its subsidiary Perennial Investment Partners Limited. The cost of the acquisition was \$68,152,000 with recognition of \$102,910,000 goodwill on acquisition and recognition of a deferred payment of \$35,968,000. The deferred liability relates to a payment due to all parties to the acquisition of minority interest due in 2009.

As a result of the acquisition of minorities, it was necessary to draw down a line of credit facility to the extent of \$22,500,000 to ensure compliance with various licence requirements.

Loans to Directors and Executives of Perennial Investment Partners Limited made in respect of equity of that company were repaid.

Dividends Paid

During the financial period the Company paid a fully franked dividend of 15 cent per share in respect of the financial year ended 30 June 2006.

Matters Subsequent to the End of the Financial Period

The following matters have arisen subsequent to the end of the financial period:

- the Directors have recommended an interim dividend of 15 cents per share.
- on 2 January 2007, a payment of \$9,434,000 was paid to Perennial Investment Partners Limited option holders who were party to the agreement for IOOF to acquire minority interests.

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 off" of amounts in the directors' report. Amounts in the directors' report have been rounded off 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.



I Blair
Chairman of the Board



R Dewhurst
Director and Chief Executive Officer

Melbourne, 20 February 2007.

PricewaterhouseCoopers
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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 2006, 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.



Russell S Sutton
Partner
PricewaterhouseCoopers

Melbourne
20 February 2007

IOOF HOLDINGS LTD
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

		<u>31 December</u>	<u>31 December</u>
		<u>2006</u>	<u>2005</u>
	<u>Notes</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue	2	231,754	208,974
Expenses, excluding finance costs	4	(197,518)	(181,344)
Finance costs	4	(47)	(12)
Share of profit or loss of associates	3	3,739	3,352
Profit before income tax		37,928	30,970
Income tax (expense)/benefit	5	(21,667)	(19,429)
Profit for the period		16,261	11,541
(Profit) / loss attributable to minority interest		(2,195)	(1,348)
Profit attributable to members of IOOF Holdings Ltd	26	14,066	10,193
 Earnings per share for profit attributable to the ordinary equity holders of the company:			
		Cents	Cents
Basic earnings per share	29	22.14	16.11
Diluted earnings per share	29	21.72	15.84

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

IOOF HOLDINGS LTD
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

		<u>31 December 2006</u>	<u>30 June 2006</u>
	<u>Notes</u>	<u>\$'000</u>	<u>\$'000</u>
<u>Assets</u>			
Cash and cash equivalents	8	510,273	502,385
Receivables	9	36,100	54,178
Other financial assets	10	911,446	928,667
Investments accounted for using the equity method	11	4,501	2,762
Other assets	12	18,754	13,352
Plant and equipment	13	3,239	2,595
Deferred tax assets	14	5,554	4,813
Intangible assets	15	178,950	76,658
Total Assets		<u>1,668,817</u>	<u>1,585,410</u>
<u>Liabilities</u>			
Payables	16	32,084	30,305
Current tax liabilities	18	8,309	26,678
Borrowings	17	22,500	-
Deferred tax liabilities	18	34,746	24,865
Provisions	19	43,465	6,832
Deferred revenue liability	20	5,009	4,972
Investment contract liabilities	21	497,537	457,678
Insurance contract liabilities	22	555,794	593,721
Outside interest in controlled trusts	23	277,623	251,337
Total Liabilities		<u>1,477,067</u>	<u>1,396,388</u>
NET ASSETS		<u>191,750</u>	<u>189,022</u>
<u>Equity</u>			
Parent entity interest			
Contributed equity	24	179,030	178,740
Treasury shares	24	(7,132)	(7,416)
Preference shares	24	1,400	1,400
Reserves	25	4,729	3,686
Retained profits	26	11,790	7,283
Total parent entity interest		<u>189,817</u>	<u>183,693</u>
Minority interests in controlled entities	27	1,933	5,329
TOTAL EQUITY		<u>191,750</u>	<u>189,022</u>

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 2006

		<u>31 December</u>	<u>31 December</u>
		<u>2006</u>	<u>2005</u>
	<u>Notes</u>	<u>\$'000</u>	<u>\$'000</u>
Total Equity at the beginning of the period		<u>189,022</u>	<u>177,026</u>
Net income recognised directly in equity		-	-
Profit for the half year		16,261	11,541
Total recognised income and expense for the period		<u>16,261</u>	<u>11,541</u>
Transactions with equity holders in their capacity as equity holders:			
Shares issued to General staff share acquisition plan	24	290	268
Shares issued to Executive performance share scheme	24	-	2,489
Less Treasury shares - Executive performance share plan	24	284	(1,957)
Reserve for share based payments	25	1,043	425
Dividends paid to shareholders of the Company	26	(9,559)	(7,521)
Dividends paid to minority interests in subsidiaries		(1,694)	(1,881)
Purchase of shares from minority interests in subsidiaries		(3,897)	-
		<u>(13,533)</u>	<u>(8,177)</u>
Total Equity at the end of the period		<u>191,750</u>	<u>180,390</u>
Total recognised income and expense for the period is attributable to:			
- Members of IOOF Holdings Ltd	26	14,066	10,193
- Minority interest		2,195	1,348
		<u>16,261</u>	<u>11,541</u>

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 2006

		Half year ended	
		31 December 2006	31 December 2005
	Notes	\$'000	\$'000
Cash flows from operating activities			
Management fees and commission income received		160,220	103,750
Premium income received		329	14,038
Payments to suppliers and employees		(148,161)	(95,419)
Distributions received		28,400	37,767
Contributions proceeds		71,236	48,270
Dividends received from subsidiaries		6,059	3,616
Dividends received from associate		2,000	-
Interest income received		11,742	14,530
Interest paid		41	(12)
Withdrawal payments		(110,352)	(83,545)
Net proceeds/(payments) for purchases or sales of trading securities		78,422	(6,637)
Other income received		1,977	1,019
GST paid		(6,305)	(2,422)
Income tax paid		(30,896)	(20,629)
Net cash provided by/(used in) operating activities		<u>64,712</u>	<u>14,326</u>
Cash flows from financing activities			
Dividends paid to shareholders of the Company		(9,559)	(7,521)
Dividends paid to minority interests in subsidiaries		(1,694)	(1,881)
Proceeds from line of credit facility		22,500	-
Net cash provided by/(used in) financing activities		<u>11,247</u>	<u>(9,402)</u>
Cash flows from investing activities			
Payment for purchase of investments		-	(168)
Payment for purchase of shares in controlled entity		(68,152)	-
Loans and mortgage securities advanced		(4)	-
Proceeds from sale of plant and equipment		2	20
Payment for purchase of plant and equipment		(1,386)	(428)
Payment for purchase of intangible assets		(10)	(658)
Proceeds from loans repaid by Directors		1,130	-
Loans made to policy holders- Benefit Funds		(1,274)	-
Proceeds from loans repaid by policy holders-Benefit Funds		548	-
Loans made to related parties		-	(77)
Proceeds from loans repaid by related parties		1,029	-
Loan made to executives of a related entity		(500)	-
Proceeds from loans repaid by executives of a related entity		239	-
Interest received on loans made to directors and executives		287	-
Release of regulatory deposits		20	-
Net cash provided by/(used in) investing activities		<u>(68,071)</u>	<u>(1,311)</u>
Net increase/(decrease) in cash and cash equivalents		<u>7,888</u>	<u>3,613</u>
Cash and cash equivalents at the beginning of the financial period	8	<u>502,385</u>	<u>962,129</u>
Cash and cash equivalents at the end of the financial period	8	<u><u>510,273</u></u>	<u><u>965,742</u></u>

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 2006

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 Limited and its subsidiaries ("The Group").

(a) Basis of Preparation

The financial report is a general purpose financial report for the interim half year reporting period ended 31 December 2006. It has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The 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 2006 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*.

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 financial statements were authorised for issue by the directors on 20 February 2007.

(b) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the IOOF Group, being the Company and its controlled entities as defined in accounting standard AASB 127 *Consolidated and Separate Financial Statements*. This includes the benefit funds of its subsidiary, IOOF Ltd, and any trusts controlled by the Group.

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 except that, in the consolidated Balance Sheet, the following are separately identified:

- gross policy liabilities ceded under reinsurance, and
- life insurance policy liabilities

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*).

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

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 (Primary 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. A geographical segment (Secondary segments) is engaged in providing products and services within an economic environment and is subject to risks and returns that are different from those operating in other economic environments.

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. Segment assets and liabilities do not include income taxes.

(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.

Dividend income and distribution income are 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.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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% (2005: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2005: 30%).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities settled, based on those tax rates which are enacted or substantially enacted at the balance sheet date. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

IOOF Holdings Ltd and its wholly owned entities (including IOOF Ltd benefit funds) implemented the tax consolidation legislation as at 1 July 2003. 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 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 accounting tax sharing 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 the 'stand-alone taxpayer method', whereby allocations are made as if each entity in the group were a taxpayer in its own right. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group.

(g) Cash and Cash Equivalents

For cash flow 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.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off to the Income Statement. A provision for doubtful debts is raised where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. 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 effective interest rate. The amount of the initial provision, or change in the provision, is recognised in the Income Statement.

(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 of the financial asset 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.

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.

'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 less any provision for impairment. 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.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Other Financial Assets (continued)

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) Derivatives

Derivative instruments held by the Group are acquired for investment purposes and do not qualify for hedge accounting. Changes in the fair value of the derivatives are recognised immediately in the income statement.

(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 dependant 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.

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 Company has determined that all assets held within its reported statutory funds (including the benefit funds which are treated as statutory funds) represent the assets backing policy liabilities.

Assets backing policy liabilities are measured at fair value through profit or loss.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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

Plant and Equipment is carried at historic 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.

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.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) 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 primary reporting segment (Note 31 *Segment Information*).

(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.

The estimated useful life has been subject to change in the current reporting period. The impact of this change is quantified in Note 7 *Revision of an Accounting Estimate*.

(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 assets that have an indefinite useful life is not subsequently reversed.

(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.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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. Amounts where the absences are expected to occur within 12 months are recognised in payables, whereas those where the absences are expected to occur beyond 12 months 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 cost of equity-settled transactions is recognised in the Income Statement, together with a corresponding increase in the Reserve for share-based payments, over the period in which the performance pre-requisites are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date').

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 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 incentives 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.

(v) Incentive Plans

A liability for employee benefits in the form of an incentive plan is recognised in payables 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.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(t) Employee Entitlements (continued)

(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 payables.

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.

(vi) 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. Certain 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 more likely than not 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.

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.

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) 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.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(w) 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.

(x) 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.

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.

(y) 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.

(z) Shareholders entitlement to monies held in Statutory Funds

Monies held in the life insurance Statutory 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.

(aa) 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.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ab) 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.

(ac) 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.

(ad) Goods and Services Tax

Revenue and expense items 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.

(ae) 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 off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order.

(af) Comparatives

Voluntary 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, or where they are adopted in accordance with the transitional provisions of the relevant standard. Certain elections have been made in accordance with AASB 1 upon transition to AIFRS. Specific disclosures are made where ever accounting policies have not been consistently applied to prior year comparatives.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

2. REVENUE

Revenue

	Half year ended 31 December 2006			Half year ended 31 December 2005		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Management fees:						
- Investment products	97,573	-	97,573	84,031	-	84,031
- Benefit Funds	8,854	-	8,854	8,723	-	8,723
- Associated entity	1,002	-	1,002	982	-	982
- Related entities	-	3,056	3,056	-	2,928	2,928
- Other entities	7,346	-	7,346	3,777	-	3,777
Deposits received - investment contracts with DPF	-	3,480	3,480	-	13,689	13,689
Commission revenue:						
- Non-related entities	11,710	-	11,710	7,092	-	7,092
Other fee revenue	27	-	27	312	-	312
Interest revenue:						
- Directors & director-related entities	284	-	284	190	-	190
- Non-related entities	724	11,557	12,281	858	13,351	14,209
Dividends:						
- Non-related entities	63	5,997	6,060	21	5,087	5,108
Distributions:						
- Non-related entities	-	14,767	14,767	-	16,989	16,989
	127,583	38,857	166,440	105,986	52,044	158,030
<u>Other income</u>						
Gains on investments	281	62,754	63,035	10	49,341	49,351
Other	1,846	-	1,846	914	-	914
	2,127	62,754	64,881	924	49,341	50,265

Life Insurance Revenue

Direct insurance premiums	-	329	329	-	377	377
Insurance claims recovered	-	104	104	-	302	302
	-	433	433	-	679	679
Revenue	129,710	102,044	231,754	106,910	102,064	208,974

3. SHARE OF EQUITY PROFITS

Share of profit or loss of associate	3,739	-	3,739	3,352	-	3,352
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IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

4. EXPENSES

Profit before income tax includes the following specific expenses:

Finance costs :

Interest - non-related entities

Half year ended 31 December 2006			Half year ended 31 December 2005		
Shareholder	Statutory	Total	Shareholder	Statutory	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
47	-	47	12	-	12

Expenses, excluding finance costs :

Depreciation of plant and equipment	587	-	587	395	-	395
Amortisation of software and infrastructure projects	353	-	353	789	-	789
Amortisation of adviser relationships	429	-	429	-	-	-
Losses on investments	67	-	67	68	-	68
Operating lease rental expenses - non-related entities	2,021	-	2,021	1,832	-	1,832
Occupancy related expenses	243	-	243	292	-	292
Net transfers to employee provisions	2,143	-	2,143	1,660	-	1,660
Salaries and related expenses	23,220	-	23,220	19,882	-	19,882
Employee Share-based payments expense	2,397	-	2,397	1,226	-	1,226
Employee Defined contribution plan expense	1,779	-	1,779	1,439	-	1,439
Commission and management fees						
- Related entity	6,366	-	6,366	5,524	-	5,524
- Benefit funds	-	8,170	8,170	-	8,024	8,024
- Non-related entities	58,751	2,339	61,090	47,278	2,335	49,613
Investment contracts with DPF						
- Benefits and withdrawals paid	-	50,990	50,990	-	40,850	40,850
- Decrease in policyholder liabilities	-	(37,927)	(37,927)	-	(18,046)	(18,046)
Termination bonuses	-	235	235	-	174	174
Distribution to policyholders	-	35,774	35,774	-	30,269	30,269
Distribution to outside interests in controlled trusts	-	21,749	21,749	-	20,300	20,300
Professional fees	5,080	1	5,081	4,982	12	4,994
Marketing	2,126	-	2,126	2,500	-	2,500
Deferred acquisition costs amortisation	1,790	-	1,790	2,775	-	2,775
Computer maintenance and support	2,762	-	2,762	2,055	-	2,055
Office support	2,726	-	2,726	2,258	-	2,258
Travel and entertainment	1,881	-	1,881	1,037	-	1,037
Other expenses	845	249	1,094	622	229	851
	115,566	81,580	197,146	96,614	84,147	180,761

Life Insurance operating expenses includes:

Outward reinsurance expense	-	187	187	-	215	215
Policy payments/claims	-	126	126	-	368	368
Operating expenses	-	59	59	-	-	-
	-	372	372	-	583	583

Total expenses, excluding finance costs

115,566	81,952	197,518	96,614	84,730	181,344
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IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

5. INCOME TAX EXPENSE

(a) Income tax expense

	Half year ended 31 December 2006			Half year ended 31 December 2005		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
Current tax	2,554	8,359	10,913	4,552	10,424	14,976
Deferred tax	899	9,879	10,778	(954)	5,321	4,367
Under / (over) provided in prior years	(24)	-	(24)	86	-	86
Income tax expense is attributed to Profit from continuing operations.	3,429	18,238	21,667	3,684	15,745	19,429
Deferred income tax (revenue)/ expense included in income tax expense comprises:						
Decrease / (increase) in deferred tax assets (Note 14)	1,172	55	1,227	(574)	(223)	(797)
(Decrease) / increase in deferred tax liabilities (Note 18)	(273)	9,824	9,551	(380)	5,544	5,164
	899	9,879	10,778	(954)	5,321	4,367

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Consolidated profit from operations before income tax expense	17,836	20,092	37,928	13,636	17,334	30,970
Inter-group interest income eliminated on consolidation	1,790	(1,790)	-	1,548	(1,548)	-
Profit from continuing operations before income tax expense	19,626	18,302	37,928	15,184	15,786	30,970
Tax at the Australian tax rate of 30% (2005: 30%)	5,888	5,491	11,379	4,555	4,734	9,289
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:						
- Share of tax credits with Benefit Funds	1,604	(2,141)	(537)	1,547	-	1,547
- Tax on distribution to policyholders not deductible for tax purposes	-	14,888	14,888	-	11,011	11,011
- Non assessable income	(2,879)	-	(2,879)	(2,720)	-	(2,720)
- Tax losses and deferred tax balances recognised	(1,160)	-	(1,160)	-	-	-
- Sundry items	-	-	-	216	-	216
	3,453	18,238	21,691	3,598	15,745	19,343
- Under / (over) provided in prior years	(24)	-	(24)	86	-	86
Income tax expense	3,429	18,238	21,667	3,684	15,745	19,429

(c) Amounts recognised directly in equity

	-	-	-	-	-	-
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(d) Tax consolidation

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

The entities have entered into a tax sharing and funding agreement. Under the terms of this agreement, 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 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.

In December 2006, the IOOF Group acquired the minority interest of its subsidiary Perennial Investment Partners Limited. Consequently, Perennial Investment Partners Limited became a 100% controlled subsidiary and joined the IOOF Holdings Ltd tax consolidation group.

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	3,763	-	3,763	5,107	-	5,107
Potential tax benefit at 30% not recognised	1,129	-	1,129	1,532	-	1,532

6. RESTATEMENT OF REVENUE, EXPENSES, AND CASH FLOWS FOR THE PREVIOUS CORRESPONDING PERIOD

Certain line items in these financial statements for the half year ended 31 December 2005 have been restated from those amounts previously reported. The impact of the restatement has been to increase total revenue by \$34,162,000 and increase total expenses by an equal amount; with no impact on profit before income tax or earnings per share calculations. The impact of the restatement on the cash flow statement has not been material.

The reason for the restatement is to reflect the consolidation of three additional trusts that were controlled by the Group during that period. The restatement arises from the company's review of the definition of 'control' under AIFRS, with particular reference to its application to Benefit Funds and controlled trusts. The outcomes of this review had already been reflected in all reporting periods subsequent to 31 December 2005. Consequently, amounts reported in these financial statements for 30 June 2006 have not been impacted.

IOOF HOLDINGS LTD
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31 December 2006			30 June 2006		
Shareholder	Statutory	Total	Shareholder	Statutory	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

7. REVISION OF AN ACCOUNTING ESTIMATE

The estimated useful life of the adviser relationships intangible asset had previously been assessed as three years. Based on current experience, the useful life has been reassessed as five years. The impact of this revision in accounting estimate is that the amount of amortisation recognised during the period ended 31 December 2006 is reduced by \$285,942 from \$714,856 to \$428,914. A similar reduction is expected in the six month period to 30 June 2007. In each of the years ended 30 June 2008 and 30 June 2009, the reduction in amortisation expense is expected to be \$571,885. In the years ended 30 June 2010 and 30 June 2011, it is expected that amortisation expense will increase by \$857,827.

8. CASH AND CASH EQUIVALENTS

Cash	37,674	16,448	54,122	17,106	17,821	34,927
Deposits on call	687	-	687	667	-	667
Unlisted Unit Trusts - related party	-	455,464	455,464	-	466,791	466,791
	<u>38,361</u>	<u>471,912</u>	<u>510,273</u>	<u>17,773</u>	<u>484,612</u>	<u>502,385</u>

9. RECEIVABLES

Receivables	8,197	99	8,296	7,410	5,093	12,503
Provision for doubtful debts	(776)	-	(776)	(2,145)	-	(2,145)
	<u>7,421</u>	<u>99</u>	<u>7,520</u>	<u>5,265</u>	<u>5,093</u>	<u>10,358</u>
Interest receivable -related parties	665	222	887	719	171	890
Interest receivable - other	-	2,884	2,884	2	1,698	1,700
Distributions receivable	-	10,630	10,630	-	24,263	24,263
Insurance contract asset	-	117	117	-	117	117
Gross policy liabilities ceded under reinsurance	-	446	446	-	446	446
Amounts receivable from related parties	13,616	-	13,616	16,404	-	16,404
	<u>21,702</u>	<u>14,398</u>	<u>36,100</u>	<u>22,390</u>	<u>31,788</u>	<u>54,178</u>

10. OTHER FINANCIAL ASSETS

Fair value through profit and loss

- Shares in listed corporations	-	347,134	347,134	-	302,665	302,665
- Certificates of deposit and Bank bills	-	79,894	79,894	-	263,240	263,240
- Debt securities	-	281,144	281,144	-	184,209	184,209
- Unlisted unit trusts	300	187,707	188,007	245	161,853	162,098
	<u>300</u>	<u>895,879</u>	<u>896,179</u>	<u>245</u>	<u>911,967</u>	<u>912,212</u>

Available for sale

- Shares in other corporations	2,042	-	2,042	2,042	-	2,042
	<u>2,042</u>	<u>-</u>	<u>2,042</u>	<u>2,042</u>	<u>-</u>	<u>2,042</u>

Loans and Receivables

- Mortgages	120	-	120	116	-	116
- Loans to Policyholders	-	9,167	9,167	-	8,441	8,441
- Loans to directors of associate entities	790	-	790	1,790	-	1,790
- Loan to related parties	155	-	155	184	-	184
- Loans to directors of controlled entities	1,015	-	1,015	2,125	-	2,125
- Loans to past directors of controlled entities	-	-	-	20	-	20
- Loans to executives of related entities	1,894	-	1,894	1,633	-	1,633
- Regulatory deposits (Note 10(a))	84	-	84	104	-	104
	<u>4,058</u>	<u>9,167</u>	<u>13,225</u>	<u>5,972</u>	<u>8,441</u>	<u>14,413</u>
	<u>6,400</u>	<u>905,046</u>	<u>911,446</u>	<u>8,259</u>	<u>920,408</u>	<u>928,667</u>

(a) Regulatory deposits:

\$84,375 (2006: \$104,375) is held in cash to satisfy Australian Financial Services Licence requirements. This amount is not available for use.

(b) Mortgages

Mortgages are stated at the fair value.

IOOF HOLDINGS LTD
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	31 December 2006			30 June 2006		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD						
Investment in associated companies	4,501	-	4,501	2,762	-	2,762
Reconciliation of carrying amounts:						
Balance at beginning of period	2,762	-	2,762	2,167	-	2,167
Share of operating profit after tax	3,739	-	3,739	7,130	-	7,130
Dividend received	(2,000)	-	(2,000)	(6,535)	-	(6,535)
	4,501	-	4,501	2,762	-	2,762

- (a) Perennial Investment Partners Limited (a subsidiary of IOOF Investment Management Limited) has a 50% shareholding interest in Perennial Value Management Limited with a 40% dividend entitlement to the profits of Perennial Value Management Limited. 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. The carrying amount in the consolidated entity is \$4,500,969 (2006: \$2,761,780).
- (b) IOOF Holdings Ltd has a 50% share and voting interest in Workforce Financial Services Pty Ltd ("Workforce") through its wholly owned subsidiary Outscope Limited. Workforce formed part of IOOF Group's distribution strategy and its principal activity was to provide financial planning and advisory services. The company incurred losses in previous years and ceased trading on 30 June 2005. Therefore, a permanent diminution in value occurred. In 2005 the investment was written down to nil.
- (c) The Group's consolidated interest in its associates, which are unlisted and incorporated in Australia, is as follows:

	Assets	Liabilities	Revenues	Profit/(Loss)
As at / half year ended: 31 December 2006				
Perennial Value Management Limited	5,985	1,154	6,312	3,739
Workforce Financial Services Pty Ltd	32	100	-	-
As at / year ended: 30 June 2006				
Perennial Value Management Limited	4,588	1,479	11,900	7,130
Workforce Financial Services Pty Ltd	32	100	-	-

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

	31 December 2006			30 June 2006		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
12. OTHER ASSETS						
Prepayments	7,588	-	7,588	1,511	-	1,511
Deferred acquisition costs (Note 1(m))	11,166	-	11,166	11,841	-	11,841
	18,754	-	18,754	13,352	-	13,352

IOOF HOLDINGS LTD
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13. PLANT AND EQUIPMENT

Office Equipment

Cost
Accumulated depreciation

Leasehold Improvements

Cost
Accumulated depreciation

Total Plant and Equipment

Cost
Accumulated depreciation

31 December 2006			30 June 2006		
Shareholder	Statutory	Total	Shareholder	Statutory	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
3,731	-	3,731	3,605	-	3,605
(2,073)	-	(2,073)	(1,841)	-	(1,841)
1,658	-	1,658	1,764	-	1,764
4,945	-	4,945	3,924	-	3,924
(3,364)	-	(3,364)	(3,093)	-	(3,093)
1,581	-	1,581	831	-	831
8,676	-	8,676	7,529	-	7,529
(5,437)	-	(5,437)	(4,934)	-	(4,934)
3,239	-	3,239	2,595	-	2,595

Reconciliation of movements

Carrying amount at the beginning of the period
Additions
Additions through business combination
Disposals
Depreciation / amortisation
Carrying amount at the end of the period

31 December 2006			30 June 2006		
Office Equipment	Leasehold Improvements	Total	Office Equipment	Leasehold Improvements	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1,764	831	2,595	776	1,172	1,948
211	1,021	1,232	1,402	75	1,477
-	-	-	29	-	29
(15)	-	(15)	(25)	-	(25)
(302)	(271)	(573)	(418)	(416)	(834)
1,658	1,581	3,239	1,764	831	2,595

14. DEFERRED TAX ASSETS

Deferred tax asset (Note 14(a))

(a) Deferred tax asset

The balance comprises temporary differences attributable to:

Employee benefits
Provisions, accruals and creditors
Fixed assets, computer software and infrastructure projects
Tax losses
Other
Deferred Tax Asset closing balance at the end of the period
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18)
Net Deferred Tax Asset closing balance at the end of the period

31 December 2006			30 June 2006		
Shareholder	Statutory	Total	Shareholder	Statutory	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
5,542	12	5,554	4,803	10	4,813
2,227	-	2,227	2,159	-	2,159
3,470	12	3,482	3,490	10	3,500
2,281	-	2,281	2,764	-	2,764
1,028	-	1,028	-	-	-
106	60	166	338	117	455
9,112	72	9,184	8,751	127	8,878
(3,570)	(60)	(3,630)	(3,948)	(117)	(4,065)
5,542	12	5,554	4,803	10	4,813

(b) Reconciliation of movements

Carrying amount at the beginning of the period
Adjustments to opening balance
Transfers to/from other group companies
Adjustments per income tax return
Credit/(Charge) to Income Statement (Note 5)
Reinstatement/(Writeback) of Deferred Tax Asset
Carrying amount at the end of the period

8,751	127	8,878	8,283	16	8,299
-	-	-	447	-	447
1	-	1	5	-	5
29	-	29	147	-	147
(1,172)	(55)	(1,227)	798	111	909
1,503	-	1,503	(929)	-	(929)
9,112	72	9,184	8,751	127	8,878

15. INTANGIBLE ASSETS

Computer Software and Infrastructure projects - at cost
Accumulated amortisation and impairment

Adviser relationships
Accumulated amortisation and impairment

Goodwill on acquisition
Accumulated amortisation and impairment

16,037	-	16,037	15,874	-	15,874
(14,584)	-	(14,584)	(14,232)	-	(14,232)
1,453	-	1,453	1,642	-	1,642
4,289	-	4,289	4,289	-	4,289
(429)	-	(429)	-	-	-
3,860	-	3,860	4,289	-	4,289
173,637	-	173,637	70,727	-	70,727
-	-	-	-	-	-
173,637	-	173,637	70,727	-	70,727
178,950	-	178,950	76,658	-	76,658

IOOF HOLDINGS LTD
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	31 December 2006			30 June 2006		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
16. PAYABLES						
Accounts payable	15,515	381	15,896	20,886	251	21,137
Amounts payable to other related parties	10,649	-	10,649	1,147	-	1,147
Interest payable	-	89	89	-	-	-
Other creditors - employee entitlements	5,450	-	5,450	8,021	-	8,021
	<u>31,614</u>	<u>470</u>	<u>32,084</u>	<u>30,054</u>	<u>251</u>	<u>30,305</u>
17. BORROWINGS						
Line of credit facility	22,500	-	22,500	-	-	-
18. TAX LIABILITIES						
Current tax liabilities	8,309	-	8,309	26,678	-	26,678
Deferred tax liability	-	34,746	34,746	-	24,865	24,865
(a) Deferred tax liability						
The balance comprises temporary differences attributable to:						
Unrealised gains	-	34,739	34,739	2	24,925	24,927
Deferred acquisition costs	3,350	-	3,350	3,553	-	3,553
Depreciation	3	-	3	2	-	2
Interest receivable	212	67	279	14	57	71
Other	5	-	5	377	-	377
Deferred Tax Liability closing balance at the end of the period	3,570	34,806	38,376	3,948	24,982	28,930
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 14)	(3,570)	(60)	(3,630)	(3,948)	(117)	(4,065)
Net Deferred Tax Liability closing balance at the end of the period	-	34,746	34,746	-	24,865	24,865
(b) Reconciliation of movements						
Carrying amount at beginning of the period	3,948	24,982	28,930	4,852	25,480	30,332
Adjustments to opening balance	-	-	-	(175)	4	(171)
Adjustments per Income tax return	1	-	1	35	-	35
Writeback of Deferred Tax Liability	(106)	-	(106)	(141)	-	(141)
(Credited) / Charged to Income Statement (Note 5)	(273)	9,824	9,551	(623)	(502)	(1,125)
Carrying amount at the end of the period	<u>3,570</u>	<u>34,806</u>	<u>38,376</u>	<u>3,948</u>	<u>24,982</u>	<u>28,930</u>
19. PROVISIONS						
Employee entitlements	2,945	-	2,945	2,438	-	2,438
Directors' retirement	593	-	593	562	-	562
Other provisions	3,959	-	3,959	3,832	-	3,832
Deferred settlement	35,968	-	35,968	-	-	-
	<u>43,465</u>	<u>-</u>	<u>43,465</u>	<u>6,832</u>	<u>-</u>	<u>6,832</u>

Director's retirement

IOOF maintains a retirement benefits program, providing a cash based benefit to Non Executive Directors at the time of their retirement from the Board. This program is applicable to Directors appointed prior to 15 April 2003.

Other provisions

Provisions have been made for the present value of the directors' best estimates of various adviser loyalty payments and legal settlements. The directors believe, on reasonable grounds, that to include in this report particular information in relation to these items would likely result in unreasonable prejudice to the company. Accordingly, detailed information has not been included in this report.

Deferred Settlement

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

Movements in provisions

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

	Directors' Retirement \$'000	Other Provisions \$'000	Deferred Settlement \$'000
31 December 2006			
Balance at the beginning of the period	562	3,832	-
Additional provisions recognised	31	154	35,968
Payments made	-	(27)	-
Balance at the end of the period	<u>593</u>	<u>3,959</u>	<u>35,968</u>

IOOF HOLDINGS LTD
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20. DEFERRED REVENUE LIABILITY

	31 December 2006			30 June 2006		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
Deferred revenue liability	5,009	-	5,009	4,972	-	4,972

21. INVESTMENT CONTRACT LIABILITIES

Member liabilities - other investment contracts	-	497,537	497,537	-	457,678	457,678
	-	497,537	497,537	-	457,678	457,678

Reconciliation of movements in Investment contract liabilities

Balance at the beginning of the period	-	457,678	457,678	-	1,042,455	1,042,455
AIFRS transitional adjustment	-	-	-	-	(969)	(969)
Less insurance contract liabilities reclassified (Note 22)	-	-	-	-	(629,398)	(629,398)
Opening investment contract liabilities	-	457,678	457,678	-	412,088	412,088
Distribution to policy holders	-	35,774	35,774	-	53,236	53,236
Investment contract contributions	-	25,660	25,660	-	42,027	42,027
Investment contract withdrawals	-	(21,575)	(21,575)	-	(49,673)	(49,673)
Balance at the end of the period	-	497,537	497,537	-	457,678	457,678

22. INSURANCE CONTRACT LIABILITIES

Policyholder liabilities - investment contracts with DPF	-	555,238	555,238	-	593,040	593,040
Policy liabilities	-	556	556	-	681	681
	-	555,794	555,794	-	593,721	593,721

Reconciliation of movements in Policyholder liabilities:

Balance at the beginning of the period	-	593,721	593,721	-	453	453
Gross life insurance contract liabilities reclassified at 1 July 2005 (Note 21)	-	-	-	-	629,398	629,398
Net increase/ (decrease) in life insurance contract policy liabilities	-	9,583	9,583	-	18,102	18,102
Life insurance contract contributions	-	3,480	3,480	-	19,452	19,452
Life insurance contract withdrawals	-	(50,990)	(50,990)	-	(73,684)	(73,684)
Balance at the end of the period	-	555,794	555,794	-	593,721	593,721

23. OUTSIDE INTEREST IN CONTROLLED TRUSTS

Outside interest in controlled trusts	-	277,623	277,623	-	251,337	251,337
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24. CONTRIBUTED EQUITY

Ordinary Shares

	Number of Shares	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
Balance at the beginning of the period	64,546,226	178,740	-	178,740	175,983	-	175,983
Issued during the period	27,542	290	-	290	2,757	-	2,757
Balance at the end of the period	64,573,768	179,030	-	179,030	178,740	-	178,740

Treasury Shares

Balance at the beginning of the period	(1,298,301)	(7,416)	-	(7,416)	(5,460)	-	(5,460)
Acquired during the period	-	-	-	-	(2,488)	-	(2,488)
Employee shares vested during the period (Note 25)	86,932	284	-	284	532	-	532
Balance at the end of the period	(1,211,369)	(7,132)	-	(7,132)	(7,416)	-	(7,416)

Redeemable Converting Preference Shares

Balance at the beginning of the period	176,012	1,400	-	1,400	-	-	-
Issued during the period	-	-	-	-	1,400	-	1,400
Balance at the end of the period	176,012	1,400	-	1,400	1,400	-	1,400

IOOF HOLDINGS LTD
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	31 December 2006			30 June 2006		
	Shareholder \$'000	Statutory \$'000	Consolidated \$'000	Shareholder \$'000	Statutory \$'000	Consolidated \$'000
25. RESERVES						
Asset revaluation reserve	1,071	-	1,071	1,071	-	1,071
Reserve for share-based payments	3,658	-	3,658	2,615	-	2,615
	4,729	-	4,729	3,686	-	3,686
Asset revaluation reserve						
Balance at the beginning of the period	1,071	-	1,071	-	-	-
Amount recognised during the period	-	-	-	1,071	-	1,071
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.						
Reserve for share-based payments						
Balance at the beginning of the period	2,615	-	2,615	1,588	-	1,588
Amount recognised during the period	1,327	-	1,327	1,559	-	1,559
Shares vested during the year (Note 24)	(284)	-	(284)	(532)	-	(532)
Balance at the end of the period	3,658	-	3,658	2,615	-	2,615
26. RETAINED PROFITS						
Retained Profits						
Balance at the beginning of the period	6,940	343	7,283	(1,091)	226	(865)
Net profit attributable to members of IOOF Holdings Ltd	14,002	64	14,066	23,156	117	23,273
Dividends paid	(9,559)	-	(9,559)	(15,125)	-	(15,125)
Balance at the end of the period	11,383	407	11,790	6,940	343	7,283
27. MINORITY INTEREST IN CONTROLLED ENTITIES						
Minority interests in controlled entities	1,933	-	1,933	5,329	-	5,329
28. DIVIDENDS						
A final dividend of 15 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 2006.						
The Directors have recommended the payment of an interim dividend of 15 cents per ordinary share franked to 100% based on tax at 30%.						

	31 December 2006	31 December 2005
	Cents	Cents
29. EARNINGS PER SHARE		
Basic earnings per share	22.14	16.11
Diluted earnings per share	21.72	15.84
Reconciliations of earnings used in calculating earnings per share		
	\$'000	\$'000
Profit for the period	16,261	11,541
Net (profit) / loss attributable to minority interests	(2,195)	(1,348)
Earnings used in calculating earnings per share	14,066	10,193
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	63,540,708	63,294,349
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	64,755,069	64,339,126

30. 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 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 2006 \$325,345 (30 June 2006: \$325,345).

Contingent liabilities amounting to \$990,000 (2006: \$1,540,000) exist in relation to guarantees provided to support loans to advisors.

The deferred settlement referred to in Note 19 *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 \$6,325,000.

IOOF HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

31. SEGMENT INFORMATION

Primary reporting - business segments

	Wholesale Funds Management	Retail Funds Management and Administration	Inter segment eliminations/ Unallocated	Consolidated
31 December 2006				
	\$'000	\$'000	\$'000	\$'000
Total Segment Revenue	19,892	210,032	1,830	231,754
Profit before income tax	6,398	35,540	(4,010)	37,928
31 December 2005				
Total Segment Revenue	13,392	194,418	1,164	208,974
Profit before income tax	4,198	31,661	(4,889)	30,970

(a) Segments

Wholesale Funds Management	Management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
Retail Funds Management and Administration	Distribution and administration of retail funds including financial planning and back office services to dealer groups aligned to the Group.
Inter segment eliminations	Segment revenues, expenses and results include transfers between segments. Such transfers are priced on a normal commercial basis and are eliminated on consolidation.

32. SUBSEQUENT EVENTS

The following matters have arisen subsequent to the end of the financial period:

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

- on 2 January 2007, a payment of \$9,434,000 was paid to Perennial Investment Partners Limited option holders who were party to the agreement for IOOF to acquire minority interests.

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 29 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 consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, cash flows, and changes in equity for the period 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.



I Blair
Chairman of the Board



R Dewhurst
Director and Chief Executive Officer

Melbourne, 20 February 2007

**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 2006, 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 designing, implementing 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 2006 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.

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.

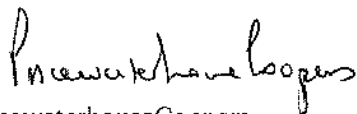
Independence

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 2006 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



Russell S Sutton
Partner

Melbourne
20 February 2007