Creating financial independence since 1846

2013

IOOF Annual Report

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Our major brands

Creating financial independence since 1846

Financial advice	Platform management & administration	Investment management	Trustee
Bridges	IOOF Pursuit	IOOF WealthBuilder	Australian Executor Trustees: Corporate Trust; Estate and Trustee Services; Superannuation
Consultum Financial Advisers	Spectrum Super	IOOF MultiMix	
Lonsdale	The Portfolio Service	IOOF QuantPlus	
myadviser		Perennial Investment Partners	
Ord Minnett			
Plan B Wealth Management			

Creating financial independence since 1846

How big are we?

As at 30 June 2013

Market capitalisation	$1.7b
Number of employees	1,300
FUMAS	$120.2b
Number of clients approx.	650,000
Number of financial advisers	over 900

Who is IOOF?

IOOF has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become a leading provider of quality financial services.

As an ASX top 200 company, and with more than $120 billion in funds under management, administration, advice and supervision, we currently service more than 650,000 customers around Australia.

We are now one of the largest independent groups in the industry. Our broad range of products and services means that our ability to provide tailored solutions to help clients achieve their financial goals is unparalleled. We believe that success only comes from caring about people and providing quality service and consistent performance.

What does IOOF do?

IOOF provides a range of wealth management solutions for Australians, including:

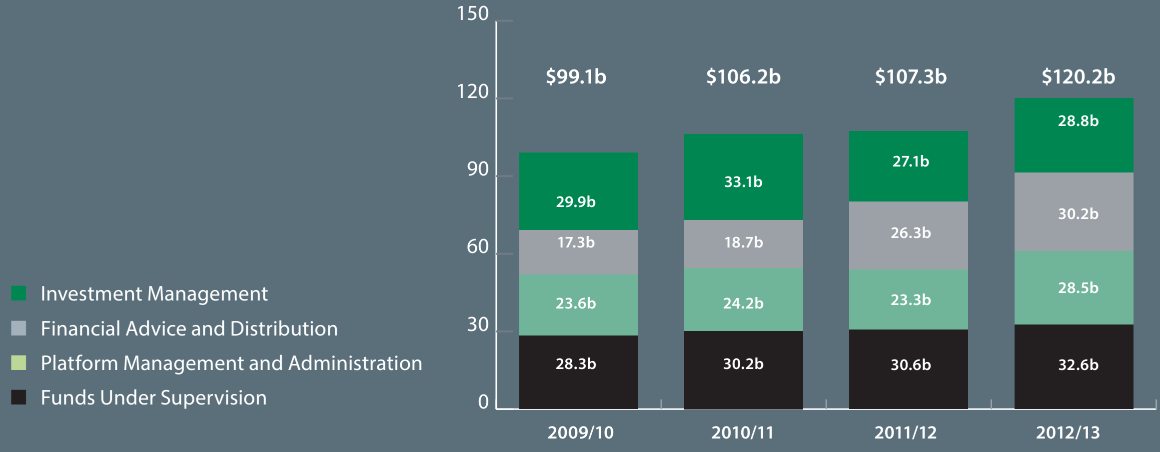
Financial Advice and Distribution services via our extensive network of financial advisers and stockbrokers. IOOF advises retail clients on investment strategies, wealth protection and accumulation, stockbroking and retirement planning. Together with our referral partners, IOOF services thousands of clients to make us one of Australia's leading financial planning groups.

Platform Management and Administration for advisers, their clients and hundreds of employers in Australia. Our platforms allow clients, employers and advisers to manage a wide range of superannuation and investment options, including managed funds and direct shares.

Investment Management products that are designed to suit any investor's needs. IOOF offers multi-manager products that are easy to understand with well-rounded investment options across a range of asset classes. Through Perennial Investment Partners, Australia's leading boutique investment house, investors can access investments in Australian shares, international shares, Australian listed property, global listed property, fixed interest and cash.

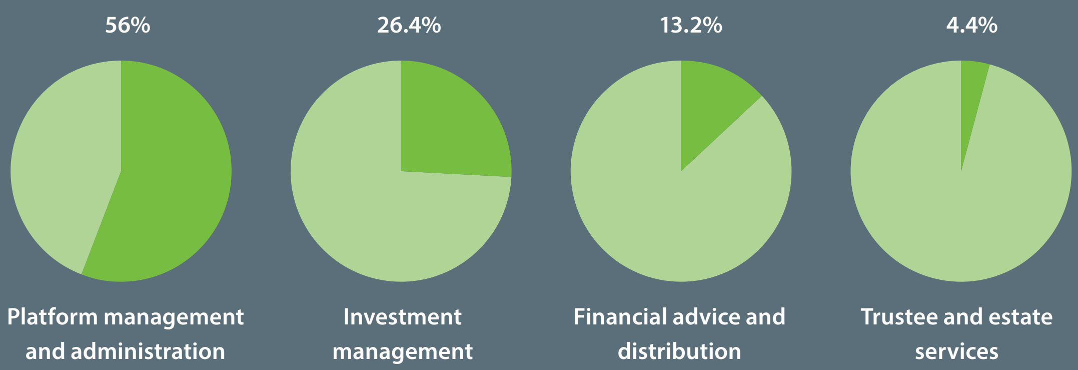
Trustee services including Estate Planning and Corporate Trust services. Australian Executor Trustees (AET) team of estate planning lawyers, prepare estate plans, Wills, powers of attorney and manage deceased estates on behalf of their clients. AET is also a specialist in the provision of personal trusts. The AET Corporate Trust team act as custodian for managed investment schemes, trustee or security trustee for securitisation and structured finance transactions, and trustee for note and other debt issues.

Growth in client money we manage



Our financial performance

Where we make our money



Understanding the data behind our performance

The key drivers affecting the underlying financial performance for the financial year ended 30 June 2013 were:

FUMAS increased $12.9b to $120.2b (including $3.2b in acquisitions) which was derived principally from equity market-driven increases in supervised funds, platform administration and investment management augmented by $262m in net flows from platforms and partly offset by $1.5b in investment management outflows.

The contribution from funds growth was partly offset by the impact of lower earning rates or margins. Within platform administration, these lower rates principally reflected a rising proportion of products with lower management fees and the impact of rising asset values which meant that a higher proportion of fund members benefited from lower fee scales under a tiered fee structure. Investment management margins were largely flat. In that segment, market gains more than offset outflows and kept the asset class mix stable.

Investment management fee scales vary with actively managed equity portfolios generally earning higher management fees than fixed income portfolios.

Costs, including share based payments, increased $8.3m*

$2.6m of this increase derived from additional share based payment programs to key stakeholders and executives to ensure retention. Operating expenditure increased $5.7m, mainly due to an increase in staff wages and associated labour costs such as payroll tax and superannuation. These costs increased in line with wage inflation generally and a 1.5% rise in the number of Full Time Equivalent (FTE) employees, including full time contractors. The rise in FTE was necessitated by the increased volume and complexity of new legislation.

* excluding Plan B

Funds Under Management and Administration, Advice and Supervision (FUMAS)

Influences on the growth of FUMAS include:

Market performance

As is traditionally the case, the largest contributor to the increase in FUMAS this financial year was the performance of the markets in which IOOF FUMAS is invested, in particular equities, fixed interest and property. A significant proportion of IOOF revenue will grow or reduce with the positive or negative impact of market valuations on average FUMAS for the current reporting period relative to the average FUMAS from the prior period.

Number of investors

The number of investors in IOOF products affects the level of FUMAS and therefore IOOF's financial performance. Investments can be placed into IOOF products through superannuation funds, via independent and aligned financial advisers or directly with IOOF. Funds can be invested into IOOF platforms or into external platforms that include IOOF products.

Number of advisers

Independent and aligned financial advisers are a key source of investment funds as they provide a sales distribution network for IOOF products. The number of advisers supporting IOOF products, therefore, influences the growth in FUMAS.

Investment performance

Good investment performance attracts funds. Individual fund performance is disclosed on the IOOF website at www.ioof.com.au

Shareholder value

Shareholder value can be measured by:

Total shareholder return

Total shareholder return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. IOOF's TSR for the year to 30 June 2013 was 29%. TSR in the period from the acquisition of Australian Wealth Management on 30 April 2009 to 30 June 2012 is 123% in total and 21% on an annualised basis.

Earnings per share

Basic earnings per share increased significantly to 34.4 cents per share. This is due to the significant deferred tax liabilities raised in relation to intangible assets that was incurred last financial year.

On an underlying pre amortisation earnings basis, where the impact of certain non operational and / or accounting adjustments is removed, basic earnings per share were 46.9 cents per share compared to 41.6 cents per share for last year.

Franking credits

The balance of the franking account at 30 June 2013 of $50.8 million will support the payment of fully franked dividends as recommended by Directors.

Chairman's Statement

Dr Roger Sexton, AM

I am pleased to present an overview of the 2012/13 financial year for IOOF. The Group has delivered another strong result particularly considering the continued market volatility and investor uncertainty.

Year in review

2012/13 has been an excellent year for IOOF, a 14% uplift in the dividend rate to 42 cents per share and the successful acquisition of Plan B Group Holdings Limited (Plan B). In the 2012/13 financial year, the Australian share market enjoyed a strong start to the year, with the market rising in seven of the first eight months, only for it to fall back in the final quarter of the year. While this meant strong annual gains for superannuants compared to last financial year, the continued volatility in global markets throughout the year somewhat impacted our financial result.

Towards the end of the year, the financial services industry received much welcomed clarity on changes to how the industry must operate. This finally allowed IOOF and other market participants to formulate and implement new business processes that comply with these regulations.

The tight timeframe between finalisation of the regulations and compliance deadlines have meant that product innovation and other strategic projects that are beneficial to the company's future have had to be postponed. However, compliance with Government regulations is a priority for IOOF and it must come before innovation and not the other way around.

While IOOF's Future of Financial Advice (FoFA) obligations were met by the required deadline, the reform implementation process will continue into next year for MySuper and SuperStream.

In April, the second phase of IOOF's advertising campaign began. Our aim for this campaign is to Increase IOOF's brand awareness in the market and to educate people on how we can help them achieve financial freedom and independence. The campaign included some short television ads, outdoor and online advertising.

Financial results for the year ended 30 June 2013

For the year ending 30 June 2013, IOOF reported a statutory result of $79.8m and an Underlying Net Profit After Tax result of $108.8m. This UNPAT result is a 13% increase on last year.

You will note that the deferred tax liability that IOOF had to recognise in 2012 continues to impact on our statutory result, as does amortisation and the Plan B acquisition. These factors combine to make our financial result appear lower than it actually was. It is important to remember that these liabilities do not result in a cash outflow for the group, nor do they impact our ability to pay dividends to shareholders.

A reconciliation of Statutory Profit and Underlying Net Profit After Tax can be found on page 24 of this annual report.

During the year, the funds we manage on behalf of our clients increased 12% to $120.2 billion.

Activities of the Board during the year

The role of the IOOF Board is to provide guidance on and critically evaluate the strategic direction of the Company, management policies and their effectiveness. Its main function is to ensure that the long-term interests of all stakeholders are being served.

This year your Board has been focussed on a range of strategic initiatives including overseeing the integration of two recent acquisitions as well as ensuring that the regulatory reform implementation timetable is adhered to and appropriately executed.

Successful integration of Plan B and DKN

Last year IOOF acquired wealth management firm Plan B via an off market takeover. This year has been spent integrating the people, products and systems into the wider IOOF business. IOOF's experience at integrating acquisitions and the fact that Plan B's business activities fit neatly into the four operating divisions of IOOF meant the transition occurred seamlessly and efficiently. There is still some longer term integration work to be done, however our need to comply with the new regulatory regime means that this work has been necessarily delayed.

Regulatory Environment

In the aftermath of the global financial crisis, the regulation and supervision of operators in the financial services industry has increased significantly, not only in Australia but in all of the developed countries. It is readily acknowledged that Australia has been well served by its regulatory authorities, and indeed the role played by APRA and ASIC over a long period helped ensure that the Australian financial sector weathered the GFC storm better than most.

Notwithstanding, the reality for financial service companies in Australia is that the level of regulation is now more intensive and more intrusive, than it was prior to the GFC.

IOOF has responded to this new reality by dedicating resources to meeting the requirements of regulators by the stated deadlines. Our company has been serving as a custodian of our customers monies since 1846 and has developed internal policies and procedures over many years to ensure that our management of funds meets the regulatory standards and ensure that our reporting to our customers is transparent and compliant, yet informative.

Adjusting to the increased regulatory environment has not therefore required significant changes to our policies and procedures. However, the timeframe set for compliance has been tight. Conforming with new regulations always involves the allocation and/or redirection of resources (including staff and IT) and has consequent cost implications – both fiscal and opportunity. These changes have come at the expense of innovation within the Group (and for the industry in general) and at the expense of some longer term integration work as noted above.

The Board of Directors has sought to proactively engage with regulators and has met on several occasions during the year with representatives of APRA for wide ranging discussions. Those employees who are authorised to speak with regulators are also encouraged to engage openly.

Clearly the role of regulators, historically has been to ensure that financial services companies are well capitalised, and equipped with the skills to deal with any shocks to financial markets, and thereby protect the interests of their customers.

That said, it is important, in this new environment of increased regulation and supervision, that regulators understand the costs to businesses of meeting the ever increasing burdens of regulators.

The best regulators in any modern society are the ones who want the financial industry to be successful and who also have experience to understand the difficulties and challenges in managing and building businesses. The "economics" of regulation should be similar to that in business itself; that is, resources should be devoted to these areas where they can have the maximum effect in protecting consumers' interests while balancing the need to allow businesses to generate profits and help build the size of the nation's economy.

Retirement Savings

Over the past two decades or so, IOOF has developed and marketed a suite of financial products which are aimed at helping working Australians save for their retirement. A key component of retirement savings, of course, is superannuation.

The decision of the Federal Government during 2012-13 to increase the superannuation guarantee levy from 9% to 12% in successive increments over the coming years will certainly help to boost the retirement savings of all Australians. And this is very much needed.

Demographically, projections show that the percentage of Australians over the age of 60 will increase from 20% to 24% by 2030 – and investments in superannuation will rise from $1.6 Trillion to $5.0 Trillion by the same year, 2030.

Yet even then, it is clear that the average Australian will not have adequate savings to have a dignified and self-sufficient living in retirement and may have to rely on the Government funded age pension to supplement their needs.

One of the key reasons that Australia faces this situation is the constant changes which successive Governments have made to the rules governing the retirement savings system.

Indeed since 2008 alone, there have been a significant number of substantial changes to our superannuation laws in Australia.

Governments cannot expect retirees to take responsibility for their own retirement incomes, rather than be a burden on the public purse, via the pension, if they keep changing the rules.

Our country aspires to be a part of the Asian Century. As such, it needs to take an example from highly successful Asian countries like Singapore and create an environment for both savers and investors where there is clarity about the rules and certainty that they are not going to be changed at whim so that people can have confidence in the decisions they make about their financial affairs.

I welcome the fact that the recently elected Coalition Government has committed to delivering more certainty around superannuation policy, effectively promising no "negative, unexpected changes". This commitment is essential to promote stability in the superannuation system and gives Australians the confidence to invest in superannuation without fear of constant change.

42 cps dividend paid in 2012/13

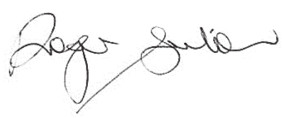
In line with our dividend policy payment range of 60-90% of Underlying Net Profit After Tax, the total dividend paid to shareholders for the year was 42 cents per share, fully franked. 19.5c per share fully franked was paid in April, and 22.5 cents per share, again fully franked, was paid in October. The IOOF Board remains committed to distributing unutilised cash to shareholders.

Conclusion

As we enter our 10th year as a listed entity and having been in business for more than 165 years, IOOF has proven its ability to adapt to the changing operating and regulatory environment while successfully growing its business organically and through the integration of high-value acquisitions. I am confident that our long term strategic plans and priorities have us well placed to continue with the growth path that has characterised the IOOF Group during our ten year period as a listed company on the Australian Stock Exchange.

Much of the work devoted to regulatory reform this year has been completed by a dedicated team of IOOF Leadership group members and employees. I would like to thank and congratulate the leadership group, and all our employees on their outstanding contribution to the 2012/2013 result.

The Board of Directors has also experienced another extremely busy year in dealing with an ever increasing workload. I am fortunate to have a very talented group of individuals as fellow Directors who have very different, but complementary skill sets and I wish to thank them all for their hard work, personal contributions and support during the first full financial year in my role as Chairman.



Dr Roger Sexton, AM
Chairman

Managing Director's Commentary

Chris Kelaher

IOOF's continued focus on organic growth, productivity improvement and acquisition-led growth has paid dividends and has driven momentum for the group this financial year.

In August, IOOF reported a $79.8m statutory Net Profit After Tax and a $108.8m Underlying Net Profit After Tax (UNPAT), pre-amortisation for the period ended 30 June 2013.

This UNPAT result represents a 13% increase on last year.

All four operating segments – financial advice, platform administration, investment management and trustee services – contribute positively to the group's profitability. For more information on the operating results and activities in each segment please see page 11.

IOOF's service ethos, product offering and improved brand awareness is generating net flows for the Group

The money IOOF manages on behalf of others (Funds Under Management, Advice, Administration and Supervision, or FUMAS) increased 12% to $120.2b by the financial year end.

As the largest independent wealth manager outside of the banks and AMP, service continues to be a differentiator for IOOF. Since 2010, IOOF has maintained a top four position in the Wealth Insights Survey, which ranks 17 platforms in terms of their service levels. This year, in coming 4th, we also improved our ranking in six out of the 9 categories, including BDM support, administrative support and "ease of doing business".

This attention to our service levels, our product offering and our continued investment in the IOOF brand has seen us attract more money into our business this year.

Excluding the addition of the Plan B funds via acquisition earlier in the year, total platform net flows were in positive territory, reaching $262m for the year. On a standalone basis, IOOF's flagship platforms, experienced net funds growth of $872m, a 28% increase.

The first positive net fund flow result since the transformative acquisitions of Australian Wealth Management and Skandia in 2009 is an important milestone for the group, and represents a significant advance in organic growth from previous years.

IOOF leads the way in acquisition integration and synergy extraction in the Australian wealth management Industry

The acquisition of Plan B in late 2012 has had a positive impact on IOOF's earnings and profitability, as Plan B's activities and products map perfectly across IOOF's four operating segments.

It is for this reason that since the acquisition, IOOF has generated cost savings, pre-tax, of $6.1m to date, by integrating Plan B's activities into the IOOF group. This implies cost savings of $10m for next financial year, from a pre-acquisition cost base of $32m.

Further product rationalisation will generate more cost savings into the future albeit upon the successful completion of the mandatory implementation of all current regulatory requirements imposed upon the financial services industry this year.

Despite the imposition of regulatory compliance reaching $10 million this year, this spend compares most favourably to our peers. This is due mainly to the fact that IOOF made effective use of internal resources to reduce expenditure in this area.

IOOF believes the major expense of regulatory change was in fact one of opportunity cost. While much of our attention this year was spent ensuring that our advisers, products and services complied with regulatory change, business simplification, innovation and product development has had to take a back seat.

Continuing to balance expenditure and investment appropriately

In 2012/13, our two largest items of expenditure remain, appropriately, people and technology. Without these two factors, IOOF could not operate in the financial services industry. We see our people, many of them who have been with us long term, as well our preference for proprietary technology as key competitive advantages for IOOF.

We continued to invest in the IOOF brand, as we seek to balance expenditure and investment appropriately.

In 2012, increasing brand awareness was identified as a clear strategic priority for IOOF. During this financial year, IOOF launched the next phase of its awareness campaign, with a targeted mix of short television, radio, outdoor, cinema and online advertisements nationally. The initial results of this phase have been encouraging particularly considering the modest outlay to date.

Acquisition opportunities remain across the value chain

As part of its strategic growth, IOOF remains interested in pursuing earnings accretive acquisitions across the four segments in which it operates and continues to identify acquisition opportunities that aren't always immediately obvious to others. IOOF's acquisition of Plan B is a good example.

IOOF would like to increase its participation in the professional trustee space. Demand is increasing in the areas of native title administration, charitable foundations and compensation trusts. The professional management of deceased estates is also an area of considerable growth.

This expectation of future growth has led to a flurry of consolidation activity in this sector recently.

In September 2013, IOOF entered into a Share Sale Agreement with Perpetual Limited (Perpetual) that will see IOOF acquire a strategic holding in Equity Trustees should Perpetual and The Trust Company (Trust) merge later this year.

This investment came about after IOOF's initial offer to purchase Trust was eclipsed by an offer by Perpetual. The Australian Competition and Consumer Commission permitted Perpetual to acquire Trust provided it sold the 13% stake that Trust held in Equity Trustees.

The purchase will provide us with a strategic investment in a business we understand extremely well. We see this as a long-term holding that will provide IOOF with greater exposure to the Australian trustee industry.

Outlook

IOOF's higher FUMA starting point in July 2013 has provided us with a solid platform for growth in 2013/14. With superannuation legislated to increase to 9.25% this financial year and up to 12% in coming years, we are well positioned to continue our growth and to gain greater market share.

One of our key competitive advantages over larger competitors is our nimble approach. We have demonstrated that we can quickly and cost-effectively respond to emerging trends and threats in a manner that is far quicker than our competitors. We will continue to use this competitive advantage in identifying and executing growth opportunities in the future.

As major regulatory hurdles are cleared, we look forward to shifting our focus back exclusively to providing value-add initiatives for all of our advisers and their clients and ultimately our shareholders.

Chris Kelaher
Managing Director

Divisional updates

Financial Advice and Distribution

$'m	2012/2013^	2011/2012*	Change on prior year (%)
Revenue	176.7	143.5	33.2
UNPAT pre amortisation	16.8	12.5	34.4
Closing FUA ($'b)	30.2	26.3	14.8

^ The 2012/13 result incorporates 9 months of Plan B Group Holdings

* The 2011/12 result incorporates 9 months of DKN Financial Group

About the division

Financial Advice and distribution is represented by well-known brands such as Bridges Financial Services, Lonsdale Financial Group, Wealth Managers, Ord Minnett Stockbrokers and Consultum Financial Advisers. In 2012, My Adviser and Plan B Wealth Management joined this division courtesy of IOOF's acquisition of Plan B Group Holdings.

Almost 1000 advisers and associated stockbrokers provide advice to retail and institutional clients on retirement planning, wealth accumulation and investment strategies.

Activities

- Achieved growth in adviser numbers across all major dealer groups
- Implemented FoFA ready solutions for our advisers to comply with 1 July 2013 obligations

Platform Administration

$'m	2012/2013^	2011/2012*	Change on prior year (%)
Revenue	355.2	323.5	9.8
UNPAT pre amortisation	71.4	59.6	19.8
Closing FUA ($'b)	28.5	23.3	22.3

^ The 2012/13 result incorporates 9 months of Plan B Group Holdings

* The 2011/12 result incorporates 9 months of DKN Financial Group

About the division

IOOF's platforms allow clients, employers and advisers to manage a wide range of superannuation and investment options, including managed funds and direct shares. Our flagship platforms include Pursuit, Spectrum Super and The Portfolio Service.

Activities

- Achieved total platform net inflows of $262m for the first time since the transformational acquisitions in 2009
- IOOF ranked 4th out of 17 platforms in a widely respected platform service level survey – IOOF has been amongst the top 4 in since 2010

Investment Management

$'m	2012/2013^	2011/2012*	Change on prior year (%)
Revenue	129.3	125.9	2.7
UNPAT pre amortisation	33.7	35.5	-5.1
Closing FUA ($'b)	28.8	27.1	6.3

^ The 2012/13 result incorporates 9 months of Plan B Group Holdings

* The 2011/12 result incorporates 9 months of DKN Financial Group

About the Division

IOOF offers multi-manager products that are easy to understand with well-rounded investment options across a range of asset classes. Through Perennial Investment Partners, Australia's leading boutique investment house, investors can access investments in Australian shares, international shares, Australian listed property, global listed property, fixed interest and cash.

Activities

Multimanager

- Top quartile performance over the financial year for a number of IOOF Multimix diversified strategies such as Balanced Growth, Moderate and Conservative
- 90% of IOOF Multimix FUM ranked above median performance this financial year

Perennial Investment Partners Limited

- Launched two new funds in response to the changing investment landscape and investor needs – Perennial Income Focused Trust and the Perennial Absolute Return Trust
- Achieved strong performance in the Perennial Fixed Interest business and the Asian equities strategy of the Perennial International Equities business

Estate and Trustee Services

$'m	2012/2013^	2011/2012*	Change on prior year (%)
Revenue	23.4	21.3	9.9
UNPAT pre amortisation	5.6	4.8	16.7
Closing FUA ($'b)	32.6	30.6	6.5

^ The 2012/13 result incorporates 9 months of Plan B Group Holdings

* The 2011/12 result incorporates 9 months of DKN Financial Group

About the Division

The Trustee division includes Estate Planning, estate administration, fiduciary services, and corporate trust services, operating under the brand, Australian Executor Trustees. The team of estate planning lawyers prepare estate plans, wills, powers of attorney and manage deceased estates on behalf of their clients while the fiduciary services team obtains appointments to act as trustee of compensation and disability trusts as well as private appointments.

The Corporate Trust team act as custodian for managed investments schemes, trustee or security trustee of securitisation and structured finance transactions, and trustee for note and other debt issues. The AET Superannuation offering specialise in the provision of Small APRA Funds and SMSF end to end administration services.

Activities

- Experienced increased sales in AET's Small APRA Funds and SMSFs this financial year
- The addition of Plan B strengthens this segment and expands opportunities, particularly in Native Title administration

Directors

Dr Roger Sexton AM

B.Ec. (Hons), M.Ec. Ph.D (Econ), FAICD, FAIM. SFFin, C. P Mgr, C.Univ

Chairman - Independent Non-Executive Director

Non-Executive Director of IOOF Holdings Ltd since 2002

Dr Sexton has more than 25 years' experience in senior management in finance and the investment banking industry and a specialist in the areas of corporate reconstruction, mergers and acquisitions, and asset management. Dr Sexton is also a member of the Australian Accounting Standards Board. He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors and a Senior Fellow of the Financial Institute of Australia.

Dr Sexton was awarded a Member of the Order of Australia in the 2011 Queen's Birthday Honours.

Other current listed directorships

- TWT Group Ltd (Director since 2008)

Special responsibilities

- Chairman of IOOF Holdings Ltd
- Chairman of the Remuneration and Nominations Committee
- Chairman of Perennial Investment Partners Ltd
- Member of the Audit Committee

Directors

Mr Christopher Kelaher

B.Ec, LL.B, F Fin.

Managing Director

Mr Kelaher is the Managing Director of IOOF Holdings Ltd. He was appointed in May 2009 upon the Company's acquisition of Australian Wealth Management Limited (AWM), a company which he had been Managing Director of since 2006. Before that, he had been CEO of Select Managed Funds Ltd for nine years, a company which itself merged with AWM.

Mr Kelaher is responsible for overseeing the strategic direction of the business as well as driving organic growth initiatives in each of the four main business segments. During his 25 year career in financial services, Mr Kelaher has been instrumental in executing multiple mergers and acquisitions that have added materially to the IOOF Group and its antecedent businesses.

Mr Kelaher also has extensive capital markets experience from his time with Citicorp where he assisted in the establishment of Citicorp Investment Management and Global Asset Management business in Australia and New Zealand.

He holds a Bachelor of Economics and a Bachelor of Laws from Monash University and is a Fellow of the Financial Services Institute of Australia.

Special responsibilities

- Managing Director of the IOOF Group from 30 April 2009

Mr Ian Griffiths

C.Acc, DipAll, FAICD.

Independent Non-Executive Director

Non-executive Director of IOOF Holdings Ltd since April 2009.

Former Executive Director of Australian Wealth Management Ltd and Select Managed Funds Ltd, from 1997 until acquisition by the IOOF Group in 2009.

Mr Griffiths has more than 40 years' experience in the financial and superannuation industries. With a superannuation administration and business consulting career commencing with AMP in 1972, Mr Griffiths has extensive industry knowledge and skills, particularly in operations, mergers and acquisitions.

Special responsibilities

- Member of the Remuneration and Nominations Committee
- Member of the Audit Committee

Ms Jane Harvey

B.Com, MBA, FCA, FAICD.

Independent Non-Executive Director

Non-executive Director of IOOF Holdings Ltd since 2005.

More than 30 years' experience in financial and advisory services, governance and risk management. Ms Harvey was formerly a Partner at PricewaterhouseCoopers.

Other current listed directorships

- David Jones Ltd (Director since 2012)

Special responsibilities

- Chairman of the Audit Committee
- Member of the Risk and Compliance Committee

Mr George Venardos

BComm, FCA, FCIS, FAICD, FTIA.

Independent Non-Executive Director

Non-Executive Director of IOOF Holdings Ltd since April 2009.

An experienced Director with broad listed company experience across a range of different industries including financial services, affordable leisure, oil & gas services and technology development.

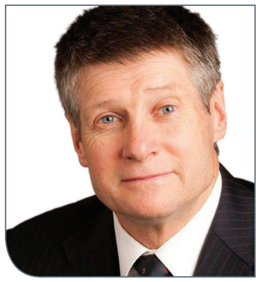
Mr Venardos has more than 20 years' experience in senior executive roles in financial services, insurance and funds management including 10 years as Chief Financial Officer of Insurance Australia Group and Chairman of the Insurance Council of Australia Finance and Accounting Committee.

Other current listed directorships

- Chairman of Bluglass Ltd (Director since 2008)
- Ardent Leisure Group (Director since 2009)

Special responsibilities

- Chairman of the Risk and Compliance Committee
- Member of the Remuneration and Nominations Committee



Mr Kevin White

B.Eng (civil), M.Eng.Sci., M.Admin.

Independent Non-Executive Director

Non-Executive Director of IOOF Holdings Ltd since October 2011.

Mr White graduated as a professional engineer in 1973 and has spent the majority of his working life in the financial services industry and is currently Managing Director of Easton Investments Ltd, a small financial services company listed on the Australian Securities Exchange.

Other current listed directorships

- Managing Director of Easton Investments Ltd (Director since 2013)

Special responsibilities

- Member of the Risk and Compliance Committee
- Member of the Audit Committee

Corporate governance

This Corporate Governance Statement for IOOF Holdings Limited (IOOF) sets out as required by the ASX Listing Rules details of IOOF's corporate governance practices for the year ended 30 June 2013 and reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board of Directors and Management of IOOF recognise the importance of good corporate governance and are committed to maintaining the highest standards of corporate governance within the Group. This is an organisational priority since IOOF is both a listed company and an entity operating within the highly regulated financial services sector, overseen by the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investment Commission (ASIC), the Australian Securities Exchange (ASX) and AUSTRAC.

The Board is responsible to its shareholders for the performance of the Company. The Board's focus is to enhance the interests of shareholders and key stakeholders of and within the IOOF Group (e.g. employees, clients, regulators, etc).

The Company's corporate governance policies and practices are reviewed at least annually and will continue to develop and improve through benchmarking against best practice corporate governance. The company's policies are contained in the corporate governance section of the company's website www.ioof.com.au

Principle 1: Lay solid foundations for management and over sight

The Board is constituted and empowered under its Constitution, ASX Listing Rules and the requirements of the Corporations Act. The Board has delegated some of its powers to Board Committees and Management including but not limited to:

- establishment of and overseeing strategic objectives and direction of the company;
- monitoring financial objectives;
- ongoing assessment of performance objectives;
- determining group financial strategy and policies;
- overseeing and monitoring the Company's risk framework and compliance;
- approval and annual review of the Company's Code of Conduct and overall corporate governance to ensure effective and timely disclosure of policies, procedures and other relevant data to the market, shareholders and its stakeholders; and
- appointment and removal of the Managing Director and ratifying appointment and the removal of senior executives.

Delegation to Managing Director

The Board delegates to the Managing Director responsibility for implementing the Company's strategy and management of the day to day business and operations of the Company. Clear lines of communication have been established between the Chairman and the Managing Director to ensure these responsibilities are understood. These responsibilities are set out in specific policies and delegation of authority documents.

Appointment of Directors

The Board is responsible for the review of the Board's composition and performance. All Directors upon appointment receive an induction pack which sets out the Board's responsibilities, the Director's duties and the role of the Committees. In addition, newly appointed Directors are invited to participate in on-on-one sessions with each business head to understand their relevant business, organisational structure, strategy and their annual objectives. Each appointed Director receives a letter of appointment and associated documents (including a Deed of Indemnity and a copy of the Directors & Officers Policy) setting out remuneration, power and duties, requirement to disclose – both independence and director's disclosure and a copy of the Constitution.

Principle 2: Structure the board to add value

Composition of Board

At the date of this report the Board comprises five Non-Executive Directors, all of which are independent and one Executive Director (Christopher Kelaher). A profile of each Director is set out in the Director's Report on page 29. The Chairman is selected by the Board and is an independent Director. The Chairman and Managing Director have separate roles. The Chairman provides leadership to the Board and is responsible for the efficient management of the business of the Board. The Chairman is either a member of each Board Committee or has an open invitation to attend. The independent Non-Executive Directors are Messrs Griffiths, Venardos and White, Dr Sexton and Ms Harvey.

Remuneration and Nominations Committee

The Board has established a Group Remuneration and Nominations Committee. Terms of Reference have been formalised which include responsibility for nominating, assessing and recommending candidates for directorships and the CEO.

The Committee ensures that the Managing Director and Senior Executive remuneration arrangements are performance based, correspond to the prevailing market levels and are consistent with the principles for sound compensation practice. The Committee ensures succession planning is in place and approves all short term and long term incentive plans across the IOOF Group.

The Committee meets at a minimum of four times per year and comprises Dr Sexton (Chair) and Messrs Griffiths and Venardos.

Board performance

As at the date of this report, all Committees had conducted a skills and performance evaluation by way of a self-assessment survey and one-on-one meetings with the Chairman for the year. The Board performance review includes evaluation to determine the effectiveness and composition of the Board; identify gaps in skills, experience and expertise and whether the Board is managing shareholder and stakeholder's expectations. Resulting from the assessment and meetings, the Board has established a plan to assist in ensuring continual improvement to the information provided to the Board, training and education undertaken by the Board and ensuring that the Board has adequate time to consider proposals put to the Board and ability to question any member of management if relevant to the respective Board report.

Board independence

A Director of IOOF will be considered independent where the Director is independent of management (i.e. a Non-Executive Director); does not hold a substantial interest in the Company and is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with; the exercise of independent judgement and has not been employed in an executive capacity or been a material professional advisor in the last three years.

The Board has made its own assessment to determine the independence of each Director and notes that at the date of this report five of the six Directors are considered independent.

Conflicts of interest

In accordance with Board protocol and the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board must declare their interest and may not vote on any matter in which they have declared a personal interest.

Independent Professional Advice and Board Access to Information

All Directors have the right in connection with their duties and responsibilities to seek independent professional advice at the Company's expense and have the right to access company information.

Principle 3: Promote ethical and responsible decision making

All employees, including the Board and senior management are expected to uphold the highest levels of integrity and professional and ethical behaviour in their relationships with the Group's stakeholders.

Code of Conduct

The Board has adopted a Code of Conduct which applies to all directors, officers, employees, contractors and consultants within the IOOF Group and is designed to ensure a high standard of honest and ethical corporate and individual behaviour. Each employee is required to read and accept the Code of Conduct as part of their induction and provide annual affirmation thereafter. The Code of Conduct is reviewed annually and is available on our website.

Securities Trading Policy

Directors, officers and employees are subject to the Corporations Act 2001 in relation to restrictions applying to the acquisition or disposal of securities of the Company if they are in possession of insider information. Directors, officers and employees are restricted from trading in the Company's securities during certain blackout periods as per the Securities Trading Policy. Senior management must ensure they have received approval from the Chairman prior to commencing trading in the Company's securities. Directors have entered into an agreement with the Company which requires approval before trading in the Company's securities and on-going disclosure to the

Company of any change in the Director's interest in securities within three business days of the change occurring. A copy of this policy is available on our website.

Diversity Policy and activities

IOOF is committed to being a diversity leader by providing a diverse inclusive workplace in which everyone has the opportunity to fully participate and is valued for their distinctive skills, experiences and perspectives and by incorporating diversity into our business practices through the Company's corporate social responsibility initiatives that aim to improve quality of life for its workforce, their families and the community as a whole.

IOOF has a Diversity Policy which is reviewed annually by the Remuneration Committee and a copy of this policy is available on our website. IOOF's plan to manage diversity includes facilitating equal employment opportunities based on relative ability, performance or potential; continuing to grow our workforce through multicultural diversity; creating programs that prepare women to take on senior roles within the business; establishment of a women's committee and continuation of our traineeship program.

With representation in every state of Australia, IOOF has approximately 1,300 employees with female employees representing 53.29 per cent of our total workforce. Of a leadership group comprising nine individuals, two are female. IOOF also has one female at Board level.

In order to create a focus on encouraging a gender balanced workplace, IOOF has supported a number of initial research programs to address any gaps that may be evident. A pay equity audit was conducted in 2011 and 2012 amongst all levels of IOOF staff (excluding the Board) to determine whether a gender pay gap existed within the group in order to identify any trends. Whilst a pay gap became evident, the audit demonstrated that both genders experience equality of remuneration; however the gap was due to the imbalance of women in higher level positions. As a result, a gender equality committee was established to continue to drive initiatives and programs and to foster and develop women into senior roles across the business whilst ensuring that no employee is disadvantaged.

Initiatives of the Committee this year included:

- A men's survey to understand the needs and views of our male employees;
- Gender Intelligence workshops;
- Coaching and mentoring programs;
- Career planning program; and
- IOOF Women in Advice luncheon series.

Principle 4: Safeguard integrity in financial reporting

The Board of IOOF receives regular reports about the financial condition and operational performance of IOOF and its controlled entities. The Managing Director and Chief Financial Officer report in writing to the Board that the consolidated financial statements of IOOF and each of the subsidiaries for each half year and full year present a true and fair view, in all material respects of the Group's financial condition and are in accordance with accounting standards. In addition, they report on the Company's risk management system (financial; strategic and operational) and its effectiveness.

The Board has established an Audit Committee to provide assistance to the Board in accordance with established Terms of Reference.

The Audit Committee meets at least four times per year. The Committee comprises Non-Executive Directors with all being independent. The Chair of the Committee is not the Chair of the Board. The principal functions of the Audit Committee are to review the half and full year financial reports, review accounting policies, appoint the internal and external auditors and to ensure the effectiveness of IOOF's systems of accounting, internal controls and risk management. The Board has adopted a formal policy on the provision of non-audit services.

The members of the Audit Committee are Ms Harvey (Chair), Messrs Griffiths and White and Dr Sexton.

Principle 5: Make timely and balanced disclosure

The Board is committed to keeping its shareholders and the market fully informed of major developments that may have an impact on the Company. Procedures are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure matters that are notified to the ASX are factual and made in a timely manner in accordance with the ASX Listing Rule requirements. The Company has a Continuous Disclosure Policy which is made available to all employees. The IOOF Continuous Disclosure Policy is designed to meet best practice, ensuring all interested parties have an equal opportunity to obtain information which is issued by the Company. The Company Secretary is responsible for maintaining a register of information referred to her that a Director, executive or employee has identified as a potential item for disclosure. All disclosures are recorded and set out in monthly board papers. In addition, IOOF has a Media Policy. The Company Secretary has been nominated as the person responsible for all communications with the ASX or in her absence the Corporate Affairs Manager. A copy of this policy is available on the Company's website.

Principle 6: Respect rights of shareholders

IOOF recognises the right of shareholders to receive effective communication ensuring shareholders are informed of all necessary information to fully assess the performance of the Company. IOOF communicates shareholder information about the Company through its annual report, disclosures to the ASX, at the Annual General Meeting (AGM) and via the company's website. The Board encourages active participation by shareholders at any company meetings. The Board ensures that the Notice of Meeting (Notice) and Explanatory Notes are clear and concise and provides shareholders with all necessary information in order for them to make an informed decision when voting. A copy of the Notice and Explanatory Notes are available on our website.

IOOF ensures that the Company's auditor attends the AGM or other meetings of the Company and shareholders are afforded the opportunity of asking the Company's auditor questions regarding the conduct and content of the audit. A shareholder may submit a question throughout the year via the investor relations section of the company's website or to the auditor prior to the meeting by emailing the Company Secretary.

Principle 7: Recognise and manage risk

The Board recognises that effective management of risk is an integral part of sound management and is vital to the continued growth and success of IOOF. The Board is ultimately responsible for the oversight of the IOOF Group's risk management and control framework and has implemented a policy framework designed to ensure that the Group's risks are identified, analysed, evaluated, monitored and communicated within the organisation or to any relevant external party and that adequate controls and mitigation processes that are in place function effectively.

In addition to the Audit Committee, the Board has established a Risk and Compliance Committee (RCC), which is responsible for reviewing all aspects of risk and compliance on behalf of the Board. In addition, this Committee ensures all correspondence and action plans required by the Company as a result of reviews by the Company's regulators are completed in a timely manner. The Committee comprises three independent non-executive Directors, members from the Legal, Compliance and Risk Management team and a representative from each operating business within the Group. In addition both the internal and external auditors attend. The Group Head of Risk reports to the Committee on the monitoring of risk via the business and risk reporting through the enterprise-wide framework including where appropriate, positive assurance. This Committee meets regularly and reports to the Board and provides minutes of the Committee meeting and relevant reports to the Audit Committee. The Managing Director and the Chief Financial Officer report in writing to the Board that to the best of their knowledge and belief, the statement given in accordance with Best Practice Recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which is operating efficiently and effectively in all material respects in so far as they relate to financial, strategic and operational risks. This report confirms that the system which implements the policies adopted by the Board either directly or through delegation to Management and that the Company's risk management and internal compliance is operating effectively in all material respects as at the date of the report, based on the risk management model adopted by the Board. The statements provide a reasonable, but not absolute, level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future.

In addition, the report sets out that risk management and internal compliance and internal control systems are subject to periodic declaration by process owners and review through the Company's internal audit process and by regulators.

The Company has established a number of other policies which include, but are not limited to, the Delegations Policy, Anti-Money Laundering and Counter-Terrorism Policy, Complaints and Breach Reporting Policy, Risk Management Plan and Risk Management Policy, Capital Adequacy, Outsourcing Policy and the Fit and Proper Policy.

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration and Nomination Committee (the Remuneration Committee). The Committee's responsibilities are set out in the Remuneration Committee's Terms of Reference. These responsibilities include developing the Company's remuneration, termination, recruitment, diversity and succession policies. The Remuneration Policy sets out the remuneration framework for the Managing Director, senior executives and non-executive Directors. The level of remuneration of Directors and executives is set out in the Directors' Report and Notes to the Financial Report. The Remuneration is responsible for reviewing compensation arrangements for the Managing Director and Executives including an assessment of an individual's performance, a review of market rates for similar positions and the results of the Company during the period.

The Board may engage an external independent consultant to provide market bench marketing data and to provide advice in relation to levels of remuneration and suitable short or long term incentive arrangements.

The Remuneration Committee consists of three Non-Executive Directors and is chaired by an independent Non-Executive Director. The members of the Remuneration Committee are Dr Sexton (Chair) and Messrs Griffiths and Venardos.

This statement is dated 24 September 2013.

Corporate and Social Responsibility

The IOOF Group not only looks after the financial wellbeing of Australians but it cares in other ways too.

For IOOF, Corporate Social Responsibility (CSR) is the decision making and implementation process that guides all IOOF's activities in the protection and promotion of human rights, labour and environmental standards.

Protecting IOOF's image and brand through appropriate risk management is paramount to the Board, our employees and stakeholders. We strongly believe that our ethical values, open culture and reputation are key factors to our continued success.

Since its beginnings in 1846 as a Friendly Society, IOOF has played a role in supporting the community in a variety of areas:

Workplace

As a services business, people are our most important asset – our success depends on them.

Equipping our people with the tools, knowledge, skills and support to remain competitive is an appropriate investment.

IOOF offers a variety of employee benefits including a workplace health and wellbeing program, parental leave and other flexible leave options, including an extra day's leave each year that can be taken in December or January.

Our Corporate Governance statement provides further information on our Diversity Policy and our progress in this area.

Employee Giving

IOOF has a strong commitment to employee giving in many forms – through personal time or via financial means.

IOOF offers a workplace giving program via regular payroll deductions that supports 8 different charities employees have chosen. These include the IOOF Foundation along with various cancer, health, children and animal welfare charities.

In addition, employees are encouraged to volunteer their time, through the IOOF Community Day. All employees are eligible to take one day's leave to volunteer and give something back to their community.

Environment

IOOF believes that the efficient use of resources makes good business sense, which is why IOOF is committed to continually improving our efforts with the environment.

IOOF's major offices across Australia participated in Earth Hour in March 2013 and all employees were encouraged to participate at home.

For the second year in a row, IOOF completed the worldwide Carbon Disclosure Project (CDP) Investor response survey in 2013.

IOOF Foundation

Established in June 2002 as part of the demutualisation of IOOF, with an initial grant of almost two million IOOF shares, The IOOF Foundation provides grants to Australian not-for-profit organisations working with disadvantaged families, disadvantaged children and youth and aged care.

IOOF continues its support of the Foundation through the provision of administrative services such as a full time staff member, office premises and marketing support.

A report on the Foundation's activities in 2013 can be seen on the following two pages.

Responsible investment

In addition to our corporate activities, IOOF's institutional funds management business, Perennial Investment Partners has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2009. The Perennial Sustainability Committee reports to the Perennial Board, with the aim of achieving a "whole-of-business" approach to the six UNPRI principles.

Perennial believes that ESG issues can have an effect on the performance of companies and influence the performance of its investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). Perennial believes it has a role to play in ensuring the best custodianship of assets in which its portfolios' invest, on behalf of all clients.

IOOF Foundation

This year marked an exciting milestone – our tenth year of giving – and we are pleased to report another year of solid progress.

During 2012 – 2013 the IOOF Foundation maintained its focus on providing grants to support those experiencing personal, social or financial disadvantage. With over 500 applications received, priority was given to applications that assist:

- Disadvantage families;
- Disadvantaged children and youth;
- and Aged care.

We have continued to support projects that met the immediate and basic needs of the most disadvantaged and vulnerable; provided funding towards social inclusion, early invention, education and disability support programs.

When established, the IOOF Foundation received nearly two million shares in IOOF Holdings to fund its activities, the IOOF Foundation has now gifted over $9.1m to over 150 organisations.

2012 – 2013 Grant Recipients

Berry Street

This year marks the third year the IOOF Foundation have supported the Berry Big Adventure. The Berry Big Adventure provides a group of severely disadvantaged and marginalised young people with a challenging adventure experience in remote areas of Australia's north. The emotional, physical and intellectual challenges of the Big Berry Adventure have the potential to transform the lives of the participants. The Big Berry Adventure has been designed to counteract the negativity in the lives of the participants by providing strong positive memories, possibly even a new beginning. **Grant $37,800**

Can Assist

Can Assist is a grass roots, community based charity that since 1955 has been providing accommodation, practical support and financial assistance to country people in NSW affected by cancer. Unfortunately cancer survival reduces with geographical remoteness and people in country areas are 35 per cent more likely to die within 5 years of being diagnosed with cancer. Can Assist's 50 branches (2,680 volunteers) provide support to country families affected by cancer, the IOOF Foundation is proud to support Can Assist's accommodation assistance program. **Grant $27,716**

Reclink Australia

The IOOF Foundation has supported the work of Reclink Australia for over five years. Reclink Australia are committed to serve its member organisations through the provision of sport and arts programs that help to rebuild the lives of Australian's experiencing disadvantage. The Foundation supports three Reclink Australia programs. **Grant $250,000**

- **Networks:** a collaborative community approach towards providing a range of sport and arts programs to improve the health and wellbeing of individuals.
- **Transformational Links:** bridging the gap for individuals, turning their plans to integrate into the community a reality.
- **National Football League:** the Foundation supported 7 organised Australian Rules Football Leagues involving more than 40 teams across Australia. Each team is supported by the Reclink Australia member agencies, community volunteers and some teams are coached/supported by the local police. In the 2013 season, in excess of 1,600 participants participated in the League with more than 215 matches played.

Righteous Pups

The IOOF Foundation is in the second year of a two-year grant with Bendigo-based Righteous Pups Australia (RPA). RPA train and place Autism Assistance Dogs with children living with an Autism Spectrum Disorder. Each Autism Assistance Dog assists their child, when needed, by:

- interrupting repetitive behaviours that stimulate a behavioural meltdown
- tracking their child should they wander off and become lost
- act as a natural buffer for anxiety and stress

Our partnership will cover the funding and training of the "i" litter of pups to enter the training program. The training program supports each pup through their journey from pup to placement (an 18 month to 2 years period). **Grant $76,250**

Second Bite

SecondBite is committed to making a positive difference to people by identifying sources of nutritious surplus fresh food and produce that would otherwise go to waste and facilitating its safe and timely distribution to agencies and people in need. The IOOF Foundation contributed financial support towards the establishment of the Launceston operations. **Grant $15,000**

St Kilda Youth Services

With our support, the team at St Kilda Youth Services (SKYS) partnered with Central Australian Youth Link Up Service (CAYLUS) to visit remote communities in the Northern Territory to establish an Apple Mac library. The computers, installation and tuition were provided by SKYS, while CAYLUS provided hosting to SKYS staff to support the process. **Grant $37,500**

Yooralla

Steppin' Out is a specialised Yooralla day service for adults with disabilities. The clientele at this service all have behaviours of concern, are non-verbal, autistic and have other multiple intellectual disabilities and some have minor physical disabilities. Their cognitive level is very low. The Foundation supports the semi-retirement day program. **Grant $90,000**

Summary

Additionally, during 2012/13 the IOOF Foundation made grants to support the activities of a number of very worthy Australian organisations. These included:

- Cora Barclay Centre
- Doncare
- Ipswich Housing & Support Services Inc.
- Huntingtons Queensland
- Robinson House
- Ulladulla Mens Shed
- Uniting Care
- Wesley Mission Victoria
- Zoos Victoria

The IOOF Foundation Board of Trustees will continue to meet regularly to review applications, approve further rounds of grants and to ensure that the Foundation's critical community work is continued into the future. If you are interested in making a donation to the IOOF Foundation or would like further information on the foundation's ongoing work, visit the website www.iooffoundation.org.au

Financial report

for the year ended 30 June 2013

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Directors' report

The Directors present their report together with the financial report of IOOF Holdings Ltd (the "Company" or "Parent") and of the IOOF Group, being the Company and its subsidiaries and the consolidated Group's interest in associates for the financial year ended 30 June 2013 and the auditor's report thereon.

Directors

The Directors of the Company during or since the end of the financial year are:

Name

Dr Roger Sexton AM (Chairman)

Mr Christopher Kelaher (Managing Director)

Mr Ian Griffiths

Ms Jane Harvey

Mr George Venardos

Mr Kevin White

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

Principal activities

The principal continuing activities of the IOOF Group during the financial year consisted of:

- financial advice and distribution;
- platform management & superannuation administration;
- investment management; and
- trustee services including estate planning and corporate trust.

Operating and financial review

In accordance with current Australian Accounting Standards, the audited financial results of the benefit funds of IOOF Ltd are included in the consolidated results of the IOOF Group. The inclusion of the benefit funds has no impact on the profit after tax for the year (2012: $nil), but results in offsetting pre-tax profit and income tax amounts not available to shareholders.

The following table, which has not been audited, provides a reconciliation between the reported results of the IOOF Group and underlying net profit after tax (UNPAT) pre-amortisation, with the results of the benefit funds excluded. In calculating its UNPAT pre-amortisation, the IOOF Group reverses the impact on profit of certain, predominantly non cash, items to enable a better understanding of its operational result. It is the UNPAT pre-amortisation result which will be analysed in detail in this section of the Directors' Report. It should be noted, however, that the items reversed, and the rationale for that reversal, is also addressed in detail.

	Note	2013	2012
		$'000	$'000
Profit attributable to Owners of the Company		79,769	19,373
Underlying net profit after tax (UNPAT) pre-amortisation adjustments:			
Reverse the impact of:			
Amortisation of intangible assets	8	23,604	20,352
Impairment	8	4,578	9,174
Acquisition transition costs	8	838	3,119
Termination and retention incentive payments	8	6,534	3,705
Recognition of Plan B onerous lease contracts	8	2,962	-
Recognition of deferred taxes on intangible assets	10	-	62,689
Unwind of deferred taxes on intangible assets	10	(5,435)	(1,915)
Reinstatement of Perennial non-controlling interests		(993)	(2,407)
Income tax attributable		(3,101)	(1,155)
Fair value gain on investment in DKN	7	-	(9,587)
Recognition of previously uncertain tax position		-	(6,955)
Underlying net profit after tax (UNPAT) pre-amortisation		**108,756**	**96,393**

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

- **Retail** – privately operated trusts and other schemes. The majority of funds are channelled to administration services and investment management products through financial advisers. However, technological development is enabling an increasing range of offerings direct to fund members.
- **Industry Funds** – superannuation entities which historically have provided for employees working in the same union, industry or group of related industries. Many industry funds now offer membership to members of the public. Industry funds generally administer these funds, but may outsource the management of investments.
- **Self Managed** – the fund member acts as trustee for his or her pool of funds, which can include funds from a limited number of other family members and associates. These funds are predominantly utilised where the trustee perceives they have the requisite time and expertise to manage their own investment strategy and a sufficient scale of funds to make the fixed administration costs economically justifiable.
- **Corporate** – funds established for the benefit of employees of a particular entity or a group of related entities, with joint member and employer control.
- **Public Sector** – funds which provide benefits largely for government employees or employees of statutory authorities, or are schemes established by a Commonwealth, State or Territory law.

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

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

The IOOF Group's strategy is to operate in the Wealth Management sector. The sector has a substantial and growing pool of funds underpinned by government compulsion and both major political parties have policy positions to lift mandatory contribution rates. The attraction of the sector is further enhanced by high regulatory and technological barriers to entry from new competitors. As an incumbent participant, we seek to grow our Funds Under Management, Administration, Advice and Supervision (FUMAS) at a rate which exceeds those of our competitors. In doing so, the portion of our revenue net of direct costs (gross margin) which is levied on asset balances may reasonably be expected to rise proportionately with FUMAS. This proportionate rise may be affected by the impact of differentiated product pricing and competitive pressure on management fee rates. In conjunction, we seek to leverage a cost base which is largely fixed relative to the scale of our FUMAS.

The IOOF Group's future FUMAS growth will be underpinned by organic and acquisition initiatives. Organic growth will be advanced through:

- increasing brand and product awareness to increase revenue;
- enhancing the adviser and fund member experience through continued technology development and experienced knowledgeable support staff;
- establishing skilled teams and robust analytical processes to enhance the prospect of achieving above benchmark performance in investment management; and
- continuous improvement in process efficiency to minimise operating costs.

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

The IOOF Group's UNPAT pre-amortisation rose $12.4m or 12.8% to $108.8m for the year ended 30 June 2013 (the current year) relative to $96.4m in the prior corresponding year. Analysis of the IOOF Group's result needs to take account of the impact of three acquisitions which have occurred over those two years.

Plan B – Western Australian based vertically integrated wealth manager acquired on 27 September 2012. This acquisition added $3.2b FUMAS at inception and has generated an additional $6.7m in UNPAT pre-amortisation in the nine months it has been part of the IOOF Group.

Directors' report (cont'd)

DKN – holding company for the Lonsdale Financial Group of financial planners and strategic shareholder in a number of financial planning practices which was acquired on 4 October 2011. This means that the current year contains an additional three months of profitable contribution which has added approximately $2.7m UNPAT pre-amortisation to the IOOF Group.

Avenue – the IOOF Group acquired trusteeship of the Avenue Group's $0.5b Funds Under Advice on 2 July 2012. This added approximately $0.9m in UNPAT pre-amortisation for the current year.

The IOOF Group's UNPAT pre-amortisation increased $6.9m (7.2%) for the year ended 30 June 2013 from $96.4m to $103.3m in the absence of the impact of acquiring Plan B (the major acquisition event in 2013). The analysis that follows is composed under that scenario unless otherwise stated:

Gross margin increased $12.4m

During the current year FUMAS increased $12.9b to $120.2b (including $3.2b in acquisitions) which was derived principally from equity market driven increases in supervised funds, platform administration and investment management augmented by $262m in net flows from platforms and partly offset by $1.5b in investment management outflows (excluding net outflows from equity accounted investees). Platform flows were positively impacted by high rates of satisfaction with service levels and branding initiatives whilst investment management outflows reflected historical performance below benchmark and reactions from mandate providers to key man turnover.

The contribution from funds growth was partly offset by the impact of lower earning rates or margins. Within platform administration, these lower rates principally reflected a rising proportion of products with lower management fees and the impact of rising asset values which meant that a higher proportion of fund members benefited from lower fee scales under a tiered fee structure. Investment management margins were largely flat. In that segment, market gains more than offset outflows and kept the asset class mix stable. Investment management fee scales vary with actively managed equity portfolios generally earning higher management fees than fixed income portfolios.

Other revenue, including net financing costs, increased $2.7m

The increase was largely due to higher ASX turnover with the IOOF Group's broking businesses, Ord Minnett and Bridges, maintaining market share amid these higher volumes. In addition, our broking businesses participated strongly in the distribution to retail clients of hybrid note and bond issues from large Australian corporates. This contribution was partly offset by a lower contribution from equity accounted investees engaged in investment management. The Perennial Value Management (PVM) associated entity experienced $1.4b in net outflows which was only marginally offset by $1.6b in equity market gains. PVM also incurred significant additional costs due to adding a new chief executive.

Net financing costs increased $2.3m due to a full year's draw down of DKN acquisition borrowings and lower interest rates applicable to cash holdings required for regulatory net asset requirements.

Costs, including share based payments, increased $8.3m

$2.6m of this increase derived from additional share based payment programs to key stakeholders and executives to ensure retention. Operating expenditure increased $5.7m, mainly due to an increase in staff wages and associated labour costs such as payroll tax and superannuation. These costs increased in line with wage inflation generally and a 1.5% rise in the number of Full Time Equivalent (FTE) employees, including full time contractors. The rise in FTE was necessitated by the increased volume and complexity of new legislation.

Other profit impacts

Income tax expense and non-controlling interests (including amounts restated to calculate UNPAT pre-amortisation) moved broadly in line with the profitability of the IOOF Group and relevant subsidiaries.

Financial Position

The IOOF Group held cash and cash equivalents of $98.3m at 30 June 2013. Cash is held to satisfy regulatory net asset requirements and also to ensure adequate liquidity given management fee receipts are less frequent than payroll and service fee cash outflows. In the current year, we borrowed $50m to acquire Plan B Group Holdings Ltd ("Plan B") and its controlled entities. In the prior year, $55m was borrowed to partly fund the acquisition of DKN. The amounts borrowed were applied to the respective purchase prices of $46.6m and $96.1m in addition to significant staff terminations, deal advisory and other acquisition and restructuring costs. The overall debt to equity ratio stood at 13% at 30 June 2013. Cash flow forecasting is conducted monthly which indicates that the IOOF Group's debt levels are able to be serviced from current business operations. We also conduct stress testing of lending covenants when assessing acquisition opportunities and monitor adherence to license conditions daily or monthly as required by the relevant license.

Shareholder returns

The IOOF Group dividend is calibrated to provide shareholders with a benefit which reflects performance and offers a reasonable yield when assessed against a range of other external economic factors and investment options. The Board is also conscious of the fact that the amount of dividend paid should not hinder future organisational plans. The Board has therefore determined that a pay-out ratio range of 60% - 90% of UNPAT pre-amortisation is appropriate. In both the current and prior years, the dividend pay-out ratio has been at the upper end of this range. This reflected the availability of cash and the use of borrowings to fund acquisitions.

Total Shareholder Return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. The IOOF Group's TSR for the current year was 29%. TSR in the period from the acquisition of Australian Wealth Management on 30 April 2009 to 30 June 2013 was 123% in total and 21% on a compounding annualised basis.

	Years ended 30 June				
	2013	2012	2011	2010	2009
Profit attributable to owners of the Company ($'000s)[1]	79,769	19,373	99,489	77,371	9,044
Basic EPS (cents per share)	34.4	8.4	43.1	33.7	7.4
Diluted EPS (cents per share)	34.1	8.3	42.9	33.6	7.3
UNPAT pre-amortisation	108,756	96,393	111,450	97,166	59,900
UNPAT pre-amortisation EPS (cents per share)	46.9	41.6	48.3	42.3	63.0
Dividends declared ($'000s)	97,485	85,854	99,511	110,447	9,193
Dividends per share (cents per share)	42.0	37.0	43.0	48.0	4.0
Share price at start of year	$6.05	$6.60	$5.99	$4.04	$5.10
Share price at end of year	$7.36	$6.05	$6.60	$5.99	$4.04
Return on equity (non-statutory measure)[2]	13.2%	11.1%	12.9%	11.4%	11.3%

1 Profit attributable to owners of the Company for 2009 to 2013 have been calculated in accordance with Australian Accounting Standards (AASBs). These include restatement for the change in accounting policy for recognition of revaluation adjustments of Perennial share buy-back liabilities to reserves rather than profit or loss.

2 Return on equity is calculated by dividing UNPAT pre-amortisation by average equity during the year.

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

UNPAT pre-amortisation adjustments

As noted earlier in this report, the IOOF Group reverses the impact on profit of certain, predominantly non cash, items to enable a better understanding of its operational result. The items reversed and the rationale for that reversal is provided below.

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

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

Acquisition transition costs: One-off payments to external advisers by both Plan B and the IOOF Group in pursuit of a successful acquisition which are not reflective of conventional recurring operations. These costs relate to the acquisition of DKN in the prior comparative period.

Termination and retention incentive payments: Facilitation of restructuring to ensure long term efficiency gains, predominantly Plan B related in the current period and DKN related in the prior comparative period, which are not reflective of conventional recurring operations.

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

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

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

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

Fair value gain on investment in DKN: An initial 18.5% holding in DKN prior to its acquisition means this is a business combination achieved in stages under AASB 3. The IOOF Group is therefore required to measure this previously held equity interest in DKN at acquisition-date fair value and recognise the resulting gain in P&L. The initial entry ensures the assets acquired are held on balance sheet at fair value, however the impact on profit is reversed as it is regarded as highly unlikely to be realised due to the IOOF Group's intention to hold its investment in DKN long term.

Recognition of previously uncertain tax position: On the 27 June 2012, Tax Laws Amendment (2012 Measures No. 2) Act 2012 ("The 2012 Act") was substantially enacted. It sought to limit the availability of deductions previously made available by the passing of Tax Laws Amendment (2010 Measures No. 1) Act 2010 ("The 2010 Act"). Both Acts contain a number of amendments to the tax consolidation regime which deal with rights to future income assets acquired upon an entity joining a tax consolidated group.

The 2012 Act limits deductions that were available under the 2010 Act in respect to the tax cost setting amount of those assets, and under the business related expenditure provisions. The 2012 Act also expressly protects certain deductions claimed under the 2010 Act where an assessment notice was received prior to 30 March 2011. As such the IOOF Group has reclassified some of its tax positions relating to deductions claimed under the 2010 Act. Consequently, the amount received in respect to deductions claimed in the IOOF Group's 2010 Income Tax Return was credited to profit as an income tax benefit in the 2012 year.

The impact of the above reclassifications resulted in an increase to current tax liability of $23.5m, a reduction to income tax expense of $6.9m, and a decrease in deferred tax liability of $30.4m in the 2012 year. These are non-operational adjustments relating to the 2010 financial year which, subject to the outcome of ongoing legal action, may be non-recurring.

Dividends

In respect of the financial year ended 30 June 2013, the Directors declared the payment of a final dividend of 22.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 16 October 2013. The dividend will be paid to all shareholders recorded on the Register of Members on 24 September 2013.

The Directors declared the payment of an interim dividend of 19.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares paid on 10 April 2013.

In respect of the financial year ended 30 June 2012, a final dividend of 18.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 17 October 2012.

Environmental regulation

The IOOF Group is not subject to significant environmental regulation.

Events occurring after balance date

The Directors have declared the payment of a final dividend of 22.5 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 16 October 2013.

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 30 June 2013 that has significantly affected, or may significantly affect:

a the IOOF Group's operations in future financial years; or
b the results of those operations in future financial years; or
c the IOOF Group's state of affairs in future financial years.

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 38 of the Annual Report and forms part of the Directors' Report for the financial year ended 30 June 2013.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the annual financial report are rounded off to the nearest thousand dollars, unless otherwise indicated. The amounts disclosed in the Directors' Report (with the exception of the Remuneration Report) are rounded off to the nearest thousand dollars but expressed in whole dollars, unless otherwise indicated.

Non-audit services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

- fees earned from non-audit work undertaken by KPMG are capped at 1.0 times the total audit fee;
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the IOOF Group, acting as advocate for the IOOF Group or jointly sharing economic risks and rewards.

	Amount paid/payable	
Non-audit service	2013	2012
Taxation services	88,103	591,213
Due diligence services	121,864	108,656
Consultancy services	192,760	129,592
Total	402,727	829,461

Information on Directors

Dr R Sexton AM

B.Ec. (Hons), M.Ec. Ph.D (Econ), FAICD, FAIM. SFFin, C. P Mgr, C.Univ

Chairman - Independent Non-Executive Director. Age 64.

Experience and expertise

Non-Executive Director of IOOF Holdings Ltd since 2002.

Dr Sexton has more than 25 years experience in senior management in finance and the investment banking industry and a specialist in the areas of corporate reconstruction, mergers and acquisitions, and asset management. Dr Sexton is also a member of the Australian Accounting Standards Board. He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors and a Senior Fellow of the Financial Institute of Australia.

Dr Sexton was awarded a Member of the Order of Australia in the 2011 Queen's Birthday Honours.

Other current listed directorships

- TWT Group Ltd (Director since 2008)

Former listed directorships in the last 3 years

- Yanghao International Ltd (Chairman from 2008 to 2011)

Special responsibilities

- Chairman of IOOF Holdings Ltd
- Chairman of the Remuneration and Nominations Committee
- Chairman of Perennial Investment Partners Ltd
- Member of the Audit Committee

Mr C Kelaher

B.Ec, LL.B, F Fin.

Managing Director. Age 58.

Experience and expertise

Mr Kelaher is the Managing Director of IOOF Holdings Ltd. He was appointed in May 2009 upon the Company's acquisition of Australian Wealth Management Limited (AWM), a company which he had been Managing Director of since 2006. Before that, Mr Kelaher had been CEO of Select Managed Funds Ltd for nine years, a company which itself merged with AWM.

Mr Kelaher is responsible for overseeing the strategic direction of the business as well as driving organic growth initiatives in each of the four main business segments. During his 25 year career in financial services, Mr Kelaher has been instrumental in executing multiple mergers and acquisitions that have added materially to the IOOF Group and its antecedent businesses.

Mr Kelaher also has extensive capital markets experience from his time with Citicorp where he assisted in the establishment of Citicorp Investment Management and Global Asset Management business in Australia and New Zealand.

Mr Kelaher holds a Bachelor of Economics and a Bachelor of Laws from Monash University and is a Fellow of the Financial Services Institute of Australia.

Former listed directorships in the last 3 years

- DKN Financial Group Ltd (Director from 2004 to 2011)

Special responsibilities

- Managing Director of the IOOF Group from 30 April 2009

Mr I Griffiths

C.Acc, DipAll, FAICD.

Independent Non-Executive Director. Age 59.

Experience and expertise

Non-executive Director of IOOF Holdings Ltd since April 2009.

Former Executive Director of Australian Wealth Management Ltd and Select Managed Funds Ltd, from 1997 until acquisition by the IOOF Group in 2009.

Mr Griffiths has more than 40 years experience in the financial and superannuation industries with a superannuation administration and business consulting career commencing with AMP in 1972. Mr Griffiths has extensive industry knowledge and skills, particularly in operations, mergers and acquisitions.

Special responsibilities

- Member of the Remuneration and Nominations Committee
- Member of the Audit Committee

Ms J Harvey

B.Com, MBA, FCA, FAICD.

Independent Non-Executive Director. Age 58.

Experience and expertise

Non-executive Director of IOOF Holdings Ltd since 2005.

More than 30 years experience in financial and advisory services, governance and risk management. Ms Harvey was formerly a Partner at PricewaterhouseCoopers.

Other current listed directorships

- David Jones Ltd (Director since 2012)

Special responsibilities

- Chairman of the Audit Committee
- Member of the Risk and Compliance Committee

Mr G Venardos

BComm, FCA, FCIS, FAICD, FTIA.

Independent Non-Executive Director. Age 55.

Experience and expertise

Non-Executive Director of IOOF Holdings Ltd since April 2009.

Experienced Director with broad listed company experience across a range of different industries including financial services, affordable leisure, oil & gas services and technology development.

Mr Venardos has more than 20 years experience in senior executive roles in financial services, insurance and funds management including 10 years as Chief Financial Officer of Insurance Australia Group and Chairman of the Insurance Council of Australia Finance and Accounting Committee.

Other current listed directorships

- Chairman of Bluglass Ltd (Director since 2008)
- Ardent Leisure Group (Director since 2009)

Former listed directorships in the last 3 years

- Miclyn Express Offshore Ltd (Director from 2010 to 2013)

Special responsibilities

- Chairman of the Risk and Compliance Committee
- Member of the Remuneration and Nominations Committee

Mr K White

B.Eng (civil), M.Eng.Sci., M.Admin.

Independent Non-Executive Director. Age 61.

Experience and expertise

Non-Executive Director of IOOF Holdings Ltd since October 2011.

Mr White graduated as a professional engineer in 1973 and has spent the majority of his working life in the financial services industry and is currently Managing Director of Easton Investments Ltd, a small financial services company listed on the Australian Securities Exchange.

Other current listed directorships

- Managing Director of Easton Investments Ltd (Director since 2013)

Former listed directorships in the last 3 years

- WHK Group Ltd (Managing Director from 1996 to 2011)

Special responsibilities

- Member of the Risk and Compliance Committee
- Member of the Audit Committee

Company secretary

Ms Danielle Corcoran was appointed to the position of Company Secretary in June 2009. Ms Corcoran previously held the position of Company Secretary of Australian Wealth Management Ltd prior to its acquisition by the Company and prior to that held similar positions with other listed companies. Ms Corcoran is also General Manager Human Resources for the IOOF Group.

Directors' meetings

Director	Directors Meetings		Committee Meetings					
			Remuneration & Nominations Committee		Audit Committee		Risk and Compliance Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
R Sexton	14	14	3	3	6	6	n/a	n/a
I Griffiths	14	13	3	3	6	5	n/a	n/a
J Harvey	14	11	n/a	n/a	6	6	3	3
C Kelaher	14	12	n/a	n/a	n/a	n/a	n/a	n/a
G Venardos	14	14	3	2	n/a	n/a	3	3
K White	14	14	n/a	n/a	5	5	3	3

The Directors meetings are those held for IOOF Holdings Ltd. This does not include the meetings held and attended by Directors for the various subsidiary companies.

In addition to the meetings attended during the period, a number of matters were considered and addressed separately via circular resolution.

Shares issued on exercise of options

During the financial year, the IOOF Group issued ordinary shares of the Company as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid per share
53,619	$2.98
26,809	$3.73

Unexercised options over shares, performance rights and deferred shares

At the date of this report unexercised options over shares of the Company under option, deferral arrangements and performance rights are:

Options		
Expiry date	Number of options	Exercise price per option $
2 Aug 14	150,000	7.40
30 Sep 14	392,868	7.50
30 Jun 15	1,650,000	6.14
27 Nov 15	158,312	5.20
4 May 16	200,000	7.01
1 Jul 17	300,000	6.81
	2,851,180	

Performance rights	
Vesting date	Number of rights
23 Nov 13	68,850
27 Nov 13	37,500
30 Jun 14	371,250
1 Jul 14	75,000
23 Nov 14	34,425
27 Nov 14	37,500
30 Nov 14	749,885
30 Jun 15	472,500
1 Jul 15	37,500
23 Nov 15	34,425
30 Nov 15	667,943
1 Jul 16	37,500
	2,624,278

Deferred shares	
Vesting date	Number of shares
30 Jul 14	27,874
	27,874

Directors' report (cont'd)

Shares allocated on vesting will rank equally with all other ordinary shares on issue.

All options expire on the earlier of their expiry date or within 90 days of the cessation of the employee's employment where performance hurdles have vested. In addition, the ability to exercise options is conditional on service and performance hurdles as detailed in section 4 of the Remuneration Report.

These options and performance rights do not entitle the holder to participate in any share issue or receive dividends of the Company or any other body corporate.

Indemnification and insurance

Rule 84 of the IOOF Holdings Ltd Constitution requires the Company to indemnify to the extent permitted by law, each Director and Secretary against liability incurred in, or arising out of the conduct of the business of the Company or the discharge of the duties of the Director or Secretary. The Directors and Secretary named in this Directors' Report have the benefit of this requirement, as do individuals who formerly held one of those positions.

In accordance with this requirement the Company has entered into Deeds of Access, Indemnity and Insurance (Deeds of Indemnity) with each Director and Secretary. During the financial year, the IOOF Group paid insurance premiums to insure against amounts that the IOOF Group may be liable to pay the Directors, and Secretary pursuant to Rule 84. The insurance policy also insures the Directors and Secretary of the Company and its controlled entities, and the general officers of each of the companies in the IOOF Group. Details of the amount of the premium paid in respect of the insurance contract have not been disclosed as such disclosure is prohibited under the terms of the contract.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the IOOF Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage to themselves or someone else or to cause detriment to the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Remuneration report

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Remuneration report (cont'd)

1. Introduction

Achieving an appropriate linkage and balance between executive remuneration and the creation of shareholder value is an important responsibility of any Board. An equally important responsibility is to ensure that the rationale for the policies and practices underlying executive remuneration are properly explained to, and understood by the IOOF Group shareholders and relevant stakeholders.

To that end, the Board adopted a new format in its Remuneration Report last year using independent expert advice from qualified remuneration consultants. The new format simplified the explanations to shareholders about remuneration and provided a clear and concise description of the IOOF Group's remuneration structures. That format has been retained for this years report, but with a number of additions and variations, to address the comments and feedback from several of the IOOF Group's shareholders and stakeholders.

The key principles of the IOOF Group's remuneration policy remain unchanged from last year. These principles are designed to achieve a performance culture across the IOOF Group, subject to the constraints embodied in the IOOF Group's risk appetite framework, by aligning a large component of executive remuneration to the creation of value for our shareholders whilst ensuring we minimise risk to our clients.

The Board of Directors oversees the IOOF Group's remuneration policies on recommendations from the Remuneration and Nominations Committee (the "Remuneration Committee"). The Board and the Remuneration Committee review these policies annually to ensure that they remain in line with the market and regulatory environment and that the interests of employees, shareholders and clients are closely aligned, to maximise shareholder value in the medium and longer term.

The Board, in conjunction with the Remuneration Committee, has reviewed the IOOF Group's remuneration policies to determine whether any adjustments are needed in light of the ever changing regulatory environment.

The Board has determined that its over arching remuneration policies remain appropriate and robust, when account is taken of all the changes in the market, industry and regulatory environment over the past year. The IOOF Group aims to ensure that its remuneration policies are consistent with market practice in terms of:

- attracting and retaining high quality people;
- aligning the rewards for performance by Key Management Personnel (KMP) with the returns achieved by shareholders and clients; and
- ensuring risk management is a key factor when making remuneration decisions.

The remuneration arrangements for KMP comprise three key components:

- a base package which is a fixed amount and is generally increased on an annual basis according to cost of living increases (CPI), market movements or changes in the scope of the position. The base amount will generally not be reduced except in extreme circumstances (e.g. under performance or significant adverse changes impacting on the IOOF Group);
- a short term incentive amount (STI) which is related to growth in shareholder value as measured by the returns received by shareholders from dividends and the growth in the share price; and
- a long term incentive (LTI) which is intended to provide an incentive to the KMP to remain with the IOOF Group to enhance the sustainable performance of the IOOF Group over the long term.

The values of LTIs are disclosed in the Remuneration Report as the amortised value of the grants of deferred shares, options and performance rights. The benefits derived by KMP from LTIs vary in line with the movements in the Company's share price.

The information in this report is in accordance with AASB 124 Related Party Disclosures and section 300A of the Corporations Act 2001, and has been audited as required by Section 308(3C) of the Corporations Act 2001 unless otherwise stated.

2. Employee Culture

Our Company hired its first employees in 1846 and now has over 1,600 across its various operating businesses. Our people represent who we are and are our most valuable asset.

Our employees established company values which are known as "The IOOF Values". These values are an integral part of our induction and orientation program and are an important component of our employees' annual performance program.

The IOOF Values as set out below form the basis for our culture:

- **Integrity:** Because we do as we say and adhere to our moral and ethical beliefs. True to label, living by the values, honesty and transparency, doing the right thing.
- **Commitment:** Because we are focused on delivery, dedication, accountability, consistency, reliability, ownership, "head and heart".
- **Excellence:** Because we aspire to be the best in chosen markets. Raising the bar, performance benchmarking, measurement, quality, knowledge and capability.
- **Innovation:** Because we continuously seek better ways and continuous improvement.
- **Empathy:** Because we care. Putting ourselves in others' shoes, consideration, understanding, listening.
- **Recognition:** Because we value achievement. Acknowledging, rewarding, communicating, encouraging, constructive feedback.
- **Efficiency:** Because we want to be easy to deal with. Clear processes, differentiated by simplicity, responsive.

There are over 1,600 employees within the IOOF Group. Communication, understanding the business and knowing the roles of our people is therefore paramount. The Board and management encourage our employees to work as part of a team and to share experiences and provide support to one another.

Investing in our employees is crucial to attracting and retaining talent. Initiatives incorporated into our human resources program in recent years include career planning and succession planning and extending learning and development opportunities to all employees. These initiatives also help expand our employees' skills and knowledge.

Over the past two years, diversity and equality has been a focus for the business. In 2012 the IOOF Women's Committee was established to identify the development and support needs for the women of IOOF. Six weekly meetings are held in which women from different states, business units, ages, roles and responsibilities receive six month objectives. These have included gender specific surveys, gender intelligence workshops, business leader webinars and a luncheon series "IOOF Women in Advice". The next six months will address an educational series to all staff including mental health; aged care and work/life balance.

As part of the diversity plan, all staff must complete online training and competency testing annually to raise awareness of diversity in the work place and equality.

The IOOF Group's recruitment policy supports diversity and it identifies that diversity is important to the business and its stakeholders.

In order to enhance our human capital, a number of key people in leadership positions were identified. Their skills, experience and potential were able to be improved through targeted further education. Courses offered to these employees were through leading institutions, both domestically and internationally, including the London Business School, the Columbia Business School and the Prosci Change Management Centre. In addition to their self-evident educational value, these programs and others ensure employees place increased value on the IOOF Group's commitment to their personal development.

We allow those businesses which are not wholly owned, such as Ord Minnett Ltd and the subsidiaries of Perennial Investment Partners Ltd, to develop an employee culture more specifically aligned to their industry sectors and shared ownership models while ensuring that the overall value framework in these companies is consistent with that used within the IOOF Group.

3. Remuneration Framework

3.1 Objectives

The principal objective of the Board is to achieve superior returns for our shareholders and clients within the financial services industry in which it operates. In pursuing this objective, the Board ensures work practices recognise compliance obligations in all facets of the IOOF Group's operations while managing risk in a prudent manner for all stakeholders. To realise this objective, the Board has recognised that it is fundamental to align the interests of employees with these of the shareholders by attracting, motivating and retaining high performing executives, their successors and other high performing employees.

The Board has adopted a policy that the IOOF Group's remuneration policy will:

- Be competitive in the markets in which the IOOF Group operates in order to attract, motivate and retain high calibre employees;

- Reinforce the short and long term objectives of the IOOF Group as set out in the strategic business plans endorsed by the Board; and
- Provide a common interest between employees and shareholders by linking the rewards that accrue to management to the creation of value for shareholders and our clients, while at the same time ensuring that remuneration policy has regard to market practice and conditions.

The policy seeks to support the IOOF Group's objective to be seen in the market place as "an employer of choice" by offering remuneration levels which are competitive relative to those offered by comparable employers and providing strong, transparent linkages between individual and IOOF Group performance and rewards.

3.2 Remuneration governance

The Board is responsible for ensuring that the IOOF Group's remuneration policies are equitable, competitive and aligned with the medium and long term interests of our shareholders and our clients. In performing this function, the Board is conscious of the imperative for decisions on employee remuneration to be carefully evaluated against these objectives and be in line with market practice.

To assist in this task, and to advise the Board on enhancement and administration of the IOOF Group's remuneration policies, the Board has established a Remuneration Committee.

The remuneration framework put in place by the Remuneration Committee considers the adequacy of remuneration policies and practices within the IOOF Group on an annual basis, including:

- Determination of Managing Director and Executive KMP remuneration arrangements;
- Ensuring remuneration policies and structures are applicable to Non-Executive Directors;
- Ensuring that succession planning and development plans are in place for Executive KMP and their potential successors;
- On-going review and monitoring of short-term and long-term incentive schemes;
- Setting key performance indicators and assessment of Managing Directors' and the IOOF Group's performance against those key performance indicators;
- Overall compensation arrangements of the IOOF Group;
- Ongoing review of the composition, skill base and performance of Non-Executive Directors; and
- Compliance with regulatory requirements including the ASX Listing Rules and the associated ASX Corporate Governance Principles and APRA requirements.

The Remuneration Committee reviews and makes recommendations to the Board on the remuneration structure and policies applicable to the executives, KMP and Executive and Non-Executive Directors of the IOOF Group.

Further details of the Remuneration Committee's charter and policies are available on the Corporate Governance page of the Company's website at www.ioof.com.au

3.3 Committee members

The Remuneration Committee is comprised solely of Non-Executive Directors, all of whom are independent.

The members of the Remuneration Committee during 2012-13 were:

- Dr Roger Sexton AM (Chairman)
- Mr Ian Griffiths
- Mr George Venardos

The Board considers that the members of the Remuneration Committee provide an appropriate mix of skills to undertake its terms of reference, having regard to qualifications, knowledge of the financial services industry and experience in business management.

In order to ensure that it is fully informed when making remuneration decisions, the Remuneration Committee receives regular reports and updates from the Company Secretary and General Manager of Human Resources and other members of management who the Remuneration Committee invites to attend meetings as and when appropriate. The Remuneration Committee can also draw on services from a range of external sources, including access to benchmarking material and remuneration consultants (refer 3.5 below).

3.4 How remuneration is determined

The IOOF Group uses a total remuneration package approach in determining remuneration that comprises both "fixed" and "at risk" components. These components reflect an employee's contribution to the IOOF Group, skills and qualifications, market benchmarks and the pay environment.

The remuneration framework is the responsibility of the Remuneration Committee, or in the case of Ord Minnett Ltd and Perennial Investment Partners Ltd, the separately constituted boards of those companies. These separately constituted Boards extend to include members of the Board to ensure alignment and consistency across the IOOF Group.

The Remuneration Committee engages independent remuneration consultants from time to time to perform reviews and benchmarking exercises to assess remuneration levels paid to Directors (both Executive and Non-Executive) and Executive KMPs (refer 3.5 below). This enables the IOOF Group to remain competitive with relevant competitors in the financial services sector, and the broader spectrum of public companies of similar size, revenue and profitability. Remuneration policies and arrangements are also reviewed and, where appropriate, updated to reflect relevant changes in legislation and regulation.

Executive remuneration

Executive Remuneration comprises a number of components including total fixed remuneration (TFR), short term incentive (STI) opportunity, partly (cash) deferred STI (for the Managing Director) and long term incentives (LTI) in the form of deferred shares (Managing Director only), performance rights and options over ordinary shares. LTIs are subject to appropriate, pre-determined performance hurdles. The use of multiple performance hurdles has been adopted as a means of evaluating performance both from a market perspective and from an IOOF Group perspective. Each of these forms of remuneration is described in detail below.

Total Fixed Remuneration (TFR)

TFR includes a combination of base salary, employer superannuation contributions and other fringe benefits that an individual employee could choose to salary sacrifice (e.g. superannuation, motor vehicle). TFR is based on what is appropriate to the position taking into consideration expertise, accountability, knowledge, experience and market competitiveness.

Short Term Incentive (STI) opportunity

The STI is a cash-based incentive forming part of the executive's total compensation opportunity, the value of which is tied to the successful achievements of a set of performance scorecard objectives (including financial and strategic objectives) for the annual performance period. Select individuals also have a deferred component to their STI incentive (detailed further below). STI opportunities vary for each individual. For the Managing Director, the maximum STI is up to 90% of base salary (100% in 2014). The other executives' maximum STI opportunity is up to 40% with the exception of the Chief Investment Officer who has up to 100% if additional Key Performance Indicators (KPIs) on the performance of the investment management business are satisfied.

Goals for each participant are drawn from the following categories:

- **Financial measures**

  Performance measures include Underlying Profit After Tax (UNPAT) Pre-Amortisation, Total Shareholder Return (TSR) and Return on Equity (RoE).

- **Business excellence**

  Performance measures for the year ended 30 June 2013 included operational targets such as long-term structural reductions to the cost base of the IOOF Group, balance sheet and liquidity initiatives and improvements to the performance of business units.

- **Strategy**

  Implementation of specific longer-term strategic initiatives including platform consolidation and product rationalisation.

- **Governance adherence**

  Each Executive KMP is provided with a number of targets at the beginning of the performance period that are set and agreed with the Managing Director. Each Executive KMP has included in their targets an objective relating to risk management, regulatory and IOOF Group compliance and ensuring that outcomes from internal and external audit are actioned. In addition, Executive KMP have specific targets relating to their businesses and aligned targets with other KMP to ensure they are working towards the IOOF Group's overall objectives.

Long Term Incentive (LTI) opportunity

The Board considers a long-term performance-related incentive component to be an important element of the executive reward framework. The IOOF Group utilises equity based incentives in the form of deferred shares (Managing Director only), performance rights and options over ordinary shares. These LTIs are subject to the achievement of appropriate performance hurdles. The purpose of equity based remuneration is to:

- drive medium to long-term performance outcomes;
- link the interest of senior management to those of shareholders;
- provide competitive rewards to attract, motivate and retain employees;
- strengthen the link between remuneration and performance; and
- manage risk.

Early vesting may occur in certain circumstances, subject to the performance hurdle being achieved and Board approval received:

- On a person/entity acquiring more than 20% of the voting shares in the Company pursuant to a takeover bid that has become unconditional;
- On the termination of employee due to death or permanent disability; or

Remuneration report (cont'd)

- In other exceptional circumstances where the Board determines appropriate.

The performance hurdle for current LTI plans has been linked to IOOF Group TSR compared to S&P ASX200 companies at the date of grant. TSR represents the change in the value of a share plus the value of dividends paid. TSR was chosen as the most appropriate comparative measure as it focuses on the delivery of shareholder value and is a well understood and tested metric of performance.

The IOOF Group engages the services of an external organisation (Value Adviser Associates) to calculate the IOOF Group's performance against the TSR performance hurdles. The LTI element of the Managing Director's remuneration is described in detail in the next section of this report.

Deferral arrangements

The Board has implemented deferral arrangements and look back provisions on a portion of the STI (cash payment) and LTI for the Managing Director in the 2012-13 year. The deferral element of the Managing Director's remuneration is described in detail in Section 4 of this report.

Hedging of unvested securities

The IOOF Group Securities and Insider Trading Policy contains a restriction on executives and other employees entering into a hedging transaction to remove the 'at risk' aspect of securities that have been granted to them as part of their remuneration package and which have not vested subject to performance conditions and/or which are still subject to forfeiture conditions. Employees are provided with a copy of this policy and are required to provide annual certification that they have complied with the policy. Failure to comply with the policy may result in disciplinary action, including forfeiture of the securities, suspension or termination of employment.

Remuneration mix

The table below shows the executive TFR and target and actual performance base remuneration as a proportion of the total of all forms of remuneration for the 2013 financial year:

Position		TFR	STI	LTI
		%	%	%
Managing Director	Target	36	32	32
	Actual[(1)]	41	23	36
Chief Investment Officer	Target	37	37	26
	Actual	48	18	34
Other Executives	Target	48	19	33
	Actual	49	15	36

(1) Actual STI for the Managing Director includes one third of the STI awarded for the 2012-13 year settled in deferred shares.

3.5 Services from consultants

The Board seeks and considers advice from independent, external remuneration consultants where appropriate. Remuneration consultants are engaged directly by and report to the Remuneration Committee.

In selecting remuneration consultants, the Remuneration Committee takes into account potential conflicts of interest and requires independence from the IOOF Group's management. The advice and recommendations of external consultants are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Director.

In June 2013, the Remuneration Committee engaged Egan Associates Pty Ltd as remuneration consultant to the Committee to seek advice on a number of matters including Directors' and Executives' remuneration.

Consideration payable for the services provided is $20,212.

The Board is satisfied that the remuneration recommendations made by Egan Associates Pty Ltd were free from undue influence by members of the executive which includes key management personnel.

Separately the Board received benchmarking data on Directors' remuneration and Chief Executive remuneration from Ernst & Young Human Capital.

4. Managing Director and KMP Remuneration

The following is designed to provide a summary of the IOOF Group's remuneration policies and structure and provide an overview of the actual value of the remuneration received by the Managing Director and KMP in 2012-13.

For the purposes of this report, the Executive KMP (excluding the Managing Director - Christopher Kelaher) are as follows:

Name	Position
Executive KMP	
Mr David Coulter	Chief Financial Officer
Mr Michael Farrell	Group General Manager Advice
Mr Stephen Merlicek	Chief Investment Officer
Mr Renato Mota	General Manager Distribution
Mr Gary Riordan	Group General Counsel & General Manager Trustee Services

Remuneration report disclosures include Executive KMP with key responsibility for the strategic direction and management of the IOOF Group and of the revenue generating businesses or who have the capacity to significantly affect the IOOF Group's financial standing.

4.1 Managing Director remuneration

The remuneration of Mr Kelaher is set by the Board and is based on a market review of the level of remuneration required to attract and retain a high calibre individual suitable for the role. During the financial year ended 30 June 2013, Mr Kelaher received a remuneration package comprising total fixed remuneration of $1,122,700. Mr Kelaher was entitled to a total STI opportunity of up to a maximum of $1,010,430 (90% of TFR) based on achievement of superior performance against set targets determined by the Remuneration Committee. In July 2013 the Remuneration Committee assessed Mr Kelaher's performance against those targets and determined an STI amount of $606,258, being 60% of the eligible amount.

In terms of his remuneration arrangements, the STI opportunity was settled two thirds by cash and a third in the form of deferred shares. The number of deferred shares granted to Mr Kelaher was determined on the basis of the STI deferral amount divided by the five day Volume Weighted Average Price up to and including 28 June 2013, which was $7.25. The number of deferred shares to be issued accordingly is 27,874 (capped at 75,000 annually) and there is no consideration payable for the grant of the deferred shares.

The Board has determined that the portion of STI awarded as deferred shares will be subject to Board 'look back' arrangements. This means the Board will conduct a review of Mr Kelaher and the IOOF Group's performance in July 2014 and assess whether any significant unexpected or unintended consequences have occurred that were not foreseen by the Remuneration Committee when it made its decision in July 2013, and whether it is still appropriate to award the deferred shares.

During July 2013, the Remuneration Committee performed a 'look back' review in regards to the 35,977 deferred shares issued in July 2012. The Remuneration Committee determined, and the Board supported, that all of the deferred shares were to vest in accordance with the terms of the arrangement. The 35,977 shares have since been transferred to Mr Kelaher.

4.1.1 Short term incentive: targets and outcomes

The Managing Director's short term incentive targets/objectives for the 2013 performance period included, but were not limited to, responsibility and oversight of the IOOF Group's risk management, compliance and governance framework; product and system rationalisation; evaluation of acquisition opportunities to create shareholder wealth; succession planning; achieving Future of Financial Advice readiness; implementation of upcoming APRA prudential standards and creating cost efficiencies. The Board through its Remuneration Committee assessed each of the Managing Director's targets and awarded a STI amount of $606,258.

The STI awarded represents 60% of the total opportunity for the 2013 performance period.

KPI	Measure	Outcome
Growth	Organic - flagship products	Achieved
	Continue to grow by mergers and acquisitions	Successful integration of Plan B - immediately accretive
	Profit	IOOF Group UNPAT pre-amortisation up 12.8%
		Costs largely constrained to inflation with increases due to regulatory reform
	Investment returns	Majority of diversified and single-sector funds achieved above median or top quartile performance
Governance	FoFA preparedness	Completion of all product and process changes to meet the FOFA requirements which came into effect 1 July 2013
	Readiness of the new APRA Prudential Standards	Achieved
People and Culture	Employee Engagement Survey	Positive employee survey results and improvement from prior years
	Career and Succession Planning	Succession planning and career planning program in place
		Talent identification process has commenced
	Diversity and Equality	Implementation of a diversity policy and plan and online education system
		Establishment of IOOF Women's committee
Customer	Delivery of IT Solutions for Platform Management and Service Delivery	Achieved
	External Survey Feedback	Achieved improved ratings in external surveys

4.1.2 Long term incentive: targets and outcomes

Performance rights

A summary of the current performance rights on issue to Mr Kelaher are as follows:

Year	LTI Targets	Grant date	Performance period	Rights eligible to vest	Vesting date
2013	First - RoE in excess of long term bond rate Second - TSR greater than median TSR of the S&P/ASX200	27 Nov 12	2013-2015	250,000	30 Jun 15
2012	Average RoE of 5.5% and TSR greater than median TSR of the S&P/ASX200	01 Jul 11	2012-2014	75,000 37,500 37,500	01 Jul 14 01 Jul 15 01 Jul 16
2011	Average RoE of 5.5% and TSR greater than median TSR of the S&P/ASX200 (91.8% satisfied)	23 Nov 10	2011-2013	68,850 34,425 34,425	23 Nov 13 23 Nov 14 23 Nov 15
2010	Average RoE of 5.5% and TSR greater than median TSR of the S&P/ASX200 (100% satisfied)	27 Nov 09	2010-2012	37,500 37,500	27 Nov 13 27 Nov 14

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

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

The performance hurdles for each series are discussed further below.

2010, 2011 and 2012 series

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

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

The exercise period will lapse 12 months after the fifth anniversary of the relevant grant date. The Board has the discretion to either purchase shares on market or to issue new shares.

The Board has determined that this element of the plan will not activate unless a minimum average RoE of 5.5% per annum over the performance period has been achieved. The performance hurdle of the performance rights is based on the IOOF Group's TSR relative to a comparator group comprising the S&P ASX200 index companies over the performance period. This comparator group provides an objective measure of performance across a range of industries and company types which compete with the IOOF Group for capital. The Board reserves the right to make changes to the peer group to allow for changing circumstances (e.g. takeover) for peer group companies.

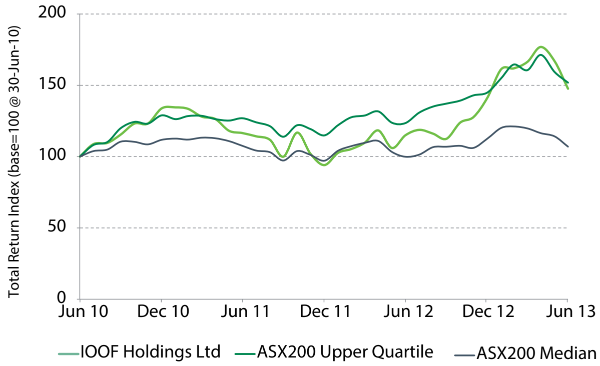
TSR measures the return to the shareholder over the performance period in terms of changes in the market value of the shares plus the value of the dividends paid on the shares.

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

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

The performance hurdles for the 2010 series were tested in July 2012. As a result of the IOOF Group achieving a relative TSR performance above the 75th percentile, 100% of the 2010 series will vest subject to ongoing service conditions. 75,000 performance rights vested on 27 November 2012 and were allocated to Mr Kelaher.

IOOF Total Shareholder Return Performance vs Members of ASX200



The above figure compares IOOF's TSR performance against the median TSR of the ASX 200 over the 2010 to 2013 measurement period.

In July 2013, the Remuneration Committee assessed the TSR performance hurdle for the 2011 performance rights (150,000) awarded to Mr Kelaher. The IOOF Group's TSR performance over the period was 70.9% relative to the ASX 200 resulting in 91.8% or 137,700 performance rights awarded to Mr Kelaher being eligible to vest subject to continued service conditions with the first tranche to vest in November 2013.

2013 series

As approved at the Annual General Meeting of Shareholders on 27 November 2012, Mr Kelaher is entitled to participate in an LTI program offering a maximum reward opportunity of 250,000 performance rights in respect of the 2013 financial year.

In developing the criteria to apply to the award of performance rights last year, the Remuneration Committee made a decision to increase the focus on the cost of capital in measuring the performance of the Managing Director in respect of his LTI (performance rights).

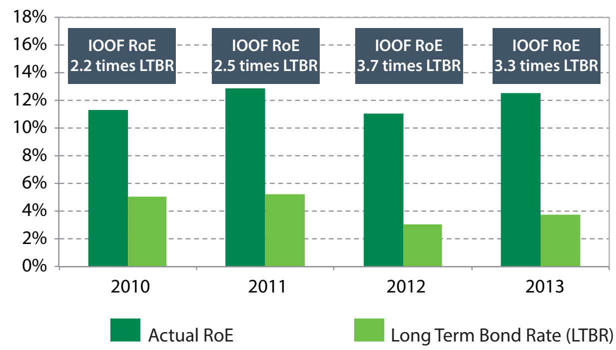
The Remuneration Committee resolved to take a relative peer group approach by turning to market practice in this area – which is to measure the performance on return on capital against a multiple of the long-term bond rate – rather than simply adopt a fixed RoE of 5.5% per annum as previously.

In order for the performance rights of the Managing Director to be eligible to vest, the IOOF Group will have to achieve a minimum RoE of 1.5 times the long term bond rate (10 year bond yield). That is, if 1.5 times long term bond rate is achieved, 50% of the performance rights will be eligible to vest. If 2.0 times is met, then 75% of the performance rights will be eligible to vest and 100% will be eligible to vest if 2.5 times the long term bond rate is achieved. The RoE hurdles have been developed by the Board ensure that an LTI is not paid in a period of low or negative performance.

Following that three tiered gateway test, the second performance hurdle will be assessed. This hurdle will relate to the IOOF Group's TSR over a three year period from 1 July 2012 to 30 June 2015 measured against the TSR of a group of companies comprising the S&P ASX 200 as at 1 July 2012. Should the IOOF Group achieve a median TSR performance or better, the performance rights which are eligible to vest following the RoE performance hurdle will vest. If the IOOF Group fails to achieve a median performance, all remaining rights will lapse and will not be retested.

Return on equity is calculated by dividing UNPAT pre-amortisation by average capital on issue during the year.

Gateway Hurdle – IOOF RoE v Long Term Bond Rate



Notwithstanding these hurdles, the rewarding of performance rights or similar remuneration bonuses always remains at the discretion of our Board regardless of KPI based entitlements. In the case of the STI rewards to the Managing Director for example, the Board resolved to make a payment of 60% of his entitlement in respect of the 2012/13 year (2011/12: 72%).

The Board is very conscious of its responsibilities to the shareholders in balancing the rewards to our employees (the providers of our human capital) with the rewards to our shareholders (the providers of our risk capital) and has undertaken a lot of work to ensure that the remuneration structures (and actual remuneration payments) to Executives are tied to the performance of the IOOF Group. The Board takes into account current market practices in the financial services industry and feedback from shareholders and other stakeholders when reviewing these structures, and the payment of rewards to executives, on an annual basis.

2014 Series Approval to be sought at the November 2013 Annual General Meeting - Managing Director

Approval will be sought at the 26 November 2013 Annual General Meeting for the issue of 100,000 performance rights. The performance hurdles will remain virtually the same as those selected during the 2013 performance period being relative performance against the long term bond rate as a three tiered gateway hurdle and achieving at least median TSR performance against a group of companies comprising the S&P ASX 200 as at 1 July 2013. The performance period will be from 1 July 2013 to 30 June 2016 with vesting occurring on 1 July 2016.

The Board believes that the use of an RoE gateway hurdle is important to ensure that a bonus is not paid to the Managing Director in periods of low or negative return to shareholders. The actual RoE achieved by the IOOF Group over the last four years has averaged 2.9 times the long term bond rate (as depicted on page 23). The gateway RoE hurdle as explained above is a sliding scale which starts at 1.5 times (50% of performance rights eligible to vest) and rises to 2.5 times before 100% eligibility occurs.

Options

The details of the current share options issued to Mr Kelaher are as follows:

Year	EPS target	Number granted	Exercise price $	Grant date	Vesting date	Exercisable from vesting date until
2012	Compound growth of 10% per annum from 2011-12 to 2013-14 from a base point of 40 cents per share	150,000	$6.81	01 Jul 11	01 Jul 14	01 Jul 17
		75,000			01 Jul 15	01 Jul 17
		75,000			01 Jul 16	01 Jul 17
2010	Compound growth of 10% per annum from 2010-11 to 2011-12 from a base point of 26 cents per share (100% satisfied)	79,156	$5.20	27 Nov 09	27 Nov 13	27 Nov 15
		79,156			27 Nov 14	27 Nov 15

No further options were granted to Mr Kelaher during the financial year.

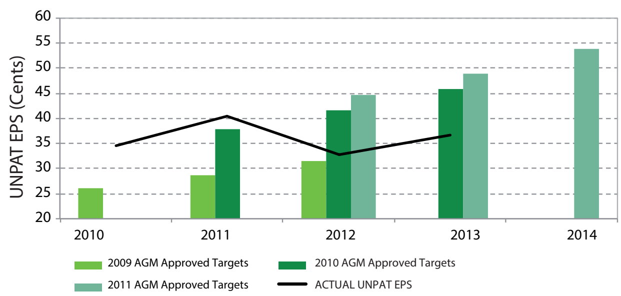
Shareholders approved that the plans would not activate unless a minimum average RoE of 5.5% per annum over the performance period has been achieved. The performance hurdle for vesting of the options is a pre-determined target growth in Earnings per Share (EPS) over the performance period.

EPS for the purposes of the hurdle will be calculated on the basis of post-acquisition purchase price allocation UNPAT post amortisation, divided by weighted average equity during the year.

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

The performance hurdles for the 2010 series were tested in July 2012. As a result of the IOOF Group achieving in excess of 10% per annum compound growth in UNPAT post amortisation EPS from a base point of 26 cents per share, 100% of the 2010 series have vested subject to ongoing service conditions. 158,312 options vested on 27 November 2012 and were exercised during the financial year.

UNPAT Earning Per Share



The above figure compares the IOOF Group's UNPAT earnings per share performance against the performance hurdles over the 2010 to 2014 measurement period.

The IOOF Group's UNPAT EPS did not reach 10% per annum compounding from 2011 to 2013 from a base point of 40 cents per share therefore none of the 300,000 options granted in 2011 will vest.

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

4.1.3 Change of control and cessation of employment

The Board has determined that, if there is a change of control, any unvested LTIs may vest subject to the approval of the Board. If the Board so determines, any unvested performance rights and share options may become exercisable.

Except where employment is terminated for serious misconduct, Mr Kelaher may be entitled to receive any LTIs that have vested as at the date of termination. On cessation of employment, unvested LTIs will be dealt with as follows:

Reason for termination	Treatment of unvested LTIs
Termination of employment by IOOF by notice	The Board has discretion to waive the performance hurdles or determine that the proportion (if any) of unvested LTIs that will vest
Termination of employment by IOOF for cause	Unvested performance rights and share options are forfeited
Resignation by Mr Kelaher	The Board has discretion to waive the performance hurdles or determine that the proportion (if any) of unvested LTIs that will vest
Dismissal for serious misconduct (eg fraud)	Unvested performance rights and share options are forfeited

4.1.4 Remuneration for the year ended 30 June 2014

The Board, on the recommendation of the Remuneration Committee has increased the Managing Director's fixed annual remuneration by 2.75% to $1,153,574 for the financial year commencing 1 July 2013. The Managing Director's STI opportunity for the year to 30 June 2014 has also been increased to 100% of base remuneration from $1,010,430 to $1,153,574.

The STI terms will be the same as for the year ended 30 June 2013, with specific performance hurdles relating to: the continuing growth of the business, product development, achievement of management efficiencies, profitability and compliance, risk management and corporate governance. The STI deferral arrangements remain unchanged with two thirds of the STI award to be paid in cash shortly after the performance assessment has been completed at year end, and one third will be used to purchase Company shares which will vest in July 2015 after a "look back" review.

4.2 Other Executive KMP remuneration

The remuneration of other executive KMP is determined by the Managing Director and is approved by the Board.

4.2.1 Short term incentive: targets and outcomes

At the end of the performance period, their targets were assessed by the Managing Director and considered and approved by both the Remuneration Committee and the Board. The outcome of each assessment is set out below.

Key management personnel	TFR	STI opportunity	STI awarded	% awarded in year	% forfeited in year
	$	$	$		
D Coulter	331,660	132,664	110,000	83%	17%
M Farrell	360,000	60,000	45,000	75%	25%
S Merlicek	386,250	386,250	150,000	39%	61%
R Mota	360,500	144,200	110,000	76%	24%
G Riordan	422,300	168,920	135,000	80%	20%

Mr Farrell's STI opportunity reflects the pro-rata amount since his appointment to Group General Manager Advice in February 2013.

Remuneration report (cont'd)

4.2.2 Long term incentive: targets and outcomes

A summary of the current performance rights and options on issue to key management personnel are as follows:

Year / Instrument	LTI target	Exercise price $	Grant date	Vesting date	Exercisable from vesting date until
2013 Rights	50% vest if the participant continues to be an employee of IOOF at vesting date 50% vest if the IOOF Group achieves TSR greater than median TSR of the S&P/ASX200 with progressive vesting on a straight line basis, such that 2% of LTI awards vest for each 1% ranking increase from 50th percentile. All vest if 75th percentile is achieved	$nil	20 Aug 12	30 Jun 15	30 Jun 15
2012 Rights	50% vest if the participant continues to be an employee of the IOOF Group at vesting date 50% vest if the IOOF Group achieves TSR greater than median TSR of the S&P/ASX200 with progressive vesting on a straight line basis, such that 2% of LTI awards vest for each 1% ranking increase from 50th percentile. All vest if 75th percentile is achieved	$nil	03 May 12	30 Jun 14	30 Jun 14
2011 Options	Continuity of service	$6.14	29 Jul 10	01 Jul 13	30 Jun 15

The performance rights are subject to a three year performance period commencing on the date of grant.

5. Remuneration tables

The following table sets out the remuneration received by the Managing Director and other KMP for the financial year ended 30 June 2013 and the comparative year.

		Short term employee benefits			Post-employment benefits	Share-based payment(3)		Total	Cash Remuneration(4)
		Salary & fees	Bonus(1)	Non-monetary(2)	Super-annuation	Options	Shares		
		$	$	$	$	$	$	$	$
Managing Director									
C Kelaher	**2013**	**1,106,230**	**404,172**	**10,398**	**16,470**	**233,100**	**965,000**	**2,735,370**	**2,835,862**
	2012	1,055,590	417,600	6,120	15,775	162,934	588,847	2,246,866	1,632,039
Other key management personnel									
D Coulter	**2013**	**315,004**	**110,000**	**4,730**	**16,470**	**211,220**	**133,667**	**791,091**	**626,984**
	2012	306,040	125,000	6,120	15,775	223,845	15,816	692,596	396,816
M Farrell(5)	**2013**	**202,826**	**45,000**	**-**	**11,402**	**-**	**-**	**259,228**	**214,228**
S Merlicek	**2013**	**369,564**	**150,000**	**3,997**	**16,470**	**146,304**	**133,667**	**820,002**	**386,034**
	2012	359,002	-	6,120	15,775	146,705	15,816	543,418	454,777
R Mota	**2013**	**344,516**	**110,000**	**4,580**	**16,470**	**146,304**	**143,530**	**765,400**	**585,952**
	2012	329,624	125,000	6,120	15,775	146,705	52,854	676,078	714,013
G Riordan	**2013**	**405,830**	**135,000**	**-**	**16,470**	**247,796**	**133,667**	**938,763**	**729,400**
	2012	394,225	155,000	-	15,775	260,522	15,816	841,338	545,000
Former key management personnel									
S Abley(6)	2012	284,847	-	4,866	14,804	146,705	14,569	465,791	377,412
M Carter	2012	314,071	65,000	11,769	15,775	260,522	15,816	682,953	389,846
M Stephen	2012	262,510	55,000	2,040	11,528	10,592	-	341,670	274,038
Total	**2013**	**2,743,970**	**954,172**	**23,705**	**93,752**	**984,724**	**1,509,531**	**6,309,854**	**5,378,460**
	2012	3,305,909	942,600	43,155	120,982	1,358,530	719,534	6,490,710	4,783,941

No termination benefits or other long term benefits were paid or payable in the current or comparative period.

(1) The bonus reflects amounts provided under the short-term incentive program in relation to the financial year. One third of the bonus awarded to Mr Kelaher has been deferred into shares which will vest in July 2014, this component of the STI is included as a share-based payment. The expected payment value of the bonuses is the amount shown and includes any amounts that may be sacrificed into superannuation.

(2) Non-monetary benefits include company funded benefits and fringe benefits tax payable on those benefits, typically car parking.

(3) Share-based payments include accruals in relation to the Executive Performance Share Plan and accruals in relation to other grants of performance rights and options over shares in the Company. The value of the number of shares and options expected to vest has been apportioned over the term from grant date to vesting date.

(4) Cash remuneration includes all remuneration paid during the financial year including superannuation and STIs which were awarded for performance in previous financial years. In addition, any shares received by the KMP during the period are included at the value the shares could have been converted to cash on the date they were received. This value has been determined as the cash received by the employee where known or the closing share price on the date the shares were allocated to the KMP less any consideration paid.

(5) Mr Farrell was appointed on 15 October 2012.

(6) Mr Abley ceased employment with the IOOF Group on 2 October 2012.

Remuneration report (cont'd)

5.1 Remuneration components as a percentage of total remuneration

Remuneration components (based on annualised amounts)								
Name	Fixed		Total Incentive Compensation Award		Total Remuneration		Options awarded as a component of Total Fixed Remuneration	
	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	%	%	%	%	%	%
C Kelaher	41	48	59	52	100	100	9	7
S Abley	n/a	65	n/a	35	n/a	100	n/a	31
M Carter	n/a	50	n/a	50	n/a	100	n/a	38
D Coulter	42	47	58	53	100	100	27	32
M Farrell	83	n/a	17	n/a	100	n/a	-	n/a
S Merlicek	48	70	52	30	100	100	18	27
R Mota	48	52	52	48	100	100	19	22
G Riordan	45	49	55	51	100	100	26	31
M Stephen	n/a	81	n/a	19	n/a	100	n/a	3

This table includes LTI compensation including options issued to the member of KMP, there is no adjustment made for options that are no longer in the money and are not exercised.

5.2 Deferred shares, options and performance rights over equity instruments granted as compensation during 2013

Details of deferred shares, options and performance rights over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period are as follows:

Name	Type of instrument	Number granted	Grant date	Vesting date	Instrument fair value	Vested during 2013
C Kelaher	LTI performance rights	250,000	27-Nov-12	30-Jun-15	$3.75	-
	STI deferred shares	27,874	30-Jun-13	01-Jul-15	$7.25	-
D Coulter	LTI performance rights	25,000	20-Aug-12	30-Jun-15	$4.54	-
G Riordan	LTI performance rights	25,000	20-Aug-12	30-Jun-15	$4.54	-
S Merlicek	LTI performance rights	25,000	20-Aug-12	30-Jun-15	$4.54	-
R Mota	LTI performance rights	25,000	20-Aug-12	30-Jun-15	$4.54	-

In addition to a continuing employment service condition, the ability to exercise the performance rights is conditional on the IOOF Group achieving certain performance hurdles. Details of the performance criteria are included in the performance rights hurdles at section 4 of the Remuneration Report.

5.3 Exercise of options granted as compensation

During the period, the following shares were purchased and issued on the exercise of options previously granted as compensation:

Key management personnel	Date exercised	Number of shares	Exercise price	Closing share price	Value of options
C Kelaher	25 Feb 13	158,312	$5.20	$8.22	478,102
D Coulter	15 May 13	100,000	$7.01	$8.94	193,000
G Riordan	13 May 13	100,000	$7.01	$8.71	170,000

There are no unpaid amounts on the shares issued as a result of the exercise of the options during the period.

The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

5.4 Consequences of performance on shareholder wealth

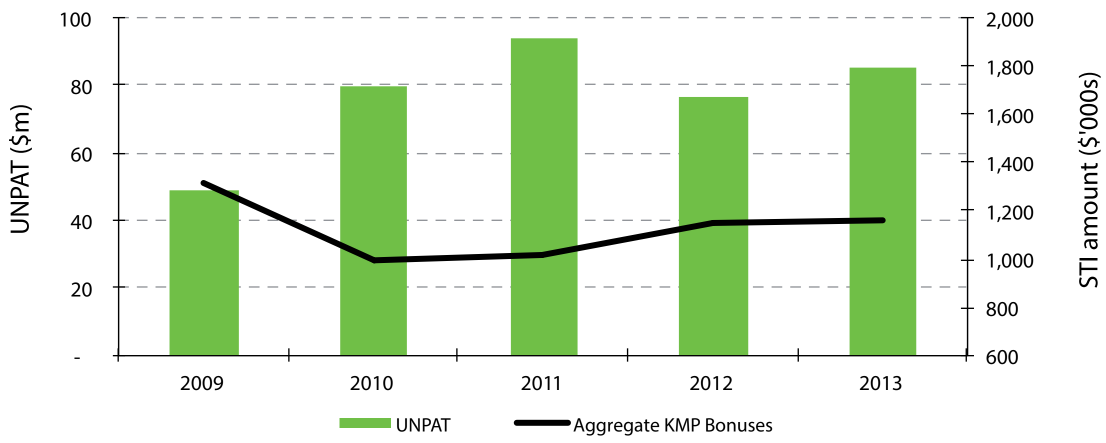
In considering the IOOF Group's performance and benefits for shareholder wealth, the Remuneration Committee have regard to the following indices in respect of the current financial year and the previous four financial years.

	2013	2012	2011	2010	2009
Profit attributable to owners of the Company ($'000s)	79,769	19,373	99,489	77,371	9,044
UNPAT post amortisation ($'000s)	85,152	76,041	93,470	79,261	49,100
UNPAT post amortisation EPS (cents per share)	36.7	32.8	40.5	34.5	21.4
UNPAT pre-amortisation ($'000s)	108,756	96,393	111,450	97,166	59,900
UNPAT pre-amortisation EPS (cents per share)	46.9	41.6	48.3	42.3	63.0
Basic EPS (cents per share)	34.4	8.4	43.1	33.7	7.4
Share price at start of year	$6.05	$6.60	$5.99	$4.04	$5.10
Share price at end of year	$7.36	$6.05	$6.60	$5.99	$4.04
Change in share price	$1.31	$(0.55)	$0.61	$1.95	$(1.06)
Dividends per share (cents per share)	42.0	37.0	43.0	48.0	4.0
Return on equity (non-statutory measure)*	13.2%	11.1%	12.9%	11.4%	11.3%
Total STIs paid to key management personnel ($'000s)	1,156	1,151	1,022	995	1,321

* Return on equity is calculated by dividing UNPAT pre-amortisation by average capital on issue during the year.

UNPAT pre-amortisation is reconciled to profit attributable to owners of the Company in the Operating and Financial Review at page 24 of the Annual Report.

Underlying Profit and STI Payments



STI payments in 2009 reflect the impact of the acquisitions of IOOF Global One (formerly Skandia) and Australian Wealth Management in 2009. STI payments during that period were provided to a leadership team which was of approximately the same size and depth of experience as is currently employed. The acquisitions noted previously, however, precipitated a number of accelerated STI payments as the executive teams from each of the merging entities were reduced to avoid duplication of roles and allow for realisation of synergies. In the periods post 2009, STI payments broadly conform to the IOOF Group's increased profitability and scale. As is consistent with the IOOF Group's adherence to effective cost management, STI levels from 2010 to 2013 have been constrained and recognise KPIs specific to individuals rather than being rigidly tied to enhanced profitability.

5.5 Key management personnel deferred shares, options and performance rights holdings

No terms of share-based payment transactions have been altered or modified during the current or the prior reporting period. No options are vested but not exercisable as at 30 June 2012 or 2013.

Details on deferred ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on deferred shares that vested during the reporting period are as follows:

Name	Type of instrument	Balance as at 1 Jul 12	Granted as compensation	Exercised	Forfeited/ Lapsed	Balance as at 30 Jun 13	Vested during the year	Value of forfeited rights/ options[3]
C Kelaher	2013 rights	-	250,000	-	-	250,000	-	-
	2012 rights	150,000	-	-	-	150,000	-	-
	2011 rights	150,000	-	-	(12,300)	137,700	-	36,654
	2010 rights	150,000	-	(75,000)	-	75,000	75,000	-
	2013 defd shares[1]	-	27,874	-	-	27,874	-	-
	2012 defd shares[2]	35,977	-	-	-	35,977	-	-
	2011 defd shares[2]	31,694	-	(31,694)	-	-	31,694	-
	2010 defd shares	24,119	-	(24,119)	-	-	24,119	-
	2012 options	300,000	-	-	-	300,000	-	-
	2011 options	300,000	-	-	(300,000)	-	-	714,750
	2010 options	316,624	-	(158,312)	-	158,312	158,312	-
	2007 options	134,048	-	-	(134,048)	-	-	388,499
D Coulter	2013 rights	-	25,000	-	-	25,000	-	-
	2012 rights	45,000	-	-	-	45,000	-	-
	2011 options	200,000	-	-	-	200,000	-	-
	2010 options	100,000	-	(100,000)	-	-	100,000	-
S Merlicek	2013 rights	-	25,000	-	-	25,000	-	-
	2012 rights	45,000	-	-	-	45,000	-	-
	2011 options	200,000	-	-	-	200,000	-	-
R Mota	2013 rights	-	25,000	-	-	25,000	-	-
	2012 rights	45,000	-	-	-	45,000	-	-
	2011 options	200,000	-	-	-	200,000	-	-
	2009 rights	18,596	-	(18,596)	-	-	18,596	-
G Riordan	2013 rights	-	25,000	-	-	25,000	-	-
	2012 rights	45,000	-	-	-	45,000	-	-
	2011 options	250,000	-	-	-	250,000	-	-
	2010 options	100,000	-	(100,000)	-	-	100,000	-
	2009 options	53,619	-	-	(53,619)	-	-	50,920

(1) In July 2013, Mr Kelaher was awarded an STI amount of $606,258 for the 2012-13 financial year of which one-third was settled in the form of deferred shares. The number of deferred shares issued was 27,874 which will vest in July 2014.

(2) In July 2012, Mr Kelaher was awarded an STI amount of $626,400 for the 2011-12 financial year (2011: $612,000) of which one-third was settled in the form of deferred shares. The number of deferred shares issued was 35,977 which vested in July 2013 (2011: 31,694).

(3) The options that lapsed during the year were determined using a binomial option pricing model on grant date - representing the benefit foregone. The rights forfeited were valued using a monte carlo simulation valuation methodology at grant date.

5.6 Vesting profiles of deferred shares, options and performance rights

Details of vesting profiles of the deferred shares, options and performance rights granted as remuneration to each key management person of the IOOF Group are detailed below.

Name	Type of instrument	Exercise price $	Number granted	Grant date	% vested in year	% forfeited in year[(1)]	Financial years in which grant vests/vested
C Kelaher	2013 rights	-	250,000	27-Nov-12	0%	0%	2015
	2012 rights	-	150,000	01-Jul-11	0%	0%	2015 - 2017
	2011 rights	-	150,000	23-Nov-10	0%	8%	2014 - 2016
	2010 rights	-	150,000	27-Nov-09	50%	0%	2013 - 2015
	2013 deferred shares	-	27,847	30-Jun-13	0%	0%	2015
	2012 deferred shares	-	35,977	30-Jun-12	0%	0%	2014
	2011 deferred shares	-	31,694	30-Jun-11	100%	0%	2013
	2010 deferred shares	-	48,238	30-Jun-10	50%	0%	2012 - 2013
	2012 options	6.81	300,000	01-Jul-11	0%	0%	2015 - 2017
	2011 options	6.93	300,000	23-Nov-10	0%	100%	n/a
	2010 options	5.20	316,624	27-Nov-09	50%	0%	2013 - 2015
	2007 options[(2)]	9.99	134,048	22-Nov-07	0%	0%	2009 - 2011
D Coulter	2013 rights	-	25,000	20-Aug-12	0%	0%	2015
	2012 rights	-	45,000	03-May-12	0%	0%	2014
	2011 options	6.14	200,000	29-Jul-10	0%	0%	2014
	2010 options	7.01	100,000	04-May-10	100%	0%	2013
S Merlicek	2013 rights	-	25,000	20-Aug-12	0%	0%	2015
	2012 rights	-	45,000	03-May-12	0%	0%	2014
	2011 options	6.14	200,000	29-Jul-10	0%	0%	2014
R Mota	2013 rights	-	25,000	20-Aug-12	0%	0%	2015
	2012 rights	-	45,000	03-May-12	0%	0%	2014
	2011 options	6.14	200,000	29-Jul-10	0%	0%	2014
	2009 rights	-	18,596	01-Dec-09	100%	0%	2013
G Riordan	2013 rights	-	25,000	20-Aug-12	0%	0%	2015
	2012 rights	-	45,000	03-May-12	0%	0%	2014
	2011 options	6.14	250,000	29-Jul-10	0%	0%	2014
	2010 options	7.01	100,000	04-May-10	100%	0%	2013
	2009 options[(2)]	9.36	53,619	30-Apr-09	0%	0%	2009 - 2010

(1) The percentage forfeited in the year represents the reduction from the maximum number of options or rights available to vest due to performance criteria not being achieved.

(2) During the year these options passed the expiry date, the options have now lapsed and can no longer be exercised.

5.7 Options and performance rights granted since the end of the financial year

The Board resolved on 21 August 2013 to offer the following performance rights to KMP within 14 days of Board approval:

Name	Type of instrument	Number granted	Vesting date	Date of expiry	Exercise price $
D Coulter	LTI performance rights	25,000	01-Jul-16	01-Jul-16	-
R Mota	LTI performance rights	25,000	01-Jul-16	01-Jul-16	-
G Riordan	LTI performance rights	25,000	01-Jul-16	01-Jul-16	-

In addition to continued service to the IOOF Group, the performance hurdle for the LTI plan has been linked to IOOF Group TSR compared to S&P ASX200 companies at the date of grant. TSR represents the change in the value of a share plus the value of dividends paid. TSR was chosen as the most appropriate comparative measure as it focuses on the delivery of shareholder value and is a well understood and tested metric of performance. The TSR will be tested over a three year performance period commencing 1 July 2013.

6. Summary of Executive Contracts

Remuneration and other terms of employment for the Managing Director and Executive KMP are formalised in employment contracts.

Details of the employment contracts, as applied during the financial year, are as follows:

Executive	Term	Notice period and termination provisions/ benefits applying during the financial year ending 30 June 2012
C. Kelaher	Ongoing	The IOOF Group may terminate Mr Kelaher's employment (except for misconduct) with 12 months written notice. The IOOF Group may elect to make a payment in lieu of part or all of this notice period based on 12 months' 'total fixed remuneration' (incorporating unpaid leave entitlements, and an amount to reflect a pro-rated entitlement to STI for the period). The Board has discretion regarding treatment of unvested short and long-term incentives.
D. Coulter	Ongoing	The IOOF Group may terminate Mr Coulter's employment (except in the event of misconduct) by giving 6 months written notice. Mr Coulter may terminate his employment by giving 1 months written notice.
M. Farrell	Ongoing	The IOOF Group may terminate Mr Farrell's employment (except in the event of misconduct) by giving 3 months written notice. Mr Farrell may terminate his employment by providing 3 months written notice.
S. Merlicek	Ongoing	The IOOF Group may terminate Mr Merlicek's employment (except in the event of misconduct) by giving 6 months written notice. Mr Merlicek may terminate his employment by giving 3 months written notice.
R. Mota	Ongoing	The IOOF Group may terminate Mr Mota's employment (except in the event of misconduct) by giving a maximum of 7 months written notice depending upon the circumstances of termination. Mr Mota may terminate his employment by giving 5 weeks written notice.
G. Riordan	Ongoing	The IOOF Group may terminate Mr Riordan's employment (except in the event of misconduct) by giving 6 months written notice. Mr Riordan may terminate his employment by providing 6 months written notice.

7. Non-Executive Directors' Remuneration

7.1 Objectives

An objective of the Remuneration Committee is to ensure the IOOF Group is able to retain and attract high calibre Non-Executive Directors. Non-Executive Directors are remunerated by way of fixed fees, including superannuation, and do not participate in remuneration programs designed to provide an incentive to Executive Directors and Executive KMP.

Non-Executive Directors' remuneration is independent of the IOOF Group's earnings or growth in shareholder value to encourage Non-Executive Directors to perform their roles independently of Executive KMP.

7.2 Terms of appointment

All Non-Executive Directors have letters of appointment detailing the terms under which they are engaged. The term of appointment for each is open-ended, subject to the provisions of the Corporations Act and the Company's Constitution. Under the Constitution, one-third of Directors must retire from office each year and may seek re-election by shareholders at the Annual General Meeting of the Company.

7.3 Components of Non-Executive Director remuneration

Non-Executive Directors are remunerated for their skilled input, time responsibilities and commitment to the IOOF Group through the payment of a fixed fee plus superannuation. The Non-Executive Directors do not receive any performance related remuneration. An additional fee is paid to the Chairman of the Board. Non-Executive Directors do not receive additional fees for service on individual Board Committees or subsidiary companies.

Consistent with this approach the Chairman of the IOOF Group assumed the role of Chairman of Perennial Investment Partners Ltd in 2012-13 for which no additional fee has been paid. Previously this role was undertaken by a person who was independent of the Board and a separate fee was paid.

The Company's Constitution requires that the aggregate remuneration paid or provided to all Non-Executive Directors in any financial year by the Company, its subsidiaries and associated entities may not exceed an amount approved by shareholders. This ceiling amount includes all remuneration provided to Non-Executive Directors, including superannuation but not including retirement benefits. The current limit of $980,000 per annum was approved by shareholders at the 2010 Annual General Meeting. There has been no increase to the Non-Executive Director fee pool since this time.

<table>
<tr><th>Elements</th><th colspan="4">Details</th></tr>
<tr><td rowspan="4">Current Board fees</td><td colspan="4">2013 Fees per annum are:</td></tr>
<tr><td colspan="2">Board Chairman fee</td><td colspan="2">$219,596</td></tr>
<tr><td colspan="2">Board Non-Executive Director fee</td><td colspan="2">$144,612</td></tr>
<tr><td colspan="4">Each of the Non-Executive Directors also hold Board positions on each of the following Australian Financial Services Licensed companies within the IOOF Group, IOOF Investment Management Ltd; Australian Executor Trustees Ltd; Questor Financial Services Ltd and IOOF Ltd. Each of these Boards meets at least four times per annum.</td></tr>
<tr><td rowspan="10">Post-employment benefits</td><td colspan="4">Superannuation contributions are made at a rate of 9% (up to the Government's prescribed maximum contributions limit) which satisfies the IOOF Group's statutory superannuation contributions and are included in the base fee.</td></tr>
<tr><td colspan="4">The Board has withdrawn the retirement benefit from the potential remuneration for new Non-Executive Directors. The program continues for Directors appointed prior to 13 April 2003 to fulfil the terms of historical agreement, however the Chairman has voluntarily accepted that the maximum payment available be capped at $475,000. This benefit provides for a cash based payment to Non-Executive Directors at the time of their retirement and, subject to the cap noted above, is calculated as follows:</td></tr>
<tr><th colspan="2">Period of service as a Non-Executive Director</th><th colspan="2">Benefit Value (1)</th></tr>
<tr><td colspan="2">0 to < 3 years</td><td colspan="2">Nil</td></tr>
<tr><td colspan="2">3 to 5 years</td><td colspan="2">AAE times 1.0</td></tr>
<tr><td colspan="2">> 5 years to 10 years</td><td colspan="2">AAE times 1.5</td></tr>
<tr><td colspan="2">> 10 years</td><td colspan="2">AAE times 2.0</td></tr>
<tr><td colspan="4">The retirement benefits plan will remain in operation for Dr Sexton (being the only remaining participant) for the year ending 30 June 2014.</td></tr>
<tr><td colspan="4">(1) "AAE" = Annual Average Emoluments over the last 3 years of service to date of retirement.</td></tr>
<tr><td colspan="4">The accrued entitlement for current Non-Executive Directors under the retirement benefits plan as at 30 June 2013 was $341,142 attributable to Dr Sexton.</td></tr>
<tr><td rowspan="4">Deferred share purchase plan</td><td colspan="4">The IOOF Group established a Deferred Share Purchase Plan for Non-Executive Directors to enable them, on a voluntary basis, to salary sacrifice a portion of annual fees in order to acquire shares monthly in the Company at market value on a tax deferred basis. As shares were purchased from remuneration foregone, they were not subject to performance conditions.</td></tr>
<tr><td colspan="4">Shares acquired under the Plan were purchased on market at the end of each month. All costs associated with the Plan are met by the Company. The following table sets out the number of shares acquired by the participating Directors as at 30 June 2013 and the range of prices at which shares were acquired during the financial year ended 30 June 2013.</td></tr>
<tr><th>Name</th><th>Shares Acquired No.</th><th>Share price range at acquisition dates $</th><th>Total Value $</th></tr>
<tr><td>J Harvey</td><td>1,687</td><td>$5.73 - $8.81</td><td>11,986</td></tr>
</table>

Remuneration report (cont'd)

Over the past three years, the amount of Non-Executive Director remuneration has been reviewed in relation to movements in the CPI. In several years, the Non-Executive Director remuneration was adjusted by either the full amount or a part amount of the CPI. In other years, no adjustment was made at all.

This year, we sought an independent review by Egan Associates Pty Ltd of Non-Executive Director remuneration in relation to market. The review had regard to the market capitalisation of the IOOF Group, the relative Directors fees to those payable by a comparator group of companies, the responsibilities of the Directors, and the time spent on committees and subsidiary Boards.

Based on this review, the Board proposes to increase the fees of the Non-Executive Directors to $150,000 per annum and to increase the fee of the Chairman to $250,000 per annum. These adjustments will position the remuneration of the Non-Executive Directors and Chairman closer to market remuneration levels. While these increases can be accommodated within the existing shareholder approved limit, the Board has resolved to seek approval from shareholders at the upcoming Annual General Meeting of the company to increase the fee pool to $1,250,000, being an increase of $270,000. The Board considers that it is reasonable at this time to seek an increase in the total remuneration pool available to be paid to Non-Executive Directors of the Company. An increase in the pool will provide scope to retain and appoint additional suitably qualified and experienced Non-Executive Directors in the future and to pay fees which are consistent with market. Other than the increase mentioned above, there will be no further increases will be to remuneration of existing Non-Executive Directors on approval of the fee pool. An assessment of the Non-Executive Director fees will be undertaken in June 2014 as part of the Company's annual review of all remuneration within the IOOF Group.

7.4 Remuneration table

Key management personnel		Short-term benefits			Post-employment benefits	Total Shareholder approved remuneration(3)	Post-employment benefits	Total
		Directors fees (1)	Shares(2)	Non-monetary	Superannuation		Retirement benefits(4)	
		$	$	$	$	$	$	$
Current Non-Executive Directors								
I Griffiths	2013	132,672	-	-	11,940	144,612	-	144,612
	2012	128,827	-	-	11,594	140,421	-	140,421
J Harvey	2013	105,357	29,692	206	9,482	144,737	-	144,737
	2012	118,738	12,000	139	9,579	140,456	-	140,456
R Sexton	2013	203,003	-	36	16,470	219,509	58,884	278,393
	2012	121,629	24,355	139	11,133	157,256	18,554	175,810
G Venardos	2013	132,597	-	-	11,934	144,531	-	144,531
	2012	128,731	-	-	11,586	140,317	-	140,317
K White	2013	136,271	-	-	8,260	144,531	-	144,531
	2012	93,633	-	-	8,427	102,060	-	102,060
Former Non-Executive Directors								
I Blair	2012	129,172	23,077	139	11,625	164,013	11,436	175,449
Total	2013	709,900	29,692	242	58,086	797,920	58,884	856,804
	2012	720,730	59,432	417	63,944	844,523	29,990	874,513

(1) Directors fees includes any fees sacrificed into superannuation funds.

(2) Shares represent Directors' fees sacrificed into the Non-Executive Director Deferred Share Purchase Plan.

(3) Shareholder Approved Remuneration amounted to $797,920 and was within the shareholder approved limit of $980,000 per annum.

(4) Non-Executive Directors appointed after 13 April 2003 are not entitled to retirement benefits. Non-Executive Directors appointed prior to this date accrue retirement benefits. Where entitled, the provision is based on the average emoluments of Non-Executive Directors over the previous three years' of service. The benefit accrues after three years of service and varies according to the number of years of service, reaching twice the average annual emoluments after ten years of service. Refer to 'retirement benefits' above for further details.

7.5 Shareholdings of Non-Executive Directors

The relevant interest of each Director in the shares issued by the Company, as notified by the Directors to the ASX in accordance with s205G(1) of the Corporations Act 2001 is as follows:

Name	Balance as at 1 Jul 2012	Shares from changes during the year(1)	Balance as at 30 Jun 2013(2)	Balance as at report sign-off date
Current Non-Executive Directors				
I Griffiths	4,275,039	(175,000)	4,100,039	4,100,039
J Harvey	12,506	1,687	14,193	14,306
R Sexton	55,940	10,000	65,940	65,940
G Venardos	20,013	-	20,013	20,013
K White	80,000	-	80,000	80,000

(1) Shares from changes during the year include shares purchased via the Non-Executive Director Deferred Share Purchase Plan.

(2) The following shares (included in the holdings above) were held on behalf of the Non-Executive Directors (ie. indirect beneficially held shares) as at 30 June 2013: I Griffiths - 887,520; J Harvey - 14,193; K White - 80,000 and R Sexton - 23,197.

8. Payments to persons before taking office

No Director or member of senior management appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

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

This report is made with a resolution of the Directors:

Dr Roger Sexton AM
Chairman
23 August 2013

Director's declaration

For the year ended 30 June 2013

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

   (a) the consolidated financial statements and notes set out on pages 41 to 108, and the Remuneration report, set out on pages 12 to 36 in the Directors' report, are in accordance with the Corporations Act 2001 including:

      (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2013 and of their performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2013.

3. The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dr Roger Sexton AM
Chairman
Melbourne
23 August 2013

Independence declaration

For the year ended 30 June 2013

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of IOOF Holdings Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

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

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

KPMG

KPMG

Ian Hinchliffe

Partner
Melbourne
23 August 2013

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

Report on the financial report

We have audited the accompanying financial report of IOOF Holdings Ltd (the Company), which comprises the statements of financial position as at 30 June 2013, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of IOOF Holdings Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 36 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of IOOF Holdings Ltd for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M Hinchliffe

Michelle Hinchliffe
Partner
Melbourne
23 August 2013

Statement of comprehensive income

For the year ended 30 June 2013

		Consolidated		Parent	
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Revenue	7	685,711	624,764	97,402	89,634
Expenses	8	(579,206)	(522,995)	(2,984)	(1,432)
Life statutory revenue*	40(d)	84,682	52,528	-	-
Life statutory expenses*	40(e)	(65,115)	(55,832)	-	-
Share of profits of associates accounted for using the equity method (net of income tax)		7,700	8,181	-	-
Finance costs	9	(4,007)	(2,586)	(3,932)	(2,744)
Profit before income tax expense		129,765	104,060	90,486	85,458
Income tax (expense)/benefit - shareholder	10	(29,766)	(87,665)	518	7,987
Income tax (expense)/benefit - statutory*		(19,567)	3,304	-	-
Profit for the period		80,432	19,699	91,004	93,445
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial assets	26	1,852	(65)	-	-
Exchange differences on translating foreign operations	26	14	-	-	-
Income tax on other comprehensive income	10	(533)	3,509	-	-
Total items that may be reclassified subsequently to profit or loss		1,333	3,444	-	-
Items that will not be reclassified to profit or loss:					
Net change in fair value of share buy back liability	26	645	5,063	-	-
Other comprehensive income/(expense) for the period, net of income tax		1,978	8,507	-	-
Total comprehensive income for the period		82,410	28,206	91,004	93,445
Profit attributable to:					
Owners of the Company		**79,769**	**19,373**	**91,004**	**93,445**
Non-controlling interest		663	326	-	-
Profit for the period		80,432	19,699	91,004	93,445
Total comprehensive income attributable to:					
Owners of the Company		81,747	27,880	91,004	93,445
Non-controlling interest		663	326	-	-
Total comprehensive income for the period		82,410	28,206	91,004	93,445
Earnings per share:					
Basic earnings per share (cents per share)	29	34.4	8.4		
Diluted earnings per share (cents per share)	29	34.1	8.3		

Notes to the financial statements are included on pages 63 to 123.

* A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the Life Insurance Act 1995. The funds operated by IOOF Ltd, and any trusts controlled by those funds, are treated as statutory funds in accordance with the Life Insurance Act 1995. These statutory funds are required to be consolidated in accordance with accounting standards and are shown separately from shareholder funds in the financial statements.

Statement of financial position

For the year ended 30 June 2013

		Consolidated		Parent	
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	11	98,252	113,344	11,452	1,912
Receivables	12	69,653	65,505	8,268	8,939
Other financial assets	13	27,243	30,517	1,019,606	1,005,961
Other assets	14	23,301	21,220	7,057	163
Equity-accounted investees	15	27,770	26,278	-	-
Property and equipment	16	11,626	13,878	-	-
Deferred tax assets	17	-	-	1,092	506
Goodwill	18	578,090	564,372	-	-
Other intangible assets	19	304,044	292,721	-	-
Assets relating to statutory funds	40(a)	807,141	798,758	-	-
Total assets		**1,947,120**	**1,926,593**	**1,047,475**	**1,017,481**
Liabilities					
Payables	20	57,109	61,915	160	109
Borrowings	21	106,615	56,791	107,000	71,000
Current tax liabilities		11,845	39,541	12,010	25,861
Other financial liabilities	22	30,259	29,371	-	-
Provisions	23	48,068	40,205	-	-
Deferred tax liabilities	17	58,308	58,315	-	-
Other liabilities	24	11,224	14,375	-	-
Liabilities relating to statutory funds	40(b)	807,141	798,758	-	-
Total liabilities		1,130,569	1,099,271	119,170	96,970
Net assets		**816,551**	**827,322**	**928,305**	**920,511**
Equity					
Share capital	25	862,321	869,070	869,269	869,070
Reserves	26	(6,088)	(9,486)	9,491	7,053
Retained profits/(losses)	27	(52,139)	(47,138)	49,545	44,388
Total equity attributable to equity holders of the Company		804,094	812,446	928,305	920,511
Non-controlling interest		12,457	14,876	-	-
Total equity		**816,551**	**827,322**	**928,305**	**920,511**

Notes to the financial statements are included on pages 63 to 123.

Statement of changes in equity

For the year ended 30 June 2013

	Note	Ordinary shares	Treasury shares	Reserves	Retained profits/ (losses)	Total	Non-controlling interest	Total equity
				Consolidated - 2013				
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2012	25,26,27	869,070	-	(9,486)	(47,138)	812,446	14,876	827,322
Total comprehensive income for the period								
Profit for the period attributable to owners of the Company		-	-	-	79,769	79,769	663	80,432
Other comprehensive income								
Net change in fair value of available-for-sale financial assets		-	-	1,852	-	1,852	-	1,852
Net change in fair value of share buy back liability		-	-	645	-	645	-	645
Income tax on other comprehensive income		-	-	(533)	-	(533)	-	(533)
Exchange differences on translating foreign operations		-	-	14	-	14	-	14
Total other comprehensive income		-	-	1,978	-	1,978	-	1,978
Total comprehensive income for the period		-	-	1,978	79,769	81,747	663	82,410
Transactions with owners, recorded directly in equity								
Contributions by and (distributions to) owners								
Dividends to equity holders		-	-	-	(87,020)	(87,020)	(1,230)	(88,250)
Share-based payment expense		-	-	5,657	-	5,657	-	5,657
Issue of shares on exercise of options under executive and employee share option plan		3,186	-	-	-	3,186	-	3,186
Transfer from employee equity-settled benefits reserve on exercise of options		1,036	-	(1,036)	-	-	-	-
Treasury shares transferred to employees during the year		(4,169)	4,169	-	-	-	-	-
Employee performance rights vested during the year		542	-	(542)	-	-	-	-
Adviser performance rights vested during the year		384	-	(384)	-	-	-	-
Purchase of treasury shares		-	(11,117)	-	-	(11,117)	-	(11,117)
On-market purchase of shares transferred to employees during the year		(780)	-	-	-	(780)	-	(780)
Transfer of lapsed share options to retained earnings		-	-	(1,178)	1,178	-	-	-
Transfer of reserve to accumulated losses		-	-	(1,072)	1,072	-	-	-
Non-controlling interests acquired in business combination		-	-	-	-	-	(14)	(14)
Derecognition of non-controlling interest on disposal of subsidiary		-	-	-	-	-	(41)	(41)
Non- controlling interest in subsidiaries acquired		-	-	(25)	-	(25)	5	(20)
Return of capital to non-controlling members of subsidiary entities		-	-	-	-	-	(1,802)	(1,802)
Total contributions by and distributions to owners		199	(6,948)	1,420	(84,770)	(90,099)	(3,082)	(93,181)
Total transactions with owners		199	(6,948)	1,420	(84,770)	(90,099)	(3,082)	(93,181)
Balance at 30 June 2013	25,26,27	869,269	(6,948)	(6,088)	(52,139)	804,094	12,457	816,551

	Note	Ordinary shares	Treasury shares	Reserves	Retained profits/ (losses)	Total	Non-controlling interest	Total equity
		Consolidated - 2013						
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2011	25,26,27	868,451	-	(7,756)	25,126	885,821	16,157	901,978
Total comprehensive income for the period								
Profit for the period attributable to owners of the Company		-	-	-	19,373	19,373	326	19,699
Other comprehensive income								
Net change in fair value of available-for-sale financial assets		-	-	(65)	-	(65)	-	(65)
Fair value gain on investment in DKN		-	-	(9,587)	-	(9,587)	-	(9,587)
Net change in fair value of share buy back liability		-	-	5,063	-	5,063	-	5,063
Income tax on other comprehensive income		-	-	3,509	-	3,509	-	3,509
Total other comprehensive income		-	-	(1,080)	-	(1,080)	-	(1,080)
Total comprehensive income for the period		-	-	(1,080)	19,373	18,293	326	18,619
Transactions with owners, recorded directly in equity								
Contributions by and (distributions to) owners								
Dividends to equity holders		-	-	-	(95,106)	(95,106)	(1,607)	(96,713)
Share-based payment expense		-	-	3,013	-	3,013	-	3,013
Acquisition through business combination		-	-	234	-	234	-	234
Issue of shares on exercise of options under executive and employee share option plan		1,094	-	-	-	1,094	-	1,094
Transfer from employee equity-settled benefits reserve on exercise of options		444	-	(444)	-	-	-	-
Employee performance rights vested during the year		736	-	(736)	-	-	-	-
Adviser performance rights vested during the year		427	-	(427)	-	-	-	-
On-market purchase of treasury shares transferred to employees during the year		(2,082)	-	-	-	(2,082)	-	(2,082)
Transfer of lapsed share options to retained earnings		-	-	(3,469)	3,469	-	-	-
Total contributions by and distributions to owners		619	-	(1,829)	(91,637)	(92,847)	(1,607)	(94,454)
Total transactions with owners		619	-	(1,829)	(91,637)	(92,847)	(1,607)	(94,454)
Impairment loss recognised in profit or loss		-	-	1,179	-	1,179	-	1,179
Balance at 30 June 2012	25,26,27	869,070	-	(9,486)	(47,138)	812,446	14,876	827,322

Notes to the financial statements are included on pages 63 to 123.

Statement of cash flows

For the year ended 30 June 2013

	Note	Consolidated		Parent	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers		717,687	680,860	20,169	6,792
Payments to suppliers and employees		(580,048)	(545,057)	(2,344)	(2,317)
Net stockbroking purchases		(4,369)	3,002	-	-
Termination and retention incentive payments		(6,356)	(3,705)	-	-
Dividends from equity-accounted investees		6,481	9,416	-	-
Income taxes paid		(53,045)	(39,155)	(6,053)	(2,527)
Fund manager rebates paid to subsidiaries		-	-	(7,438)	(6,029)
Net cash provided by/(used in) operating activities	38(b)	80,350	105,361	4,334	(4,081)
Cash flows from investing activities					
Dividends and distributions received		492	1,276	84,352	87,177
Interest received		5,370	7,096	984	2,492
Acquisition of subsidiary	30	(39,982)	(86,436)	(46,709)	-
Acquisition costs of subsidiary		(838)	(3,119)	-	-
Interest and other costs of finance paid		(3,865)	(2,407)	(3,919)	(2,744)
Net proceeds from sales and purchases of financial assets		8,834	3,068	-	-
Payments for property and equipment		(1,850)	(3,253)	-	-
Amounts (advanced to)/borrowed from other entities		74	(995)	19,752	(88,747)
Payments for intangible assets		(10,136)	(7,182)	-	-
Proceeds on disposal of intangible assets		191	619	-	-
Interests acquired in equity-accounted investees and non-controlling interests		(241)	(7,395)	(221)	-
Proceeds from disposal of equity-accounted investees		-	424	-	-
Return of capital from subsidiary		-	-	700	-
Net cash provided by/(used in) investing activities		(41,951)	(98,304)	54,939	(1,822)
Cash flows from financing activities					
Proceeds from borrowings		50,000	55,000	50,000	65,000
Repayment of borrowings		(947)	(548)	(9,000)	(10,000)
Proceeds from exercise of share options		3,186	1,094	3,186	1,094
Return of capital to non-controlling members of subsidiary entities		(1,802)	-	-	-
Purchase of treasury shares		(11,896)	(2,082)	(6,894)	868
Dividends paid:					
- members of the Company		(87,020)	(95,106)	(87,025)	(95,106)
- non-controlling members of subsidiary entities		(1,230)	(1,607)	-	-
- shareholders entitled to contractual share buy-back		(1,344)	(3,463)	-	-
- shareholders of Plan B Group Holdings Ltd		(2,453)	-	-	-
Net cash provided by/(used in) financing activities		(53,506)	(46,712)	(49,733)	(38,144)
Net increase/(decrease) in cash and cash equivalents		(15,107)	(39,655)	9,540	(44,047)
Cash and cash equivalents at the beginning of the financial year		113,344	152,999	1,912	45,959
Effect of exchange rate changes on the balance of cash held in foreign currencies		15	-	-	-
Cash and cash equivalents at the end of the financial year		**98,252**	**113,344**	**11,452**	**1,912**

Notes to the financial statements are included on pages 63 to 123.

Notes to the financial statements

For the year ended 30 June 2013

1 Reporting entity

IOOF Holdings Ltd (the "Parent" or the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "IOOF Group") and the IOOF Group's interest in associates.

The IOOF Group is a for-profit entity and primarily is involved in the provision of wealth management services.

The Company's registered office and its principal place of business are as follows:

Level 6
161 Collins Street
MELBOURNE VIC 3000

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 23 August 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- share-buy back liabilities are measured at fair value.

The statement of financial position is presented in order of liquidity.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated. Amounts included in narratives are expressed as whole dollars but rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 3(l) - Revenue (upfront service fees)
- note 3(q) - Deferred acquisition costs
- note 3(w) - Liability to buy back vested shares
- note 18 - Goodwill
- note 19 - Other intangible assets
- note 31 - Share-based payments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 3 (o) - Utilisation of tax losses and uncertain tax position;
- note 18 & 19 - Key assumptions used in discounted cash flow projections; and
- note 23 & 37 - Provisions and contingencies.

Notes to the financial statements

For the year ended 30 June 2013

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by IOOF Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2013 and the results of all controlled subsidiaries for the year then ended. This includes the benefit funds of its subsidiary, IOOF Ltd, and any controlled trusts.

Control of an entity is identified where the IOOF Group has the power to govern the financial and operating policies of that entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. In assessing control, the IOOF Group takes into consideration potential voting rights that currently are exercisable.

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 IOOF Group, are shown separately from shareholder funds in the notes to the financial statements.

Refer to Note 3(k) Contract classification for information in relation to the different accounting treatment of investment contracts with discretionary participating features.

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the IOOF Group.

The IOOF Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the IOOF Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquiree's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the IOOF Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) IOOF Employee Share Plan Trust (the "Trust")

The IOOF Group has formed a trust to administer the IOOF Group's employee share schemes. The Trust is consolidated, as the substance of the relationship is that the Trust is controlled by the IOOF Group. Shares held by the Trust are disclosed as treasury shares and are deducted from share capital.

(v) Investments in associates (equity-accounted investees)

Associates are those entities over which the IOOF Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the IOOF Group holds between 20 and 50 per cent of the voting power of another entity.

Investments in its associates are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the IOOF Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the IOOF Group, from the date that significant influence commences until the date that significant influence ceases.

When the IOOF Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the IOOF Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-IOOF Group balances and transactions, and any unrealised income and expenses arising from intra-IOOF Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the IOOF Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR).

(c) Cash and cash equivalents

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.

(d) Financial instruments

(i) Non-derivative financial assets

The IOOF Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the date at which the IOOF Group becomes a party to the contractual provisions of the instrument.

The IOOF Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the IOOF Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when, the IOOF Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The IOOF Group has the following non-derivative financial assets:

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

Notes to the financial statements

For the year ended 30 June 2013

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the IOOF Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the IOOF Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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 IOOF Group provides money, assets, or services directly to a debtor with no intention of selling the receivable. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(h)(i)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets comprising principally marketable equity securities that are either designated in this category or are not classified in any of the other categories of financial instruments. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the available-for-sale investment revaluation reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Assets relating to statutory funds

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

(iii) Non-derivative financial liabilities

The IOOF Group initially recognises financial liabilities on the date at which the IOOF Group becomes a party to the contractual provisions of the instrument. The IOOF Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the IOOF Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The IOOF Group has the following non-derivative financial liabilities:

- loans;
- borrowings; and
- payables and other financial liabilities.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities

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

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and share options are shown in equity as a deduction, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings.

(e) Property and equipment

(i) Recognition and measurement

Property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Subsequent costs

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 IOOF Group. Repairs and maintenance costs are charged to profit or loss as they are incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the IOOF Group will obtain ownership by the end of the lease term.

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative year are as follows:

- office equipment 3-10 years
- leasehold improvements 3-10 years
- equipment under finance lease 3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

(f) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(i) Business combinations.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

(ii) Other intangible assets

Other intangible assets that are acquired by the IOOF Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- adviser relationships 5 - 10 years
- computer software 2½ - 4 years
- customer relationships 10 - 20 years
- brand names 20 years
- contract agreements 9 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the financial statements

For the year ended 30 June 2013

(g) Leased assets

Leases in terms of which the IOOF Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the IOOF Group's statement of financial position.

(h) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the IOOF Group on terms that the IOOF Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the IOOF Group, economic conditions that correlate with defaults or the disappearance of an active market of a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected as an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (eg. a repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the investment revaluation reserve, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the IOOF Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from continuing use of other assets or groups of assets (the CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term incentive plans

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

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the IOOF Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Retirement benefit obligations

Retirement benefits are paid to Non-Executive Directors appointed prior to 13 April 2003 to fulfil the terms of historical agreements. This benefit provides for a cash based payment to Non-Executive Directors at the time of their retirement. The retirement benefit obligation is measured on an undiscounted basis and is expensed as the related service is provided.

(v) Other long-term employee benefits

The IOOF Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

Liabilities for long-term benefits that are expected to be settled beyond 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.

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.

(vi) Termination payments and redundancy costs

Termination benefits or redundancy costs are recognised as an expense when the IOOF Group is committed demonstrably, without realistic opportunity of withdrawal, to a formal detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(vii) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as a share-based payment expense, with a corresponding increase in the share-based payments reserve, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

Shares held by the Trust will contribute to the employee allocation of shares on satisfaction of vesting performance hurdles. The IOOF Group has no right to recall placed shares. However, a subsidiary company acts as the Trustee of the Trust, and can direct the voting rights of shares held and strategic direction.

Shares in the Company held by the Trust are classified and disclosed as Treasury shares, and deducted from share capital. Dividends received by the Trust are recorded as dividend income in the financial statements of the Trust and are eliminated on consolidation.

Non-Executive Directors have the opportunity to participate in the IOOF Deferred Share Purchase Plan. The plan provides a facility for Non-Executive Directors to salary sacrifice base salary or future incentive entitlements in order to acquire shares. As the purchase is funded by Directors' salary sacrifice, no additional expense is recorded by the IOOF Group.

(j) Provisions

A provision is recognised if, as a result of a past event, the IOOF Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

(i) Restructuring

A provision for restructuring is recognised when the IOOF Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the IOOF Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the IOOF Group recognises any impairment loss on the assets associated with that contract.

(k) Contract 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.

(i) Insurance contracts

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

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

(ii) 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 profit or loss. 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 also recognised in profit or loss.

Deposits collected and withdrawals processed for investment contracts without DPF are accounted for directly through the statement of financial position as a movement in the investment contract liability. Distributions on these contracts are charged to profit or loss 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 for through profit or loss and the investment component is accounted for as a deposit through the statement of financial position as described above.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

(i) Management and service fees revenue

The IOOF Group provide management services to unit trusts and funds operated by the IOOF Group at normal commercial rates. Management and service fees earned from the unit trusts and funds are calculated based on an agreed percentage of the respective funds under management or administration as disclosed in the respective product disclosure statements, and are recognised on an accruals basis.

Management and service fees revenue from the provision of financial advisory services together with revenue from the rendering of services are recognised at the time the service is provided.

(ii) Other fee revenue and stockbroking revenue

Other fee revenue and stockbroking revenue from the rendering of services are recognised at the time the service is provided.

(iii) Upfront service fees

Upfront service fees are recorded as deferred revenue and recognised on a straight-line basis over a period that is reflective of the continued service provided. The period of amortisation is based on historical experience and varies between products on offer. The current deferral period is between 5 and 7 years. These upfront service fees are recorded as a deferred revenue liability within other liabilities in the consolidated statement of financial position.

(iv) Premium revenue

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.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the IOOF Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(o) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements

For the year ended 30 June 2013

The applicable rates of income tax vary depending upon the fund or entity involved. The segregated superannuation and rollover fund business of the IOOF Ltd benefit funds attracts income tax at the rate of 15% (2012: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2012: 30%).

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the IOOF Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The IOOF Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the IOOF Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

(i) Tax consolidation

IOOF Holdings Ltd and its wholly owned Australian resident entities (including IOOF Ltd benefit funds) are part of a tax-consolidated group under Australian taxation law. As a consequence, all members of the tax-consolidated group are taxed as a single entity.

Tax expense/income, 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 using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Further information about the tax funding arrangement is detailed in note 10 to the financial statements.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(ii) Uncertain Tax Position

On the 27 June 2012, Tax Laws Amendment (2012 Measures No. 2) Act 2012 ("The 2012 Act") was substantially enacted. It sought to limit the availability of deductions previously made available by the passing of Tax Laws Amendment (2010 Measures No. 1) Act 2010 ("The 2010 Act"). Both Acts contain a number of amendments to the tax consolidation regime that deal with rights to future income assets acquired upon an entity joining a tax consolidated group. The 2012 Act limits deductions that were available under the 2010 Act in respect to the tax cost setting amount of those assets, and under the business related expenditure provisions.

As such, the IOOF Group has reclassified some tax positions relating to deductions made by the IOOF Group and its subsidiaries. The 2012 Act expressly protects certain deductions claimed under the 2010 Act where an assessment notice was received prior to 30 March 2011. Consequently, the amount received in respect to deductions claimed in the IOOF Group's 2010 Income Tax Return was credited to profit as an income tax benefit in the 2012 year. The impact of the above reclassifications resulted in an increase to current tax liability of $23.5m, a reduction to income tax expense of $6.9m, and a decrease in deferred tax liability of $30.4m in the 2012 year.

The Company is appealing to the Federal Court in respect of an adverse ATO private ruling it sought to confirm its entitlement to deductions under the 2010 Act. The outcome of these proceedings is uncertain and any potential benefit arising therefrom cannot be quantified.

(p) Goods and service tax (GST)

Revenues, expenses and assets (excluding receivables) 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 or is recognised as part of the cost of acquisition of an asset.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the Australian Taxation Office are presented as operating cash flows.

(q) Deferred acquisition costs

Deferred acquisition costs relate to service fees 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 are progressively amortised in profit or loss by a systematic allocation over the period of time the future economic benefits are expected to be received. The amortisation period is between 5 and 7 years.

(r) Investment contract liabilities and claims expense

(i) Investment contracts with Discretionary Participation Features (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 profit or loss.

(ii) 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 profit or loss 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.

(s) 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.

(t) Shareholders entitlement to monies held in statutory funds

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

(u) Earnings per share

The IOOF Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares held.

Notes to the financial statements

For the year ended 30 June 2013

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for treasury shares held, for the effects of all dilutive potential ordinary shares, which comprise performance rights and share options granted to employees.

(v) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the IOOF Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the IOOF Group's other components. All operating segments' operating results are regularly reviewed by the IOOF Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

(w) Liability to buy back vested shares

A liability has been recognised in respect of an obligation by the IOOF Group to buy back vested shares in some Perennial Group subsidiaries under certain circumstances. The above liabilities are recorded at fair value. Determination of fair value has required assumptions concerning future growth, discount rates and fund flows.

For further information on valuation methods for the liability to buy back vested shares refer to note 4(e) fair value estimation.

(x) Parent entity financial statements

Parent entity information has been reinstated in accordance with a directive from the Australian Prudential Regulatory Authority dated 1 September 2010 to all its regulated entities.

Disclosure of parent entity information is not required under the Corporations Act 2001.

(y) Accounting standards not early adopted

The following standards were available for early adoption, but have not been applied by the Company or IOOF Group in these financial statements.

AASB 9 Financial Instruments

This standard specifies new recognition and measurement requirements for financial assets and financial liabilities previously addressed by AASB 139 *Financial Instruments: Recognition and Measurement*. The International Accounting Standards Board currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. AASB 9 is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

AASB 10 Consolidated Financial Statements

This standard replaces the guidance on control and consolidation in AASB 127 *Consolidated and Financial Statements* and Interpretation 112 - Consolidation - Special Purpose Entities. The standard provides a single definition of 'control' based on whether the investor is exposed to, or has rights to, the variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. The standard also provides guidance on how the control principle is applied in certain situations such as where potential voting rights exist or where voting rights are not the dominant factor in determining whether control exists, e.g. where relevant activities are directed through contractual means.

The assessment of the impact of this standard is progressing and is not expected to have any material impact on the net assets or earnings of the IOOF Group.

This standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. As the amendments are only related to disclosure, there will be no material impact on the IOOF Group.

This standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 13 Fair Value Measurement

This standard provides a single source of guidance on fair value measurement and requires certain disclosures regarding fair value. This standard aims to improve the consistency and reduce the complexity of fair value measurement. The IOOF Group is currently assessing the impact of this standard.

AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

A number of other AASB standards are also available for early adoption, but have not been applied by the Company or IOOF Group in these financial statements. These relate to standards that have limited application to the Company or IOOF Group.

4 Risk management

IOOF risk management framework

Risk is defined as the chance of an event occurring that will have an impact on the strategic or business objectives of the IOOF Group, including a failure to exploit opportunities. The IOOF Group's strategy to manage risk involves the identification of risks by type, consequence and likelihood, implementation of controls to mitigate risks, and continuous monitoring and improvement of the procedures in place.

The IOOF Group's objective is to satisfactorily manage its risks in line with the IOOF Group's Risk Management Policy set by the Board, and this aligns to International Standard ISO 31000 Risk Management. Procedures are put in place to control and mitigate the risks faced by the IOOF Group and vary depending on the nature of the risk. The IOOF Group maintains a framework to ensure regulatory compliance obligations are managed in accordance with Australian Standard 3806 Compliance Programs. The IOOF Group's exposure to all material risks is monitored by the Head of Risk and this exposure, and any anticipated risk exposure, is regularly reported to the Risk and Compliance Committee, and the Board.

The IOOF Group's income and operating cash flows are indirectly impacted by changing market conditions. Its exposure is through the impact of market changes on the level of funds under management and administration, and consequently management fee and service fee revenue. Information has been provided below only on the direct impact of changing market conditions to the IOOF Group's income and operating cash flows.

The financial condition and operating results of the IOOF Group are affected by a variety of financial and non-financial risks. The key non-financial exposures are to operational risk and a failure to meet regulatory compliance obligations. The nature of the financial risk exposures arising from financial instruments, the objectives, policies and processes for managing these risks, and the methods used to measure them are detailed below.

Financial risk

The financial risk management objectives, policies and processes and the quantitative data about the exposure to risk at the reporting date, as set out in the remainder of this note, excludes the benefit funds and the controlled unit trusts. This is because the risks associated with financial instruments held by the benefit funds and controlled trusts are borne by the policyholders and members of those funds and trusts, and not the shareholders of the IOOF Group. There is no direct impact on the net profit or the equity of the IOOF Group as a consequence of changes in markets as they apply to financial instruments held by those funds and trusts at the reporting date.

Similarly the objectives, policies and processes for managing the risks of the IOOF Group are separate and distinct from those for the benefit funds and trusts. The funds and trusts are managed under extensive regulatory requirements, and in accordance with specific investment guidelines, risk management strategies, risk management plans, and product disclosure statements. The IOOF Group is managed under a set of separate corporate policies and review processes that are directed toward the interests of the shareholders of the IOOF Group.

Information in relation to financial risks associated with the benefit funds and controlled trusts is available in their Product Disclosure Statements and the individual annual financial reports of those trusts.

Further information in relation to the Australian Accounting Standards requirement to consolidate the benefit funds and controlled trusts in the consolidated financial statements of the IOOF Group is available in Note 3(a) Basis of consolidation.

Notes to the financial statements

For the year ended 30 June 2013

The following table shows the value of financial instruments held directly and actively managed by the corporate entities within the IOOF Group in relation to its shareholder interests. It shows the financial instruments, as reported in the notes to the financial statements, excluding any elimination entries made upon consolidation with the funds and trusts. The adjustment of these eliminations has the effect of identifying the inter-entity financial instruments that are also actively managed by the IOOF Group.

		Consolidated		Parent	
	Note	2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Financial assets					
Loans and other receivables	13	17,569	17,735	172,440	155,301
Financial assets at fair value through profit or loss	13	645	5,605	101	-
Available-for-sale financial assets	13	9,029	7,177	-	-
Investments in associates		-	-	1,085	864
Investments in subsidiaries		-	-	845,980	849,796
		27,243	30,517	1,019,606	1,005,961
Financial liabilities					
Payables	20	57,109	61,915	160	109
Borrowings	21	106,615	56,791	107,000	71,000
Contingent consideration	22	4,402	1,525	-	-
Share buy-back liabilities	22	25,857	27,846	-	-
		193,983	148,077	107,160	71,109

The IOOF Group does not hold derivative financial instruments to hedge other market risk exposures, and does not hold or trade derivative financial instruments for speculative purposes.

Financial risks for the IOOF Group include market risk (including price risk, foreign exchange risk and cash flow and fair value interest rate risk), credit risk, liquidity risk, and life insurance risk.

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value or future earnings of a financial instrument will fluctuate because of changes in market prices (other than from interest rate risk or currency risk, as described later). The financial instruments managed by the IOOF Group that are impacted by price risk consist of investment units held in trusts, available for sale financial assets and the share buy-back liability.

The price risk associated with the units held in trusts is that the fair value of those units will fluctuate with movements in the redemption value of those units, which in turn is based on the fair value of the underlying assets held by the trusts. This risk is managed by choosing to invest in a mix of trusts operated by the IOOF Group that will provide an overall diversified portfolio that consists of cash, fixed income securities, equities, and listed property securities; in a mix that provides the IOOF Group consistent cash plus returns, benchmarked to exceed the UBSA Bank Bill Index, as well as some participation in opportunities for capital growth over the longer term.

The share buy-back liability recorded at balance date is reflective of the fair value of the underlying shares of certain Perennial subsidiaries. The price risk associated with this liability is that the fair value of the particular equities could change as a result of a change in the projected profitability of those subsidiaries. It is considered impractical to manage the price risk associated with this liability, and it is worth noting that the more successful the IOOF Group is in growing its business in the relevant sectors, the greater this liability will grow.

The Parent has insignificant exposure to price risk.

IOOF Group sensitivity

At 30 June 2013 had the price of the units / shares held by the IOOF Group in unlisted unit trusts / shares in other entities increased / decreased by 1% (2012: 1%) with all other variables held constant, post-tax profit for the year would increase / decrease by $2,000 (2012: $19,000) as a result of gains / losses recorded through profit or loss and available-for-sale reserves would increase / decrease by $63,000 (2012: $50,000).

At 30 June 2013, had the value of the underlying equity in relation to the share buy-back liabilities increased/decreased by 1% (2012: 1%) with all other variables held constant, consolidated equity would decrease/increase by $259,000 (2012: $278,000).

(ii) Foreign exchange risk

The IOOF Group is exposed to insignificant foreign exchange risk in relation to the financial instruments of its foreign operations in New Zealand and Hong Kong (2012: $nil).

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk to the IOOF Group's earnings and capital arising from changes in market interest rates. The financial instruments held that are impacted by interest rate risk consist of cash and cash equivalents, loans, and borrowings.

Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements. Interest rates (both that charged and received) are based on market rates, and are closely monitored by management. They are primarily at variable rates of interest, and expose the IOOF Group to cash flow interest rate risk.

Management regularly assesses the appropriateness of the investment of surplus funds with the objective of maximising returns, within investment guidelines acceptable to the Board.

There is limited exposure to fair value interest rate risk because of the relatively short time frame of any fixed rate investments and borrowings.

IOOF Group sensitivity

At 30 June 2013, if interest rates had changed by +/- 100 basis points (2012: +/- 100 basis points) from the year-end rates with all other variables held constant, post tax profit for the year would have been $653,000 higher/lower (2012: $819,000 higher/lower). Equity would have been higher/lower by the same amount.

(b) Credit risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss to the IOOF Group. Credit risk arises for the IOOF Group from cash and cash equivalents, receivables, loans and other receivables.

The IOOF Group mitigates its credit risk by ensuring cash deposits are held with high credit quality financial institutions and other highly liquid investments are held with trusts operated by the IOOF Group. Where investments are held in units in a trust operated by the IOOF Group, that trust is subject to the rules of the trust deed and the investment in underlying assets is subject to asset allocation guidelines.

Receivables consist of management fees receivable, service fees receivable and mandate receivables and other amounts receivable from related parties. These counterparties generally do not have an independent credit rating, and the IOOF Group assesses the credit quality of the debtor taking into account its financial position, past experience with the debtor, and other available credit risk information. In relation to management fees receivable, the IOOF Group is contractually entitled to deduct such fees from investors' account balances, in accordance with the Product Disclosure Statements, and pass the fees to the Responsible Entity or Trustee. Due to this pass-through process the embedded credit risk is considered minimal. Other receivables are regularly monitored by line management.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets as summarised in the table included in this note above. The IOOF Group does not hold any significant collateral as security over its receivables and loans, apart from its recourse to certain shares in subsidiaries in relation to loans to executives.

There are no significant concentrations of credit risk within the IOOF Group.

The IOOF Group does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

The credit quality of the financial assets that are neither past due nor impaired as at balance date was consistent with that described above, and management assesses the credit risk associated with these reported balances as being minimal. Information in relation to impaired receivables and past due but not impaired receivables is included below.

Impaired receivables

As at 30 June 2013, no receivables of the IOOF Group were impaired (2012: $nil). The amount of the impairment provision was nil (2012: $nil).

(c) Life insurance risk

Insurance risks are controlled through the use of underwriting procedures, adequate premium rates and policy charges, and sufficient reinsurance arrangements; all of which are reviewed by the Appointed Actuary. Controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

Financial risks are monitored and controlled by selecting appropriate assets to back policy liabilities. The assets are regularly monitored by the Investment Committee to ensure there are no material exposures and that liability mismatching issues and other risks such as liquidity risk and credit risk are maintained within acceptable limits.

Refer to Note 40 Statutory funds for further details.

The IOOF Group's insurance operations are subject to regulatory capital requirements which prescribe the amount of capital to be held depending on the type, quality and concentration of investments held. Procedures are in place to monitor compliance with these requirements.

(d) Liquidity risk

Liquidity risk relates to the IOOF Group having insufficient liquid assets to cover current liabilities and unforeseen expenses.

The IOOF Group maintains a prudent approach to managing liquidity risk exposure by maintaining sufficient liquid assets and an ability to access a committed line of credit. It is managed by continuously monitoring actual and forecast cash flows and by matching the maturity profiles of financial assets and liabilities. Temporary surplus funds are invested in highly liquid, low risk financial assets.

The IOOF Group had access to un-drawn bank borrowing facilities at the balance date, on the terms described and disclosed in Note 21 Borrowings.

The liquidity requirements for licensed entities in the IOOF Group are regularly reviewed and carefully monitored in accordance with those licence requirements.

Maturities of financial liabilities

The tables below analyse the IOOF Group's financial liabilities into relevant maturity IOOF Groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed therein are the contractual undiscounted cash flows. Statutory funds are excluded on the basis that monies held in the benefit funds and controlled trusts are held for the benefit of the members of those funds, and are not available to shareholders or creditors.

	Consolidated					
2013	<3 months	3 to 12 months	12 months or more	No stated maturity	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Payables	6,910	50,199	-	-	57,109	57,109
Current tax liabilities	6,392	5,453	-	-	11,845	11,845
Borrowings	15,203	456	90,956	-	106,615	106,615
Contingent consideration	2,252	390	1,413	-	4,055	4,402
Provisions	-	40,144	7,924	-	48,068	48,068
Share buy-back liabilities (i)	-	-	-	25,857	25,857	25,857
Deferred revenue liability	-	3,281	5,271	-	8,552	8,552
Lease incentives	-	683	1,989	-	2,672	2,672
Deferred tax liabilities	-	-	-	58,308	58,308	58,308
	30,757	100,606	107,553	84,165	323,081	323,428
Assets available to meet the above financial liabilities						
Cash and cash equivalents	98,252	-	-	-	98,252	98,252
Receivables	62,740	-	6,913	-	69,653	69,653
Other financial assets	24	9,465	10,392	7,362	27,243	27,243
Prepayments	-	15,189	-	-	15,189	15,189
Deferred acquisition costs	-	2,988	5,124	-	8,112	8,112
Equity-accounted investees	-	-	-	27,770	27,770	27,770
Property and equipment	-	-	-	11,626	11,626	11,626
Other intangible assets	-	-	-	304,044	304,044	304,044
	161,016	27,642	22,429	350,802	561,889	561,889
Goodwill	-	-	-	578,090	578,090	578,090
Net Assets	130,259	(72,964)	(85,124)	844,727	816,898	816,551

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

	Consolidated					
2012	<3 months	3 to 12 months	12 months or more	No stated maturity	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Payables	61,913	-	2	-	61,915	61,915
Current tax liabilities	9,842	29,699	-	-	39,541	39,541
Borrowings	12,546	362	43,883	-	56,791	56,791
Contingent consideration	519	398	691	-	1,608	1,525
Provisions	-	35,194	5,011	-	40,205	40,205
Share buy-back liabilities (i)	-	-	-	27,846	27,846	27,846
Deferred revenue liability	-	4,092	7,295	-	11,387	11,387
Lease incentives	-	776	2,212	-	2,988	2,988
Deferred tax liabilities	-	-	-	58,315	58,315	58,315
	84,820	70,521	59,094	86,161	300,596	300,513
Assets available to meet the above financial liabilities						
Cash and cash equivalents	113,344	-	-	-	113,344	113,344
Receivables	59,503	-	6,002	-	65,505	65,505
Other financial assets	434	12,554	10,148	7,381	30,517	30,517
Prepayments	-	10,117	-	-	10,117	10,117
Deferred acquisition costs	-	3,855	7,248	-	11,103	11,103
Equity-accounted investees	-	-	-	26,278	26,278	26,278
Property and equipment	-	-	-	13,878	13,878	13,878
Other intangible assets	-	-	-	292,721	292,721	292,721
	173,281	26,526	23,398	340,258	563,463	563,463
Goodwill	-	-	-	564,372	564,372	564,372
Net Assets	88,461	(43,995)	(35,696)	818,469	827,239	827,322

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

Parent						
2013	<3 months	3 to 12 months	12 months or more	No stated maturity	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Payables	160	-	-	-	160	160
Current tax liabilities	6,369	5,641	-	-	12,010	12,010
Borrowings	15,000	2,000	90,000	-	107,000	107,000
	21,529	7,641	90,000	-	119,170	119,170
Assets available to meet the above financial liabilities						
Cash and cash equivalents	11,452	-	-	-	11,452	11,452
Receivables	57	-	8,211	-	8,268	8,268
Prepayments	-	7,057	-	-	7,057	7,057
Other financial assets	-	-	-	1,019,606	1,019,606	1,019,606
Deferred tax assets	-	-	-	1,092	1,092	1,092
Net Assets	11,509	7,057	8,211	1,020,698	1,047,475	1,047,475

Parent						
2012	<3 months	3 to 12 months	12 months or more	No stated maturity	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Payables	109	-	-	-	109	109
Current tax liabilities	8,549	17,312	-	-	25,861	25,861
Borrowings	12,500	16,000	42,500	-	71,000	71,000
	21,158	33,312	42,500	-	96,970	96,970
Assets available to meet the above financial liabilities						
Cash and cash equivalents	1,912	-	-	-	1,912	1,912
Receivables	879	-	8,060	-	8,939	8,939
Prepayments	-	163	-	-	163	163
Other financial assets	-	-	-	1,005,961	1,005,961	1,005,961
Deferred tax assets	-	-	506	-	506	506
Net Assets	2,791	163	8,566	1,005,961	1,017,481	1,017,481

(e) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market (such as share buy-back liabilities) is determined using valuation techniques. Valuation models have been established in consultation with professional accounting firms, using generally accepted valuation methodologies. These include estimated discounted cash flows. Certain assumptions are made that are based on market conditions existing at each balance date. Assumptions used included terminal growth rates in the range of 3 - 5% which do not exceed the long-term average growth rate for each of the businesses and pre-tax discount rates in the range of 12-17%. The estimated fair values resulting from the valuation techniques are reasonable and the most appropriate at the balance date.

For details regarding the fair value of available-for-sale assets and assets carried at fair value, refer to Note 13 Other financial assets.

The carrying value of receivables, net of impairment provisions, and payables are assumed to approximate their fair values due to their short-term nature.

Loans and other receivables are carried at amortised cost using the effective interest method and closely approximate their estimated fair value. Refer to Note 13 Other financial assets for further details.

Units in unlisted trusts are carried at the current unit price for redemption of those units with the trust.

Notes to the financial statements

For the year ended 30 June 2013

5 Financial instruments

(a) Fair values versus carrying amounts

The fair values of financial assets and liabilities are equal to the carrying amounts shown in the statement of financial position with the exception of finance lease liabilities which are disclosed in note 21(c) Borrowings. The basis for determining fair values is disclosed in note 4(e).

(b) Fair value hierarchy

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

The Parent does not carry any assets at fair value.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
30 June 2013				
Assets				
Available-for-sale investments	9,029	-	-	9,029
Financial assets designated at fair value through profit or loss	412	233	-	645
	9,441	233	-	9,674
Liabilities				
Share buy-back liabilities	-	-	25,857	25,857
	-	-	25,857	25,857
30 June 2012				
Assets				
Available-for-sale investments	7,177	-	-	7,177
Financial assets designated at fair value through profit or loss	2,797	2,808	-	5,605
	9,974	2,808	-	12,782
Liabilities				
Share buy-back liabilities	-	-	27,846	27,846
	-	-	27,846	27,846

	Share buy-back liabilities	
	2013	2012
	$'000	$'000
Reconciliation of movements in level 3 financial liabilities		
Opening balance as at 1 July	27,846	43,112
Dividends paid to shareholders entitled to contractual share buy-back	(1,344)	(3,463)
Settlement of share buy-back liability	-	(6,740)
Revaluation of shareholder liabilities	(645)	(5,063)
Closing balance as at 30 June	25,857	27,846

For further information on valuation methods for Level 3 financial instruments refer to note 4(e) fair valuation estimation.

For further information on financial instrument risk exposure, refer to Note 4 Risk management.

6 Operating segments

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

Platform management and administration

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

Investment management

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

Financial advice and distribution

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

Trustee services

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

Corporate and other

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

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

Reconciliation of reportable segment revenues and expenses

	Total	Total
	2013	2012
Revenues	$'000	$'000
External management and service fee revenue	582,936	524,275
External other fee revenue	27,584	21,503
Stockbroking revenue	64,429	56,665
Other external revenue	4,778	3,941
Finance income	5,984	18,380
Consolidated revenue	685,711	624,764

	Total	Total
	2013	2012
Expenses	$'000	$'000
Service fees and other direct costs	258,411	231,721
Stockbroking service fees expense	24,172	21,273
Amortisation of deferred acquisition costs	5,786	6,568
Operating expenditure	252,547	226,508
Share-based payments expense	5,657	3,013
Depreciation and amortisation	28,055	24,738
Impairment	4,578	9,174
Consolidated expenses	579,206	522,995

Notes to the financial statements

For the year ended 30 June 2013

	Platform management and administration		Investment management		Financial advice and distribution		Trustee services		Corporate and other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External management and service fee revenue	346,372	315,159	123,284	122,148	92,955	67,850	20,325	19,118	-	-	582,936	524,275
External other fee revenue	8,864	8,374	6,053	3,762	9,232	7,192	3,091	2,175	344	-	27,584	21,503
Inter-segment revenue (i)	-	-	-	-	74,715	68,427	-	-	137	-	74,852	68,427
Service fees and other direct costs	(88,609)	(84,669)	(51,885)	(47,387)	(118,072)	(99,984)	163	148	(8)	171	(258,411)	(231,721)
Stockbroking service fees expense	-	-	-	-	(24,172)	(21,273)	-	-	-	-	(24,172)	(21,273)
Amortisation of deferred acquisition costs	(2,690)	(3,812)	-	-	(3,096)	(2,756)	-	-	-	-	(5,786)	(6,568)
Inter-segment expenses (i)	(73,798)	(67,627)	(741)	(665)	(113)	48	(200)	(183)	-	-	(74,852)	(68,427)
Gross Margin	190,139	167,425	76,711	77,858	31,449	19,504	23,379	21,258	473	171	322,151	286,216
Stockbroking revenue	-	-	-	-	64,429	56,665	-	-	-	-	64,429	56,665
Other external revenue	-	120	2,078	2,233	2,542	1,302	-	5	158	281	4,778	3,941
Finance income (ii)	-	5	760	1,137	1,504	1,768	-	-	3,720	15,470	5,984	18,380
Inter-segment revenue (i)	-	-	-	-	212	271	-	-	-	53	212	324
Share of net profits of associates	(21)	(8)	6,696	7,626	1,025	563	-	-	-	-	7,700	8,181
Operating expenditure	(85,344)	(78,769)	(38,365)	(36,038)	(73,294)	(61,632)	(15,458)	(14,257)	(40,086)	(35,812)	(252,547)	(226,508)
Share-based payments expense	(1,251)	(710)	(896)	(818)	(2,144)	(727)	41	(102)	(1,407)	(656)	(5,657)	(3,013)
Finance costs	-	-	(366)	(534)	(110)	(47)	-	-	(3,531)	(2,005)	(4,007)	(2,586)
Inter-segment expenses (i)	(30)	(90)	(30)	(53)	-	-	-	-	(152)	(181)	(212)	(324)
Impairment	-	-	(4,578)	(7,823)	-	(172)	-	-	-	(1,179)	(4,578)	(9,174)
Depreciation and amortisation	(14,585)	(13,026)	(2,811)	(2,737)	(10,124)	(8,527)	(135)	(195)	(400)	(253)	(28,055)	(24,738)
Reportable segment profit before income tax	88,908	74,947	39,199	40,851	15,489	8,968	7,827	6,709	(41,225)	(24,111)	110,198	107,364

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

(ii) Finance income includes a $nil fair value gain on investment in DKN (2012: $9,587,000) in the corporate and other segment.

Geographical segments

The IOOF Group predominantly operates in one geographical segment being Australia.

7 Revenue

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Management and service fees revenue	582,936	524,275	-	-
Stockbroking revenue	64,429	56,665	-	-
Other fee revenue	27,584	21,503	-	-
Finance income				
Interest income on loans to Directors of controlled and associated entities	408	621	-	-
Interest income from related entities	-	-	838	1,685
Interest income from non-related entities	4,406	6,354	152	769
Dividends and distributions received	594	1,378	84,352	87,177
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	240	(276)	-	-
Profit on sale of financial assets	336	716	-	-
Fair value gain on investment in DKN	-	9,587	-	-
	5,984	18,380	85,342	89,631
Other revenue				
Service revenue charged to related parties	2,027	2,222	12,060	-
Other	2,751	1,719	-	3
	4,778	3,941	12,060	3
Total revenue	685,711	624,764	97,402	89,634

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For the year ended 30 June 2013

8 Expenses

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Service fees and other direct costs				
Service and marketing fees expense	246,002	220,481	-	-
Stockbroking service fees expense	24,172	21,273		
Other direct costs	12,409	11,240	-	-
	282,583	252,994	-	-
Operating expenditure				
Salaries and related employee expenses	144,692	128,231	-	-
Employee defined contribution plan expense	9,753	9,427	-	-
Information technology costs	35,928	34,940	-	-
Professional fees	5,331	4,925	531	744
Marketing	9,756	9,456	-	-
Office support and administration	15,088	13,831	1,027	688
Occupancy related expenses	15,555	13,354	-	-
Travel and entertainment	5,564	5,227	-	-
Other	51	230	150	-
	241,718	219,621	1,708	1,432
Other expenses				
Share-based payments expense	5,657	3,013	-	-
Acquisition transition costs	838	3,119	-	-
Termination and retention incentive payments	6,534	3,705	-	-
Depreciation of property and equipment	4,451	4,386	-	-
Amortisation of intangible assets	23,604	20,352	-	-
Loss on disposal of non-current assets	495	63	-	-
Impairment	4,578	9,174	-	-
Recognition of Plan B onerous lease contracts	2,962	-	-	-
Amortisation of deferred acquisition costs	5,786	6,568	-	-
Write down of investment in subsidiary	-	-	1,276	-
	54,905	50,380	1,276	-
Total expenses	579,206	522,995	2,984	1,432

9 Finance costs

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Interest	4,007	2,586	3,932	2,744

10 Income tax expense

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current tax expense				
Current period	33,442	35,577	(765)	(1,114)
Adjustment for prior periods	(1,005)	(754)	31	6,746
Revenue losses not recognised	704	-	-	-
	33,141	34,823	(734)	5,632
Deferred tax expense				
Origination and reversal of temporary differences	(3,389)	(3,744)	300	113
Adjustments recognised in the current year in relation to the deferred tax of prior years	253	(6,103)	(31)	(13,701)
Recognition of tax losses and deferred tax balances	(239)	62,689	(53)	(31)
	(3,375)	52,842	216	(13,619)
Total income tax expense from continuing operations	**29,766**	**87,665**	**(518)**	**(7,987)**
Income tax recognised in other comprehensive income				
Available-for-sale financial assets				
Before tax	1,852	(65)	-	-
Tax (expense)/benefit	(533)	3,509	-	-
Net of tax	1,319	3,444	-	-
Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense charged in the income statement				
Profit before income tax	129,765	104,060	90,486	85,458
Life statutory revenue	(84,682)	(52,528)	-	-
Life statutory expenses	65,115	55,832	-	-
Shareholder profit before income tax	110,198	107,364	90,486	85,458
Prima facie income tax at the Australian tax rate of 30%	33,059	32,209	27,146	25,637
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Share of tax credits with statutory funds	1,651	1,418	-	-
Internal interest charge	(101)	(84)	-	-
(Non assessable income)/Non-deductible expenses	3,724	6,382	(24,902)	(25,938)
Recognition of deferred taxes on intangible assets	-	62,689	-	-
Revenue losses not recognised	704	-	(53)	-
Unwind of deferred taxes on intangible assets	(5,435)	(1,915)		-
Share of net profits of associates	(2,310)	(2,454)	-	-
Assessable associate and subsidiary dividends	3,787	5,966	-	-
Imputation credits	(3,927)	(6,280)	(21)	-
Other	(634)	(3,409)	(2,688)	(731)
Under/(over) provided in prior periods	(752)	(6,857)	-	(6,955)
	29,766	**87,665**	**(518)**	**(7,987)**

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For the year ended 30 June 2013

Tax consolidation

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

The entities have entered into tax sharing and funding agreements. Under the terms of the tax funding agreement, the wholly owned entities fund or are reimbursed by IOOF Holdings Ltd for their share of the income tax expense / benefit arising in respect of their activities. This is recognised as a current tax related payable / receivable by IOOF Holdings Ltd and is either funded or reimbursed by the wholly owned entities.

In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by IOOF Holdings Ltd.

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

11 Cash and cash equivalents

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Bank balances	**98,252**	**113,344**	**11,452**	**1,912**

The IOOF Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 4 Risk management.

12 Receivables

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Receivables	40,979	39,300	8,262	8,933
Interest receivable - related parties	130	59	-	-
Dividends and distributions receivable	25	-	-	-
Security bond	5,367	5,069	-	-
Other debtors	975	274	-	-
Accrued income	22,177	20,803	6	6
	69,653	**65,505**	**8,268**	**8,939**

The IOOF Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 4 Risk management.

13 Other financial assets

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Fair value through profit or loss				
Certificates of deposit and bank bills	203	2,569	-	-
Shares in listed companies	209	228	-	-
Unlisted unit trusts	233	2,808	101	-
	645	5,605	101	-
Available-for-sale investments	9,029	7,177	-	-
Loans and other receivables				
Loans to directors and executives (note 34)	10,392	10,148	-	-
Seed capital receivable	7,153	7,153	-	-
Receivables from statutory benefit funds and other related parties	-	425	172,440	155,301
Other	24	9	-	-
	17,569	17,735	172,440	155,301
Investments carried at cost less accumulated impairment				
Investments in subsidiaries	-	-	845,980	849,796
Investments in associates	-	-	1,085	864
	-	-	847,065	850,660
	27,243	**30,517**	**1,019,606**	**1,005,961**

14 Other assets

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Prepayments	15,189	10,117	7,057	163
Deferred acquisition costs	8,112	11,103	-	-
	23,301	**21,220**	**7,057**	**163**

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15 Equity-accounted investees

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Investment in associated entities	27,770	26,278	-	-
Carrying value				
Balance at 1 July	26,278	14,739	-	-
Interests acquired in equity-accounted investees	318	655	-	-
Acquisition through business combination	-	12,751	-	-
Impairment	-	(172)	-	-
Disposals	(20)	(460)	-	-
Dividends from equity-accounted investees	(6,506)	(9,416)	-	-
Share of profits of associates accounted for using the equity method (net of tax)	7,700	8,181	-	-
Balance at 30 June	27,770	26,278	-	-

Name of entity	Country of incorporation	Ownership interest		Carrying value	Group's share of profit/(loss)
		2013	2012		
		%	%	$'000	$'000
Associates					
Perennial Value Management Ltd (i)	Australia	52.4	52.4	9,089	6,695
Police & Nurses Financial Planning Pty Ltd	Australia	35.0	35.0	967	(13)
Kiewa Street Planners Pty Ltd	Australia	40.0	40.0	1,243	68
Goldsborough Consultants Pty Ltd	Australia	41.0	41.0	2,508	209
Thornton Group (SA) Pty Ltd	Australia	43.1	41.0	5,385	442
MW Planning Pty Ltd	Australia	31.0	31.0	2,306	(8)
Moneyplan Australia Pty Ltd	Australia	20.0	20.0	967	82
StrategyOne Unit Trust	Australia	25.0	25.0	896	22
Other associates				4,409	203
				27,770	7,700

(i) At 30 June 2013, Perennial Investment Partners Ltd had a 52.4% (30 June 2012: 52.4%) shareholding interest in Perennial Value Management Ltd with a 42.4% (30 June 2012: 42.4%) dividend entitlement (beneficial interest) to the profits of Perennial Value Management Ltd. Due to the voting rights associated with different classes of shares in Perennial Value Management Ltd, this ownership interest does not result in control. However, Perennial Investment Partners Ltd can significantly influence Perennial Value Management Ltd under the terms of the agreement between these entities.

The IOOF Group's share of profit in its equity accounted investees for the year was $7,700,000 (2012: $8,181,000). A summary of financial information of the investments accounted for using the equity method, not adjusted for the percentage ownership held by the IOOF Group follows.

	Assets	Liabilities	Revenues	Net profit
	$'000	$'000	$'000	$'000
30 June 2013				
Investment in associated entities	45,979	9,951	68,692	22,665
30 June 2012				
Investment in associated entities	44,238	18,599	61,352	21,158

None of the IOOF Group's equity-accounted investees are publicly listed entities and consequently do not have published price quotations.

Dividends received from associates

During the year, the IOOF Group was entitled to receive dividends of $6,506,000 (2012: $9,416,000) from its associates.

16 Property and equipment

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cost or deemed cost	37,619	46,076	-	-
Accumulated depreciation	(25,993)	(32,198)	-	-
	11,626	13,878	-	-

	Consolidated			
	Office equipment	Leasehold improvements	Equipment under finance lease	Total
	$'000	$'000	$'000	$'000
Carrying value				
Balance at 1 July 2011	6,262	6,259	32	12,553
Acquisitions through business combinations	396	345	-	741
Additions	1,464	1,766	2,149	5,379
Disposals	(39)	(350)	(20)	(409)
Depreciation/amortisation	(2,326)	(1,720)	(340)	(4,386)
Balance at 30 June 2012	5,757	6,300	1,821	13,878
Balance at 1 July 2012	5,757	6,300	1,821	13,878
Acquisitions through business combinations (see note 30)	567	312	64	943
Additions	1,533	317	-	1,850
Disposals	(594)	-	-	(594)
Depreciation/amortisation	(2,246)	(1,821)	(384)	(4,451)
Balance at 30 June 2013	5,017	5,108	1,501	11,626

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For the year ended 30 June 2013

17 Deferred tax assets and liabilities

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred tax asset balance comprises temporary differences attributable to:				
Employee benefits	8,562	7,998	-	-
Staff incentives	3,727	2,745	-	-
Impairment of receivables	329	208	-	-
Provision for legal costs	267	394	-	-
Provisions, accruals and creditors	6,021	5,332	-	-
Fixed assets and computer software	-	1,297	-	1
Unrealised investment gains and losses	-	185	-	-
Carry forward capital and revenue losses	1,201	762	1,056	500
Deferred fee income	1,915	2,735	-	-
Other	1,526	1,109	38	7
Deferred tax asset balance as at 30 June	23,548	22,765	1,094	508
Set-off of deferred tax liabilities pursuant to set-off provisions	(23,548)	(22,765)	(2)	(2)
Net deferred tax asset balance as at 30 June	-	-	1,092	506
Deferred tax liability balance comprises temporary differences attributable to:				
Unrealised gains	300	-	-	-
Deferred acquisition costs	2,434	3,331	-	-
Accrued income	1,854	2,889	(2)	(2)
Fixed assets and computer software	893	-	-	-
Customer relationships	74,718	74,577	-	-
Prepayments	1,646	283	-	-
Other	11	-	-	-
	81,856	81,080	(2)	(2)
Set-off of deferred tax liabilities pursuant to set-off provisions	(23,548)	(22,765)	2	2
Net deferred tax liability balance as at 30 June	58,308	58,315	-	-
Reconciliation of movements				
Net carrying amounts at the beginning of the year	(58,315)	(4,074)	506	(13,113)
Acquisitions and disposals	(2,835)	(11,802)	802	-
Credited/(charged) to profit or loss (Note 10)	3,375	(52,842)	(216)	13,619
Temporary differences directly attributable to equity	(533)	3,509	-	-
Uncertain tax position	-	6,894	-	-
Carrying amount at the end of the year	(58,308)	(58,315)	1,092	506

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deductible temporary differences	-	-	-	-
Tax losses	2,347	1,908	-	-
	2,347	**1,908**	**-**	**-**
Potential tax benefit	704	572	-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the IOOF Group can utilise the benefits there from.

18 Goodwill

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cost	595,099	576,804	-	-
Accumulated impairment	(17,009)	(12,432)	-	-
	578,090	**564,372**	**-**	**-**

	Consolidated	
	2013	2012
	$'000	$'000
Carrying value		
Balance at 1 July	564,372	491,856
Acquisition through business combination (see note 30)	22,492	80,339
Derecognised on subsidiary disposal	(4,196)	-
Impairment	(4,578)	(7,823)
Balance at 30 June	**578,090**	**564,372**

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the IOOF Group's operating divisions, or cash-generating units (CGUs), which represent the lowest level within the IOOF Group at which the goodwill is monitored for internal management purposes.

Each CGU is not higher than the IOOF Group's operating segments as reported in Note 6 operating segments.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Consolidated	
	2013	2012
	$'000	$'000
Platform management and administration	329,213	329,213
Multi manager	39,735	39,735
Perennial group	97,814	102,392
Consultum	723	723
IOOF Ltd	11,970	11,970
DKN	80,339	80,339
Plan B	18,296	-
	578,090	**564,372**

The recoverable amounts for the relevant CGUs have been determined based on value-in-use calculations using first year cash flow projections from 2014 financial budgets approved by management and the Board. The manner in which the IOOF Group conducts each impairment assessment for years 2 to 5 and into perpetuity is discussed below for each relevant CGU.

CGU	Consultum	Perennial group	Multi manager	IOOF Ltd	DKN	Platform management & administration
Value in Use element						
Cash inflows years 2 - 5	A	C	B	D	B	B
Cash outflows years 2 - 5	E	E	E	D	E	E
Cash flows - perpetuity	2.2% growth from year 5	2.5% growth from year 5	2.5% growth from year 5	D	2.5% growth from year 5	2.5% growth from year 5

A Reserve Bank of Australia forecast GDP growth rate[2]

B Observed Australian managed funds annual compounding growth for March 2008 to March 2013[1]

C Observed Australian equities and units in managed funds annual compounding growth for March 2008 to March 2013[1]

D Observed Australian friendly societies annual compounding rate of decline for March 2008 to March 2013[1]

E Blended rate of the underlying Australian forecast inflation levels and the applicable Reserve Bank of Australia GDP growth rate[2]

The growth rates applied do not exceed the long-term average growth rate for businesses in which each CGU operates. The pre-tax discount rate of 13.1% (2012: 16.5%) used reflects the IOOF Group's pre-tax nominal weighted average cost of capital and has declined from prior year due to reductions in the applicable risk free rate component. Management's assessment of goodwill's value-in-use exceeds the value of goodwill allocated to these CGUs, therefore any reasonably possible changes to assumptions used in management's assessment will not result in impairment.

Management has applied post tax WACC increments of 1% for Perennial Group and 3.5% for Consultum to reflect specific company risk premiums. These incremental amounts are judgement based and are consistent with accepted valuation industry practice.

In respect of the Perennial Group, goodwill has arisen from the acquisition of equity in Perennial Investment Partners Ltd and Perennial Fixed Interest Partners Pty Ltd while further goodwill has been recorded upon the recognition of an obligation the IOOF Group may have under various shareholder agreements to acquire shares in certain Perennial subsidiaries.

1 source - ABS 5655.0 Managed Funds Australia

2 source - RBA Statement of Monetary Policy

19 Other intangible assets

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cost	387,211	356,645	-	-
Accumulated amortisation and impairment losses	(83,167)	(63,924)	-	-
	304,044	292,721	-	-

	Consolidated					
	Adviser relationships	Computer software	Customer relationships	Brand names	Contract agreements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying value						
Balance at 1 July 2011	1,773	3,915	225,171	21,051	7,087	258,997
Acquisition through business combination	-	572	45,800	500	-	46,872
Additions	2,868	2,900	2,114	-	-	7,882
Disposals	(537)	(141)	-	-	-	(678)
Amortisation for the year	(253)	(1,292)	(17,036)	(800)	(971)	(20,352)
Balance at 30 June 2012	3,851	5,954	256,049	20,751	6,116	292,721
Balance at 1 July 2012	3,851	5,954	256,049	20,751	6,116	292,721
Acquisition through business combination (see note 30)	-	7,421	13,600	1,400	-	22,421
Additions	4,287	5,443	3,054	-	-	12,784
Disposals	(171)	(107)	-	-	-	(278)
Amortisation for the year	(852)	(1,788)	(19,192)	(801)	(971)	(23,604)
Balance at 30 June 2013	7,115	16,923	253,511	21,350	5,145	304,044

Impairment testing for cash-generating units containing indefinite life intangible assets

For the purposes of impairment testing, indefinite life intangibles are allocated to the IOOF Group's operating divisions, or CGUs, which represent the lowest level within the IOOF Group at which the goodwill is monitored for internal management purposes.

Each CGU is not higher than the IOOF Group's operating segments as reported in Note 6 operating segments.

The aggregate carrying amounts of indefinite-life intangible assets allocated to each CGU are as follows:

	Consolidated	
	2013	2012
	$'000	$'000
Ord Minnett group	6,773	6,773
Lonsdale	500	500
Plan B group	1,400	-
	8,673	7,273

The indefinite life intangible asset relates to the Ord Minnett, Lonsdale and Plan B brand names. In designating brand names as indefinite life, consideration was given to the length of time the brand names have been in existence and it was determined that there is no foreseeable limit to the period over which the brand names are expected to generate net cash inflows for the IOOF Group.

The recoverable amount for the brand names have been determined based on a royalty savings method of calculating value in use. The calculation incorporates estimated costs of brand maintenance. The discount rate of 13.1% (2012: 16.5%) used reflects the Group's pre-tax nominal weighted average cost of capital. Management's assessment of indefinite life intangible value-in-use exceeds the value of the intangible asset allocated to the CGU, therefore any reasonably possible changes to assumptions used in management's assessment will not result in impairment.

20 Payables

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Accounts payable	20,947	33,075	-	-
Payables to statutory funds and other related parties	6,859	-	-	-
Income received in advance	757	1,058	-	-
Accrued expenses	24,431	23,786	153	106
Goods and service tax payable	4,115	3,996	7	3
	57,109	**61,915**	**160**	**109**

Payables are non-interest bearing and are expected to be paid within 12 months from the financial year end. The IOOF Group's exposure to currency risk is disclosed in Note 4 Risk management.

21 Borrowings

This note provides information about the contractual terms of the IOOF Group's interest-bearing borrowings, which are measured at amortised cost.

For more information about the IOOF Group's exposure to interest rate and liquidity risk, see Note 4 Risk management.

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash Advance & Working Capital Facility drawn - Commonwealth Bank of Australia [(a)]	105,000	55,000	105,000	55,000
Loan from controlled entity	-	-	2,000	16,000
Finance lease liabilities [(c)]	1,615	1,791	-	-
	106,615	**56,791**	**107,000**	**71,000**

(a) Cash Advance & Working Capital Facility

The cash advance facilities and working capital facility is provided under an Australian dollar line of credit facility, to which unrestricted access was available at balance date as follows:

	Consolidated	
	2013	2012
	$'000	$'000
Total facilities	130,000	100,000
Used at 30 June	105,000	55,000
Unused at 30 June	**25,000**	**45,000**

During the period the IOOF Group drew down $50 million of the Commonwealth Bank of Australia (CBA) facility with a fixed term of three years at a variable interest rate for the purposes of acquiring Plan B.

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

Further information about the IOOF Group's exposure to risks arising from borrowings is provided in Note 4 Risk management.

(b) Other bank facilities

In addition to the cash advance and working capital facilities, the IOOF Group has a number of facilities with the Commonwealth Bank of Australia. These include equipment finance, MasterCard and contingent liability facilities. The aggregate of these facilities are $36.35 million.

(c) Finance lease liabilities

	Consolidated 2013		Consolidated 2012	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
	$'000	$'000	$'000	$'000
Finance lease liabilities of the Group are payable as follows:				
Less than one year	611	543	482	408
Between one and five years	1,133	1,072	1,488	1,383
	1,744	1,615	1,970	1,791
Less future finance charges	(129)		(179)	
	1,615		1,791	

22 Other financial liabilities

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Contingent consideration	4,402	1,525	-	-
Share buy-back liability (i)	25,857	27,846	-	-
	30,259	29,371	-	-

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

Further information about the Group's exposure to risks arising from other financial liabilities is provided in Note 4 Risk management.

23 Provisions

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Employee entitlements	44,463	38,351	-	-
Directors' retirement	341	282	-	-
Onerous contracts	2,375	259	-	-
Other provisions	889	1,313	-	-
	48,068	40,205	-	-

	Consolidated				
	Directors' retirement	Onerous contracts	Employee entitle-ments	Other	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	282	259	38,351	1,313	40,205
Assumed in a business combination	-	-	2,645	2,452	5,097
Provisions made during the period	59	2,962	24,339	974	28,334
Provisions utilised during the period	-	(846)	(20,872)	(3,850)	(25,568)
Balance at 30 June 2013	341	2,375	44,463	889	48,068

Directors' retirement provision

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

Onerous contracts

The provision for onerous contracts represents the estimated present value of future lease payments net of anticipated recoveries from third parties, that the Group is presently obligated to make under non-cancellable operating lease contracts. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. Provisions made during the period include the recognition of Plan B onerous lease contracts. The unexpired term of these leases is less than 6 years.

Employee entitlements

The provision for employee benefits includes provisions for remuneration in the form of incentive plans and expected leave benefits that employees have earned in return for their service in the current and prior periods plus related on-costs.

Other provisions

Other provisions have been made for the present value of the Directors' best estimates of legal settlements. The information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of litigation.

Other provisions included $2.5m dividends which was assumed in a business combination and paid to Plan B shareholders.

24 Other liabilities

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred revenue liability	8,552	11,387	-	-
Lease incentives	2,672	2,988	-	-
	11,224	**14,375**	**-**	**-**

25 Share capital

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
232,118,034 fully paid ordinary shares (2012: 232,037,606)	869,269	869,070	869,269	869,070
836,078 treasury shares (2012: nil)	(6,948)	-	-	-
	862,321	**869,070**	**869,269**	**869,070**

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Ordinary shares				
On issue at 1 July	232,038	869,070	231,904	868,451
Adviser performance rights vested during the year (note 31)	-	384	-	427
Issue of shares on exercise of options under executive and employee share option plan (note 31)	80	3,186	134	1,094
Employee performance rights vested during the year (note 31)	-	542	-	736
Transfer from employee equity-settled benefits reserve on exercise		1,036		444
Treasury shares transferred to employees during the year	-	(4,169)	-	-
On-market purchase of shares transferred to employees during the year	-	(780)	-	(2,082)
On issue at 30 June	232,118	869,269	232,038	869,070
Treasury shares				
On issue at 1 July	-	-	-	-
Purchase of treasury shares	(1,405)	(11,117)	-	-
Treasury shares transferred to employees during the year	569	4,169	-	-
On issue at 30 June	(836)	(6,948)	-	-
	231,282	862,321	232,038	869,070

Treasury shares

Treasury shares are shares bought or transferred to the IOOF Executive Performance Share Plan Trust in respect of the employee share scheme. The Executive Performance Share Trust is controlled by the Group and is therefore consolidated.

	Parent			
	2013		2012	
	No. '000	$'000	No. '000	$'000
Ordinary shares				
On issue at 1 July	232,038	869,070	231,904	868,451
Adviser performance rights vested during the year (note 31)	-	384	-	427
Issue of shares on exercise of options under executive and employee share option plan (note 31)	80	3,186	134	1,094
Employee performance rights vested during the year (note 31)	-	542	-	736
Transfer from employee equity-settled benefits reserve on exercise of options (note 26)	-	1,036	-	444
Treasury shares transferred to employees during the year	-	(4,169)	-	-
On-market purchase of treasury shares transferred to employees during the year	-	(780)	-	(2,082)
On issue at 30 June	232,118	869,269	232,038	869,070

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Capital risk management

The Group's and the Company's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back its shares on market, issue new shares, sell assets, or otherwise adjust debt levels.

The Group and the Company monitor capital on the basis of investment capital, working capital and regulatory capital.

Investment capital is the Group's capital that is not required for regulatory and working capital requirements of the business. The investment capital is invested in:

- bank bills and deposits;
- subsidiaries;
- available-for-sale assets;
- unit trusts, as investments; and
- Group operated unit trusts, as seed capital.

The investment capital is available to support the organic development of new businesses and products and to respond to investment and growth opportunities such as acquisitions, as they arise. The seed capital is primarily available to support the business in establishing new products and is also used to support capital adequacy requirements of the benefit funds.

Working capital is the capital that is required to meet the day to day operations of the business.

Regulatory capital is the capital which the Group is required to hold as determined by legislative and regulatory requirements in respect of its life insurance business and financial services licensed operations. During the year, the Group has complied with all externally imposed capital requirements to which it is subject.

Each subsidiary manages its own capital required to support planned business growth and meet regulatory requirements. Australian Prudential Regulation Authority (APRA) regulated subsidiaries have their own capital management plan which specifically addresses the regulatory requirements of that entity and sets a target surplus over minimum regulatory requirements. Regular monitoring of regulatory requirements ensures sufficient capital is available and appropriate planning is made to retain target surpluses. IOOF Holdings Ltd is primarily the provider of equity capital to its subsidiaries. Such investment is funded by IOOF Holding Ltd's own investment capital, through capital issues, profit retention and, in some instances, by debt.

Subsidiary capital generated in excess of planned requirements is returned to IOOF Holdings Ltd, usually by way of dividends.

A standby facility is in place as a safeguard against a temporary need for funds and to provide a short term funding facility that allows the business to take advantage of acquisition opportunities as they arise.

The weighted average cost of capital is regularly monitored. Funding decisions take into consideration the cost of debt versus the cost of equity with emphasis on the outcome that is best for shareholder interests.

During 2013, the Group's capital risk management strategy was unchanged from 2012.

Further information in relation to capital adequacy requirements imposed by the Life Insurance Act is provided in note 40(h) Statutory Funds – Capital Adequacy Position.

26 Reserves

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Asset revaluation reserve	-	1,072	-	-
Available-for-sale investment revaluation reserve	1,638	319	-	-
Business combinations reserve	(326)	(301)	-	-
Share buy back revaluation reserve	(13,389)	(14,034)	-	-
Foreign currency translation reserve	14	-	-	-
Share-based payments reserve	5,975	3,458	9,491	7,053
	(6,088)	(9,486)	9,491	7,053
Asset revaluation reserve				
Balance at 1 July	1,072	1,072	-	-
Amount transferred to accumulated losses	(1,072)	-	-	-
Balance at 30 June	-	1,072	-	-

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.

Available-for-sale investment revaluation reserve				
Balance at 1 July	319	5,283	-	-
Valuation gain/(loss) recognised	1,852	(65)	-	-
Fair value gain on investment in DKN	-	(9,587)	-	-
Impairment loss recognised in profit or loss	-	1,179	-	-
Related income tax	(533)	3,509	-	-
Balance at 30 June	1,638	319	-	-

The available-for-sale investment revaluation reserve arose on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

Business combinations reserve				
Balance at 1 July	(301)	(301)	-	-
Non- controlling interest in subsidiaries acquired	(25)	-	-	-
Balance at 30 June	(326)	(301)	-	-
Share buy back revaluation reserve				
Balance at 1 July	(14,034)	(19,097)	-	-
Valuation gain/(loss) recognised	645	5,063	-	-
Derecognition of non-controlling interest subject to buy-back	-	-	-	-
Balance at 30 June	(13,389)	(14,034)	-	-
Foreign currency translation reserve				
Balance at 1 July	-	-	-	-
Foreign currency translation differences for foreign operations	14	-	-	-
Balance at 30 June	14	-	-	-

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share-based payments reserve				
Balance at 1 July	3,458	5,287	7,053	8,246
Share-based payments expense recognised (note 8)	5,657	3,013	-	-
Share-based payment expense recognised in controlled entities	-	-	5,578	2,950
Replacement share-based payment awards on acquisition of subsidiary (note 30)	-	234	-	-
Transfer of lapsed share options to retained profits (note 27)	(1,178)	(3,469)	(1,178)	(2,536)
Transfer to issued capital on exercise of options (note 31)	(1,036)	(444)	(1,036)	(444)
Adviser performance rights vested during the year (note 31)	(384)	(427)	(384)	(427)
Performance rights vested during the year (note 31)	(542)	(736)	(542)	(736)
Balance at 30 June	5,975	3,458	9,491	7,053

The equity-settled employee benefits reserve arises on the grant of performance rights and share options to executives and senior employees under the employee share plan. Amounts are transferred out of the reserve and into issued capital when the shares are transferred to employees or options are exercised.

Further information about share-based payments to employees is made in note 31 to the financial statements.

Notes to the financial statements

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27 Retained profits/(losses)

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at 1 July	(47,138)	25,126	44,388	43,513
Profit for the period attributable to owners of the Company	79,769	19,373	91,004	93,445
Transfer of asset revaluation reserve	1,072	-	-	-
Transfer of lapsed share options from reserves (note 26)	1,178	3,469	1,178	2,536
Dividends paid	(87,020)	(95,106)	(87,025)	(95,106)
Balance at 30 June	**(52,139)**	**(47,138)**	**49,545**	**44,388**

Consolidated dividends paid exclude the dividends paid to the IOOF Executive Share Plan Trust on Treasury Shares held.

28 Dividends

The following dividends were declared and paid by the Group:

	Cents per share	Total amount $'000	Date of payment	Franked / unfranked
2013				
Interim 2013 dividend	19.5	45,258	10 April 2013	Franked
Final 2012 dividend	18.0	41,767	17 October 2012	Franked
	37.5	**87,025**		
2012				
Interim 2012 dividend	19.0	44,087	04 April 2012	Franked
Final 2011 dividend	22.0	51,019	20 October 2011	Franked
	41.0	**95,106**		

Franked dividends declared or paid during the year were franked at the tax rate of 30 per cent.

Dividend amounts shown are inclusive of any dividends paid on Treasury Shares.

After 30 June 2013 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total amount $'000	Date of payment	Franked / unfranked
Final 2013 dividend	22.5	52,227	16 October 2013	Franked

	Company	
	2013	2012
	$'000	$'000
Dividend franking account 30 per cent franking credits available to shareholders of IOOF Holdings Ltd for subsequent financial years	**50,787**	**42,709**

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities; and

(b) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends declared after the balance date but not recognised as a liability is to reduce it by $22,383,000 (2012: $17,900,000).

29 Earnings per share

	Consolidated	
	2013	2012
	cents	cents
Basic earnings per share	34.4	8.4
Diluted earnings per share	34.1	8.3

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	$'000	$'000
Profit for the period attributable to owners of the Company	79,769	19,373
Earnings used in the calculation of basic EPS	**79,769**	**19,373**

	No. '000	No. '000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares (basic)	231,886	231,985
Effect of unvested performance rights	1,974	547
Effect of share options on issue	386	106
Weighted average number of ordinary shares (diluted)	**234,246**	**232,638**

At 30 June 2013, 542,868 options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would not have been dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

30 Acquisition of subsidiary

On 27 September 2012, the IOOF Group gained control of Plan B by acquiring 100% of shares via a Bid Implementation Deed. The acquisition price was $0.57 per share and resulted in a total consideration payable to shareholders of $46.6 million.

Plan B Group Holdings Limited is a boutique wealth management company with operations in Australia and New Zealand, offering wealth management and administration services to clients. The Company operates a vertically integrated business model with coverage of all components of the wealth management value chain including advice, administration and investment management. It also provides an array of services including trustee and estate planning, mortgage broking and insurance.

In the period from acquisition to 30 June 2013, Plan B contributed revenue of $35,350,000 and a profit of $5,333,000 to the IOOF Group's results. This excludes integration and transaction costs and recognition of onerous lease contracts of $4,772,000.

If the acquisition had occurred on 1 July 2012, management estimates that the consolidated revenue would have been $697,230,000 and consolidated profit for the period would have been $83,608,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2012.

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

Consideration transferred

	$'000
Cash	46,609
Cash balances acquired	(6,627)
Net outflow of cash	**39,982**

	Acquiree's carrying amounts on acquisition	Fair value adjustments	Values recognised on acquisition
	$'000	$'000	$'000
Identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	6,627	-	6,627
Receivables	3,776	-	3,776
Current tax receivable	631	-	631
Other assets	818	-	818
Property and equipment	943	-	943
Other financial assets	1,514	-	1,514
Computer software	21	-	21
Intangible assets	-	22,400	22,400
Deferred tax assets	317	438	755
Payables	(2,895)	-	(2,895)
Other financial liabilities	(433)	-	(433)
Borrowings	(755)	-	(755)
Provisions	(5,097)	-	(5,097)
Other liabilities	(1,117)	995	(122)
Total net identifiable assets	4,350	23,833	28,183
Non-controlling interest in net identifiable assets			14
Acquired interest in net identifiable assets			28,197

The fair values of intangible assets (customer relationships, brand names and information technology) have been determined by an independent valuer.

Goodwill

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

	$'000
Cash consideration transferred	46,609
Fair value of identifiable assets	(28,197)
Deferred tax liability recognised on intangibles	4,080
Goodwill acquired	22,492

The goodwill is attributable mainly to the skilled workforce and the synergies expected to be achieved from integrating Plan B into the IOOF Group. None of the goodwill is expected to be deductible for tax purposes.

Acquisition-related costs

The IOOF Group incurred acquisition costs of $838,000 relating to external legal fees and due diligence costs. These amounts have been included in other costs disclosed in note 8.

31 Share-based payments

The IOOF Group operates a number of employee share and option schemes under the IOOF Executive and Employee Share Option Plan, the IOOF Executive Performance Share Plan, the Non-Executive Director Share Purchase Plan, IOOF Adviser Performance Rights Plan and the IOOF Deferred Share Plan for the Managing Director.

IOOF Executive and Employee Share Option Plan

The IOOF Group has an ownership-based compensation scheme for executives and senior employees. The establishment of the employee share option plans were approved by the Board of Directors.

Selected employees may be granted options which entitle them to purchase ordinary fully paid shares in the Company at a price fixed at the time the options are granted. Voting and dividend rights will be attached to the unissued ordinary shares when the options have been exercised. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Remuneration and Nominations Committee regards the grant of options to employees as an appropriate long-term incentive and retention component of total remuneration for executives and senior employees. It is expected that future annual grants of options will be made, the vesting of which will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with the IOOF Group.

Options granted under the plan carry no dividend or voting rights. All plans are equity-settled.

IOOF Executive Performance Share Plan

The IOOF Executive Performance Share Plan is the vehicle used to deliver equity based incentives to executives and senior employees of the IOOF Group.

Each employee receives ordinary shares of the Company on vesting of the performance rights. No amounts are paid or payable by the recipient on receipt of the performance rights or on vesting. The performance rights carry neither rights to dividends nor voting rights prior to vesting.

The Remuneration and Nominations Committee regards the grant of performance rights to employees as an appropriate long-term incentive and retention component of total remuneration for executives and senior employees. It is expected that future annual grants of performance rights will be made, subject to the Board's determination of the overall performance of the Company and market conditions. The vesting of any performance rights awarded will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with the IOOF Group.

Performance rights granted under the plan carry no dividend or voting rights. All plans are equity-settled.

Non-Executive Director Share Purchase Plan

Each Non-Executive Director is eligible to participate in the Non-Executive Director Share Purchase Plan. The Non-Executive Director Share Purchase Plan is a salary sacrifice plan and is not captured as a share based payment expense.

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Deferred Share Plan

A Short Term Incentive (STI) mandatory deferral program exists with equity deferral relating to a third of the Managing Directors' STI for each year.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options Series - Recipient	Exercise price	Earliest vesting date	Exercise period		Performance related vesting conditions
	$		Commence	Expires	
2012-02 Managing Director	6.81	1-Jul-14	1-Jul-14	1-Jul-17	Earnings per share & return on equity
2012-05 DKN Replacement	7.50	30-Sep-13	30-Sep-13	30-Sep-14	Nil
2010-05 Managing Director	6.93	23-Nov-13	23-Nov-13	23-Nov-16	Earnings per share & return on equity
2010-04 Executives	6.14	1-Jul-13	1-Jul-13	30-Jun-15	Nil
2010-03 Executives	7.01	4-May-13	4-May-13	4-May-16	Nil
2010-02 Senior Management	7.40	31-Jul-10	1-Aug-13	2-Aug-14	FUM target & earnings per share (1)
2009-20 Senior Management	5.68	31-Jul-09	1-Aug-12	2-Aug-13	FUM target & earnings per share (1)
2009-16 Managing Director	5.20	27-Nov-12	27-Nov-12	27-Nov-15	Earnings per share & return on equity
Legacy options series					
2009-09 Managing Director	9.99	30-Apr-09	30-Apr-09	22-Nov-12	Nil
2009-08 Senior Management	9.36	30-Apr-09	30-Apr-09	30-Jun-13	Nil
2009-07 Executives	9.36	30-Apr-09	30-Apr-09	30-Jun-13	Nil
2009-02 Senior Management	3.73	30-Apr-09	30-Apr-09	16-Jun-14	Nil
2009-01 Senior Management	2.98	30-Apr-09	30-Apr-09	15-Feb-14	Nil

(1) 25% of the options vest subject to achievement of the Perennial Group's three year Funds Under Management forecast and 25% based on the achievement of a compounding IOOF Group cash earnings per share in excess of 10% each year over the performance period. The remaining options and rights are subject to continuing employment with the Group.

On vesting of performance rights, ordinary shares are held in trust for up to two years from the vesting date, after which time they may remain in trust, be transferred to the employee's name or sold. The employee receives all dividends on the ordinary shares while held in trust. The vesting of all issuances is subject to continuing employment.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Performance Rights Series - Recipient	Exercise price	Earliest vesting date	Exercise period		Performance related vesting conditions
			Commence	Expires	
2013-05 Other Key Stakeholders	nil	30-Nov-14	30-Nov-14	30-Nov-14	Nil
2013-04 Other Key Stakeholders	nil	30-Nov-15	30-Nov-15	30-Nov-15	Compliance (2)
2013-03 Other Key Stakeholders	nil	30-Nov-15	30-Nov-15	30-Nov-15	Compliance (2)
2013-02 Managing Director	nil	30-Jun-15	30-Jun-15	30-Jun-15	TSR & RoE
2013-01 Executives	nil	30-Jun-15	30-Jun-15	30-Jun-15	TSR
2012-01 Managing Director	nil	01-Jul-14	01-Jul-14	01-Jul-17	TSR & RoE
2012-04 Executives	nil	30-Jun-14	30-Jun-14	30-Jun-14	TSR
2010-06 Managing Director	nil	23-Nov-13	23-Nov-13	23-Nov-16	TSR & RoE
2010-01 Senior Management	nil	31-Jul-10	31-Jul-10	31-Jul-15	FUM target & earnings per share (1)
2009-14 Managing Director	nil	27-Nov-12	27-Nov-12	27-Nov-15	TSR & RoE
2008-07 Senior Management	nil	31-Jul-09	31-Jul-09	31-Jul-14	FUM target & earnings per share (1)
Legacy performance rights series					
2009-18 Other Key Stakeholders	nil	30-Jun-12	30-Jun-12	30-Jun-12	Nil
2009-17 Senior Management	nil	01-Dec-12	01-Dec-12	01-Dec-14	TSR & earnings per share

(1) 25% of the rights vest subject to achievement of the Perennial Group's three year Funds Under Management forecast and 25% based on the achievement of a compounding IOOF Group cash earnings per share (EPS) in excess of 10% each year over the performance period. The remaining options and rights are subject to continuing employment with the Group.

(2) The compliance condition requires maintenance of authorised representative status, attendance at professional development days, compliance with CPD requirements and the achievement of a minimum compliance audit score.

	Options		Performance Rights	Deferred Shares	Total
	Weighted average exercise price	Number of options	Number of rights	Number of shares	Number of options, rights & shares
	$	No.	No.	No.	No.
Opening balance at 1 July 2012(3)	6.70	4,589,249	959,310	91,790	5,640,349
Forfeited or lapsed during the period	7.74	(1,124,329)	(44,010)	-	(1,168,339)
Exercised during the period(4)	5.91	(538,740)	(201,810)	(55,813)	(796,363)
Granted during the period	-	-	1,917,038	27,874	1,944,912
Outstanding at 30 June 2013	6.45	2,926,180	2,630,528	63,851	5,620,559
Exercisable at 30 June 2013	**6.78**	**331,250**	**-**	**-**	**331,250**

(3) The opening balance has been adjusted for 1,495 options that were reported as lapsed in the prior period.

(4) The following details the number of instruments exercised and the form of settlement.

	Number of instruments
	No.
New shares issued on exercise of options	80,428
Treasury shares allocated on exercise of instruments	715,935
Total instruments exercised during the financial year	**796,363**

Disclosure of share-based payment programmes

Series - Recipient	Exercise price	Opening balance as at 1 July 2012 (1)	Granted	Forfeited or Lapsed	Exercised	Closing balance as at 30 June 2013	Vested and Exercisable
Options							
2009-01 - Senior Management	2.98	53,619	-	-	(53,619)	-	-
2009-02 - Senior Management	3.73	26,809	-	-	(26,809)	-	-
2009-07 - Executives	9.36	147,452	-	(147,452)	-	-	-
2009-08 - Senior Management	9.36	184,968	-	(184,968)	-	-	-
2009-09 - Managing Director	9.99	134,048	-	(134,048)	-	-	-
2009-16 - Managing Director	5.20	316,624	-	-	(158,312)	158,312	-
2009-20 - Senior Management	5.68	150,000	-	(75,000)	-	75,000	75,000
2010-02 - Senior Management	7.40	150,000	-	-	-	150,000	56,250
2010-03 - Executives	7.01	500,000	-	-	(300,000)	200,000	200,000
2010-04 - Executives	6.14	1,925,000	-	(275,000)	-	1,650,000	-
2010-05 - Managing Director	6.93	300,000	-	(300,000)	-	-	-
2012-02 - Managing Director	6.81	300,000	-	-	-	300,000	-
2012-05 - DKN Replacement (1)	7.50	400,729	-	(7,861)	-	392,868	-
		4,589,249	**-**	**(1,124,329)**	**(538,740)**	**2,926,180**	**331,250**
Performance rights							
2008-07 - Senior Management	$nil	6,250	-	(5,000)	(1,250)	-	-
2009-14 - Managing Director	$nil	150,000	-	-	(75,000)	75,000	-
2009-17 - Senior Management	$nil	32,970	-	-	(32,970)	-	-
2009-18 - Other Key Stakeholders	$nil	91,340	-	-	(91,340)	-	-
2010-01 - Senior Management	$nil	7,500	-	-	(1,250)	6,250	-
2010-06 - Managing Director	$nil	150,000	-	(12,300)	-	137,700	-
2012-01 - Managing Director	$nil	150,000	-	-	-	150,000	-
2012-04 - Executives	$nil	371,250	-	-	-	371,250	-
2013-01 - Executives	$nil	-	222,500	-	-	222,500	-
2013-02 - Managing Director	$nil	-	250,000	-	-	250,000	-
2013-03 - Other Key Stakeholders	$nil	-	511,000	(14,000)	-	497,000	-
2013-04 - Other Key Stakeholders	$nil	-	170,943	-	-	170,943	-
2013-05 - Other Key Stakeholders	$nil	-	762,595	(12,710)	-	749,885	-
		959,310	**1,917,038**	**(44,010)**	**(201,810)**	**2,630,528**	**-**
Deferred shares							
2010-07 - Managing Director	$nil	24,119	-	-	(24,119)	-	-
2012-03 - Managing Director	$nil	31,694	-	-	(31,694)	-	-
2012-06 - Managing Director	$nil	35,977	-	-	-	35,977	-
2013-06 - Managing Director	$nil	-	27,874	-	-	27,874	-
		91,790	27,874	-	(55,813)	63,851	-
		5,640,349	**1,944,912**	**(1,168,339)**	**(796,363)**	**5,620,559**	**331,250**

(1) The opening balance has been adjusted for 1,495 options that were reported as lapsed in the prior period.

The options outstanding at 30 June 2013 have an exercise price in the range of $5.20 to $7.50 and a weighted average contractual life of 1.3 years.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2013 was $8.45 (2012: $5.58).

Inputs for measurement of grant date fair values granted during the financial year

The grant date fair value of share-based payment plans granted during the year were measured based on a binomial options pricing model for non-market performance conditions and a monte carlo simulation model for market performance conditions. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Series	Fair value	Exercise price	Grant date share price	Expected volatility	Expected life (years)	Dividend yield	Risk-free interest rate
2013-01 Executives	4.54	-	6.12	35%	3	6%	3%
2013-02 Managing Director	3.75	-	6.36	35%	3	6%	3%
2013-03 Other Key Stakeholders	5.30	-	6.52	n/a	3	6%	3%
2013-04 Other Key Stakeholders	5.30	-	6.52	n/a	3	6%	3%
2013-05 Other Key Stakeholders	5.66	-	6.52	n/a	2	6%	3%

The breakdown of share-based payments expense for the year by recipient is as follows. This represents the expense recorded to date and does not reflect the opportunity to transfer to retained profits the value of those legacy series that will lapse.

Recipient	2013	2012	
	$'000	$'000	
Managing Director	1,198	554	Includes deferred STI payments over the vesting period
Senior Management	2,353	1,988	
Other Key Stakeholders	2,106	471	
	5,657	3,013	

32 Remuneration of auditors

Auditors' remuneration paid or payable by members of the IOOF Holdings Ltd Group to the auditors of the corporate entities in relation to audit services of the corporate entities and products operated by the Group during the year and for the comparative prior period:

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
Audit services				
Auditors of the Company				
KPMG Australia				
Audit and review of financial reports	2,632,700	2,306,265	502,787	465,000
Other regulatory audit services	1,054,300	1,091,914	-	-
	3,687,000	3,398,179	502,787	465,000
Other services				
Auditors of the Company				
KPMG Australia				
Taxation services	88,103	591,213	-	-
Due diligence services	121,864	108,656	121,864	108,656
Other services	192,760	129,592	-	-
	402,727	829,461	121,864	108,656
	4,089,727	4,227,640	624,652	573,656

All amounts payable to the Auditors of the Company were paid by a Group subsidiary.

Notes to the financial statements

For the year ended 30 June 2013

33 Key management personnel

The key management personnel compensation comprised:

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
Short-term employee benefits	4,461,681	5,072,243	-	-
Post-employment benefits	210,722	214,916	-	-
Share-based payments	2,494,255	2,078,064	-	-
	7,166,658	7,365,223	-	-

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

No Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Comparative amounts have been reclassified to conform with the current year's presentation.

34 Related party transactions

(a) Ultimate parent entity

IOOF Holdings Ltd is the ultimate parent entity in the Group.

(b) Loans to Directors and executives of associates and subsidiaries

Directors and executives of associates	Year	Opening balance 1 July	Closing balance June	Interest paid and payable during the year	Highest balance during the year
		$	$	$	$
Interest free loans					
Perennial Value Management Ltd	**2013**	**2,286,717**	**2,286,717**	**-**	**2,286,717**
	2012	2,286,717	2,286,717	-	2,286,717
Interest bearing loans					
Perennial Value Management Ltd	**2013**	**6,189,649**	**6,202,447**	**305,676**	**6,303,081**
	2012	6,276,109	6,189,649	342,260	6,351,428
Perennial Growth Management Pty Ltd	**2013**	**1,574,548**	**1,890,083**	**88,391**	**1,890,083**
	2012	1,608,070	1,574,548	93,156	1,617,200
Perennial Fixed Interest Partners Pty Ltd	**2013**	**120,529**	**119,911**	**6,215**	**123,385**
	2012	121,057	120,529	7,896	124,870

The amounts above were advanced by Perennial Investment Partners Ltd and IOOF Investment Management Ltd for the specific purpose of assisting executives to acquire an equity interest in subsidiaries and associates of the Company. Secured interest bearing loans totalling $8,212,441 were made on commercial terms and conditions and loans totalling $2,286,717 are unsecured interest free loans.

(c) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 33 to the financial statements and in the Remuneration Report.

ii. Loans to key management personnel

There are no loans between the Group and key management personnel.

iii. Key management personnel equity holdings

Fully paid ordinary shares of IOOF Holdings Ltd

The equity holdings for Non-Executive Directors have been disclosed in the Remuneration Report. Refer to the Remuneration Report for further information.

Ordinary shares		Balance at 1 July	Received on exercise of options	Received on vesting of rights	Net other change	Balance at 30 June (1)
		No.	No.	No.	No.	No.
Key Management Personnel of the Group						
D Coulter	**2013**	**238**	**100,000**	**-**	**(100,000)**	**238**
	2012	238	-	-	-	238
M Farrell	**2013**	**-**	**-**	**-**	**-**	**-**
C Kelaher	**2013**	**4,244,818**	**158,312**	**130,813**	**-**	**4,533,943**
	2012	4,244,818	-	-	-	4,244,818
S Merlicek	**2013**	**-**	**-**	**-**	**-**	**-**
	2012	-	-	-	-	-
R Mota	**2013**	**67,272**	**-**	**18,596**	**(44,125)**	**41,743**
	2012	36,776	-	30,496	-	67,272
G Riordan	**2013**	**-**	**100,000**	**-**	**(100,000)**	**-**
	2012	-	-	-	-	-
Former key management personnel						
S Abley	2012	16,244	-	-	-	16,244
M Carter	2012	26,938	-	-	-	26,938

(1) The equity holdings for the above individuals is inclusive of both direct and indirect shareholdings.

iv. Other transactions with key management personnel of the Group

There were no other transactions with key management personnel of the Group during the 2013 and 2012 financial years.

Notes to the financial statements

For the year ended 30 June 2013

(d)Transactions with other related parties

Other related parties of the Group include associates listed in Note 15.

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Receipt of service charge revenue from associates	2,027,000	2,222,000	-	-
Payment of management fees to associates	13,940,822	11,829,681	-	-

35 Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Not later than one year	11,495	12,046	-	-
Later than one year, not later than five years	38,822	29,689	-	-
Later than five years	8,994	8,232	-	-
	59,311	**49,967**	**-**	**-**

The Group leases a number of offices premises under non-cancellable operating leases expiring between one month to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also lease various office equipment under non-cancellable operating leases expiring between 1 month to 3 years. The term of some of these lease provided the Group with the option to purchase this equipment at the conclusion of these lease agreements.

36 Capital commitments

The IOOF Group has not entered into any non-cancellable capital expenditure commitments not already recognised or provided for.

37 Contingencies

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Contingent liabilities				
Rental bond guarantees	5,262	5,380	-	-
ASX settlement bond guarantee	500	500	-	-
ASIC bond guarantees	80	80	-	-
Underwriting commitments	1,475	-	-	-
Other guarantees	3,000	2,000	-	-
	10,317	**7,960**	**-**	**-**

Other contingent liabilities

Trustee services division

Australian Executor Trustees Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending claims brought against it in its capacity as trustee of estates and superannuation funds. In aggregate these total approximately $1,173,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for less than $460,000 of these claims.

Platform management division

IOOF Investment Management Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending claims brought against it in its capacity as trustee of superannuation funds. In aggregate these total approximately $1,769,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for less than $750,000 of these claims.

Financial advice division

Bridges Financial Services Pty Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending complaints made against the company in its capacity as Australian Financial Services Licensee. In aggregate these total approximately $208,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for less than $127,000 of these claims.

My Adviser Pty Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending complaints made against the company in its capacity as Australian Financial Services Licensee. In aggregate these total approximately $626,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for less than $200,000 of these claims.

Wealth Managers Pty Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending complaints made against the company in its capacity as Australian Financial Services Licensee. In aggregate these total approximately $1,155,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for $337,000 of these claims.

Consultum Financial Advisers Pty Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending complaints made against the company in its capacity as Australian Financial Services Licensee. In aggregate these total approximately $1,054,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for less than $140,000 of these claims.

Lonsdale Financial Group Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending complaints made against the company in its capacity as Australian Financial Services Licensee. In aggregate these total approximately $1,000,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for less than $23,000 of these claims.

Plan B Wealth Management Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending complaints made against the company in its capacity as Australian Financial Services Licensee. In aggregate these total approximately $23,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for less than $23,000 of these claims.

Ord Minnett Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending complaints made against the company in its capacity as Australian Financial Services Licensee. In aggregate these total approximately $4,926,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the IOOF Group would be potentially liable for less than $574,000 of these claims.

Buyer of last resort facility

Bridges Financial Services Pty Ltd

Bridges Financial Services Pty Ltd (Bridges), a subsidiary of IOOF Holdings Ltd, has a contractual agreement with its planners to provide a put option "Buyer of Last Resort Facility" should a planner wish to sell their business and on the satisfaction of certain specific requirements.

The terms and conditions provide that where the specific requirements have been met, the purchase price payable for the business is a market price mutually agreed with Bridges. Where agreement with Bridges is not reached, the market price is to be determined by an independent price expert.

As at 30 June 2013, Bridges had received requests from planners which satisfied requirements to exercise its obligation. The resale value of such a business purchased may differ from the cost to Bridges. Where confirmation notices have been received Bridges has a fixed obligation to purchase the businesses, the revised aggregate value of this fixed obligation is $4.98m.

Consultum Financial Advisers Pty Ltd

Consultum Financial Advisers Pty Ltd, a subsidiary of IOOF Holdings Ltd, and IOOF Holdings Ltd independently have contractual agreements with its planners to provide a put option "Buyer of Last Resort Facility" should a planner wish to sell their business and on the satisfaction of certain specific requirements.

The terms and conditions provide that where the specific requirements have been met, a predetermined purchase price will be payable for the business as agreed by all parties over a predetermined period. Where certain terms and conditions have not been met, the predetermined purchase price will be discounted accordingly. As at 30 June 2013, Consultum Financial Advisers Pty Ltd has not received any requests from planners that satisfy the specific requirements to exercise its obligation.

Other

Other contingent liabilities exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where appropriate. The IOOF Group does not consider that the outcome of any other current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

38 Reconciliation of cash flows from operating activities

(a) Cash and cash equivalents

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Bank balances	98,252	113,344	11,452	1,912

(b) Reconciliation of cash flows from operating activities

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Profit for the period	80,432	19,699	91,004	93,445
Net depreciation on property and equipment	4,451	4,386	-	-
Net amortisation of intangible assets	23,604	20,352	-	-
(Profit)/loss on disposal of assets	(225)	(9,445)	-	-
Interest and other costs of finance	4,011	2,381	3,919	2,744
Interest received and receivable	(4,814)	(6,975)	(986)	(2,454)
Dividends and distributions received and receivable	(594)	(1,378)	(84,352)	(87,177)
Impairment	4,578	9,174	-	-
Dividends received from associates	6,481	9,416	-	-
Share of profits of associates accounted for using the equity method	(7,700)	(8,181)	-	-
Share-based payments expense	5,657	3,013	-	-
Acquisition transaction costs	838	3,119	-	-
Write down of investment in subsidiary	-	-	1,276	-
Income tax attributable to available-for-sale investments	(236)	-	-	-
Changes in net operating assets and liabilities:				
(Increase)/decrease in receivables	555	10,874	-	-
(Increase)/decrease in other assets	(4,342)	(549)	-	(163)
(Increase)/decrease in other financial assets	7,894	6,668	1,307	6,631
(Increase)/decrease in deferred acquisition costs	2,991	4,487	-	-
Increase/(decrease) in payables	(14,603)	1,655	45	39
Increase/(decrease) in deferred revenue liabilities	(2,835)	(4,044)	-	-
Increase/(decrease) in provisions	5,227	(1,420)	-	-
Increase/(decrease) in income tax payable	(27,074)	(4,069)	(13,851)	(3,527)
Increase/(decrease) in other liabilities	(112)	49	-	-
Increase/(decrease) in other financial liabilities	-	-	6,558	
Increase/(decrease) in deferred taxes	(3,834)	46,149	(586)	(13,619)
Net cash provided by operating activities	80,350	105,361	4,334	(4,081)

Notes to the financial statements

For the year ended 30 June 2013

39 Group entities

	Note	Country of incorporation	Ownership interest	
			2013	2012
			%	%
Parent entity				
IOOF Holdings Ltd		Australia		
Subsidiaries				
AB Hurstville Pty Ltd		Australia	100.0	100.0
Accountplan Pty Ltd		Australia	100.0	100.0
Accountplan Taxation Services Pty Ltd		Australia	49.0	49.0
AET PAF Pty Ltd		Australia	100.0	-
AET SPV Management Pty Ltd		Australia	100.0	100.0
AET Structured Finance Services Pty Ltd		Australia	100.0	100.0
AET Super Solutions Pty Ltd		Australia	100.0	100.0
Australian Executor Trustees (NSW) Ltd		Australia	100.0	100.0
Australian Executor Trustees (Canberra) Ltd		Australia	100.0	100.0
Australian Executor Trustees (SA) Ltd		Australia	100.0	100.0
Australian Executor Trustees Ltd		Australia	100.0	100.0
Australian Wealth Management Ltd		Australia	100.0	100.0
Austselect Pty Ltd		Australia	100.0	100.0
Avenue Capital Holdings Pty Ltd		Australia	100.0	-
Avenue Capital Management Finance Pty Ltd	(b)	Australia	100.0	-
B D Shepparton Pty Ltd		Australia	85.0	75.0
Bagot's Executor & Trustee Company Ltd		Australia	100.0	100.0
Bridges Financial Planning Pty Ltd		Australia	100.0	100.0
Bridges Financial Services Group Pty Ltd		Australia	100.0	100.0
Bridges Financial Services Pty Ltd		Australia	100.0	100.0
Bridges Nominee Pty Ltd		Australia	100.0	100.0
Cigar Nominee Pty Ltd		Australia	100.0	100.0
CK Brisbane Pty Ltd		Australia	100.0	100.0
CM Darwin Pty Ltd		Australia	100.0	-
Consultum Financial Advisers Pty Ltd		Australia	100.0	100.0
CP Wodonga Pty Ltd		Australia	100.0	-
CU Financial Advisory Services Pty Ltd	(c)	Australia	-	100.0
Deakin Financial Services Pty Ltd		Australia	100.0	100.0
Deakin Financial Services Smartplan Pty Ltd		Australia	100.0	100.0
DD Charlestown Pty Ltd		Australia	100.0	100.0
DKN Distribution Solutions Pty Ltd		Australia	100.0	100.0
DKN Financial Group Ltd		Australia	100.0	100.0
DKN Management Pty Ltd		Australia	100.0	100.0
DKN Stakeholders Pty Ltd		Australia	100.0	100.0
Executive Wealth Management Financial Services Pty Ltd		Australia	100.0	100.0
Executor Trustee Australia Ltd		Australia	100.0	100.0
fi360 Pty Ltd		Australia	100.0	-

	Note	Country of incorporation	Ownership interest	
			2013	2012
			%	%
Fiduciary Analytics (Australasia) Pty Ltd		Australia	100.0	-
Financial Lifestyle Partners (Doncaster) Pty Ltd		Australia	65.0	65.0
Financial Partnership Pty Ltd		Australia	100.0	100.0
Finium Trustees Pty Ltd	(b)	Australia	100.0	100.0
Group Investments Nominee Pty Ltd		Australia	100.0	100.0
Holiday Coast Wealth Management Pty Ltd		Australia	100.0	100.0
IOOF Alliances Pty Ltd (formerly DKN Services Pty Ltd)		Australia	100.0	100.0
IOOF Global One Pty Ltd		Australia	100.0	100.0
IOOF Group Ltd		Australia	100.0	100.0
IOOF Investment Holdings Pty Ltd		Australia	100.0	100.0
IOOF Investment Management Ltd		Australia	100.0	100.0
IOOF Life Pty Ltd		Australia	100.0	100.0
IOOF Ltd		Australia	100.0	100.0
IOOF Service Co Pty Ltd (formerly Australian Wealth Management Service Co. Pty Ltd)		Australia	100.0	100.0
IOOF Services Pty Ltd		Australia	100.0	100.0
IOOF Transition 2 Pty Ltd		Australia	100.0	100.0
IOOF Transition 3 Pty Ltd	(b)	Australia	100.0	100.0
JK Rye Pty Ltd		Australia	100.0	100.0
KE Sunshine Coast Pty Ltd		Australia	100.0	100.0
Lonsdale Financial Group Ltd		Australia	100.0	100.0
My Adviser Pty Ltd		Australia	100.0	-
NS Singleton Pty Ltd		Australia	100.0	100.0
NT Homebush Pty Ltd	(d)	Australia	30.0	70.0
Partnership Financial Services Pty Ltd		Australia	100.0	-
Perennial Investment Partners (U.S.) Inc		USA	100.0	100.0
Perennial Fixed Interest Partners Pty Ltd	(a)	Australia	74.7	74.7
Perennial Growth Management Pty Ltd		Australia	60.0	60.0
Perennial International Equities Management Pty Ltd		Australia	100.0	100.0
Perennial Investment Partners Asia Pty Ltd		Australia	100.0	94.9
Perennial Investment Partners Ltd		Australia	100.0	100.0
Perennial Real Estate Investments Pty Ltd		Australia	71.3	71.3
Plan B Administration Pty Ltd		Australia	100.0	-
Plan B Finance Pty Ltd		Australia	100.0	-
Plan B Group Holdings Ltd		Australia	100.0	-
Plan B Insurance Brokers Pty Ltd		Australia	100.0	-
Plan B Property Advisory Services Pty Ltd		Australia	100.0	-
Plan B Superannuation Services Pty Ltd		Australia	50.0	-
Plan B Trustees Ltd		Australia	100.0	-
Plan B Wealth Management Ltd		Australia	100.0	-
Plan B Wealth Management Ltd (NZ)		New Zealand	100.0	-
Questor Financial Services Ltd		Australia	100.0	100.0
Security Management Services Pty Ltd		Australia	100.0	100.0

Notes to the financial statements

For the year ended 30 June 2013

	Note	Country of incorporation	Ownership interest 2013	2012
			%	%
Select Managed Funds Ltd		Australia	100.0	100.0
SEM Group Administration Pty Ltd	(b)	Australia	100.0	100.0
Sentinel Adviser Services Pty Ltd		Australia	100.0	100.0
SMF Pty Ltd		Australia	100.0	100.0
SMF Funds Management Pty Ltd		Australia	100.0	100.0
SMF Investment Managers (Super & Pension Fund) Pty Ltd	(c)	Australia	-	100.0
SMF SuperOptions Pty Ltd	(b)	Australia	100.0	100.0
SMF Wealth Management Pty Ltd		Australia	100.0	100.0
Spectrum Managed Funds Pty Ltd	(b)	Australia	100.0	100.0
Strategy Plus Financial Planning Pty Ltd		Australia	100.0	100.0
Super Administrator Pty Ltd	(b)	Australia	100.0	100.0
Super Choice Pty Ltd	(c)	Australia	-	100.0
Tower Austrust Building Pty Ltd		Australia	100.0	100.0
United Funds Management Pty Ltd		Australia	100.0	100.0
Wealth Managers Pty Ltd		Australia	100.0	100.0
Wrap Account Pty Ltd	(b)	Australia	100.0	100.0
Ord Minnett Holdings Pty Ltd		Australia	70.0	70.0
Ord Minnett Hong Kong Ltd		Hong Kong	70.0	-
Ord Minnett Ltd		Australia	70.0	70.0
Ord Minnett Financial Planning Pty Ltd		Australia	70.0	70.0
Ord Minnett Management Ltd		Australia	70.0	70.0
A.C.N. 003 331 726 Pty Ltd		Australia	70.0	70.0
Contango Nominees Pty Ltd		Australia	70.0	70.0
Beaglemoat Nominees Pty Ltd		Australia	70.0	70.0
Minnett Nominees Pty Ltd		Australia	70.0	70.0
Caltowie Investments Pty Ltd		Australia	70.0	70.0
Ord Minnett Prime Nominees Pty Ltd		Australia	70.0	70.0
AETOML Nominees Pty Ltd		Australia	70.0	70.0
OMPL Pty Ltd		Australia	70.0	70.0
OMPYF Nominees Pty Ltd		Australia	70.0	70.0
IOOF Executive Performance Share Plan Trust		Australia	100.0	100.0

(a) The investment in Perennial Fixed Interest Partners Pty Ltd is through Perennial Investment Partners Ltd which directly holds a 70.2% (2012: 70.2%) shareholding in this entity and through IOOF Holdings Ltd which directly holds a 4.5% (2012: 4.5%) shareholding in this entity.

(b) The Group is currently in the process of deregistration of this dormant subsidiary in accordance with a corporate simplification project.

(c) Deregistered during the financial year.

(d) Ownership interest reduced during the year. Company was a subsidiary in the prior year and an equity accounted investee in the current year.

40 Statutory funds

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

(a) Assets relating to Insurance Business

	Statutory	
	2013	2012
	$'000	$'000
Cash at bank	3,435	5,428
Receivables	16,122	10,333
Debt securities	-	43
Shares in listed companies	18,142	15,400
Unlisted unit trusts	758,229	737,740
Listed unit trusts	1,321	-
Derivatives	89	8
Loans to policyholders	8,853	9,456
Mortgages	4	38
Margin accounts	946	1,489
Deferred tax assets	-	18,823
Investments backing policyholder liabilities designated at fair value through profit or loss	**807,141**	**798,758**

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

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

(b) Liabilities relating to insurance business

Policy liabilities have been determined in accordance with applicable accounting standards. Policy liabilities for life insurance contracts are valued in accordance with AASB 1038, whereas life investment contracts are valued in accordance with AASB 139 and AASB 118. There are differences between the valuation requirements of the accounting standards and those of the Life Insurance Act 1995.

	Statutory	
	2013	2012
	$'000	$'000
Payables	9,899	9,750
Deferred tax liabilities	1,182	-
Contract policy liabilities - investment contracts with DPF	390,902	417,907
Investment contract liabilities	396,243	367,306
Non-controlling interests in controlled trusts	8,915	3,795
	807,141	**798,758**

Notes to the financial statements

For the year ended 30 June 2013

(c) Reconciliation of movements in policy and contract liabilities

	Statutory	
	2013	2012
	$'000	$'000
Contract policy liabilities		
Insurance contract liabilities at beginning of the year	417,907	427,323
Net increase in life insurance contract policy liabilities	11,989	10,739
Life insurance contract contributions	12,536	20,193
Life insurance contract withdrawals	(51,530)	(40,348)
Insurance contract liabilities at end of the year	390,902	417,907
Investment contract liabilities		
Investment contract liabilities at beginning of the year	367,306	411,737
Net increase in investment contract policy liabilities	41,620	(15,132)
Investment contract contributions	40,296	23,009
Investment contract withdrawals	(52,979)	(52,308)
Investment contract liabilities at end of the year	396,243	367,306

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

	Statutory	
	2013	2012
	$'000	$'000
Revenue		
Interest income	598	1,535
Dividends and distributions received	36,182	30,192
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	45,405	(29,582)
Net gains(losses) on foreign exchange	9	2,099
Contributions received - investment contracts with DPF	12,536	20,193
DPF policy holder liability increase	27,005	9,416
Non - DPF policyholder liability (increase)/decrease	(41,058)	14,588
Other fee revenue	4,005	4,087
	84,682	52,528

(e) Expenses

	Statutory	
	2013	2012
	$'000	$'000
Service and marketing fees expense	12,109	13,026
Life insurance operating expenses	63	52
Investment contracts with DPF:		
Benefits and withdrawals paid	51,259	40,133
Termination bonuses	271	216
Distribution to policyholders	1,093	2,096
Interest	320	309
	65,115	55,832

(f) Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and capital adequacy reserves is 30 June 2013. The actuarial report for IOOF Ltd was prepared by Mr Andrew Mead, FIAA, and was dated 21 August 2013. The actuarial report indicates that Mr Mead is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

Actuarial Methods

Policy liabilities have been calculated in accordance with relevant actuarial guidance issued by the Australian Prudential Regulatory Authority under the Life Insurance Act 1995. Policy liabilities are based on a systematic release of planned margins as services are provided to policyholders and premiums are received.

Processes used to select assumptions

Mortality and Morbidity

All mortality and morbidity risk is fully reinsured and the gross risk to the Group is low. The mortality and morbidity assumptions have been taken to be equal to the reinsurer's mortality and morbidity assumptions.

Other Assumptions

In adopting the accumulation method to assess the policy liabilities, one material assumption is required. It is assumed that the future overall experience as to expense levels, surrender/lapse rates and discount rates will likely remain within a satisfactory range so that the policies produce future profits for the business. In which case, there is no need to set aside provisions, in addition to the accumulation amounts, for future losses (i.e. there is no loss recognition concerns for the business). This assumption has been adopted on the basis that, based on the current actual experience of the business, the policies are producing satisfactory profits for the business and there is no circumstances known that would indicate that the current position (i.e. general experience levels and ongoing profitability) will not continue into the future.

Sensitivity analysis

The policy liabilities are not sensitive to changes in variables within a moderate range. Increases in mortality and morbidity assumptions will result in an increase gross policy liabilities for IOOF Ltd, however as the mortality and morbidity risk is fully reinsured any change in these assumptions would be consistent with the reinsurer's assumptions and the net change in policy liabilities would be nil.

Capital adequacy requirements

Capital adequacy reserves are required to meet the prudential standards determined in accordance with Prudential Standard LPS 110 *Capital Adequacy* issued by the Australian Prudential Regulatory Authority under paragraph 230A(1)(a) of the Life Insurance Act 1995. Capital adequacy reserves provide additional protection to policy holders against the impact of fluctuations and unexpected adverse circumstances on the Company.

(g) Disclosures on asset restrictions, managed assets and trustee activities

(i) Restrictions on assets

Investments held in life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions when capital adequacy and other regulatory requirements are met.

(ii) Managed Funds and other fiduciary duties

Entities in the IOOF Holdings Ltd Group, including the IOOF Ltd Benefit Funds, hold controlling investments in managed funds. A subsidiary of the company is the Responsible Entity for these managed funds and has a fiduciary responsibility for managing these trusts. Arrangements are in place to ensure that such activities are managed separately from the other activities of the IOOF Holdings Ltd Group.

Notes to the financial statements

For the year ended 30 June 2013

(h) Capital adequacy position

Capital adequacy reserves are required to meet the prudential standards determined in accordance with Prudential Standard LPS 110 *Capital Adequacy* issued by the Australian Prudential Regulatory Authority under paragraph 230A(1)(a) of the Life Insurance Act 1995. Capital adequacy reserves provide additional protection to policy holders against the impact of fluctuations and unexpected adverse circumstances on the Company.

The figures in the table below represent the number of times coverage of the aggregate of all benefit funds and statutory funds in the Life Group over the prescribed capital amount. The comparative amounts disclosed are based on the former capital requirements under LPS 2.04 *Solvency Standard* issued by the Australian Prudential Regulatory Authority.

	2013
	$'000
(a) Capital Base	24,258
(b) Prescribed capital amount	16,298
Capital in excess of prescribed capital amount = (a) - (b)	7,960
Capital adequacy multiple (%) (a) / (b)	**149%**
Capital Base comprises:	
Net Assets	24,258
Regulatory adjustment applied in calculation of Tier 1 capital	-
(A) Common Equity Tier 1 Capital	24,258
Additional Tier 1 Capital	-
Regulatory adjustment applied in calculation of Additional Tier 1 capital	-
(B) Total Additional Tier 1 Capital	-
Tier 2 Capital	-
Regulatory adjustment applied in calculation of Tier 2 capital	-
(C) Total Tier 2 Capital	-
Total capital base	24,258

For detailed capital adequacy information on a statutory fund basis, users of this annual report should refer to the financial statements prepared by the life insurer.

		2012
		$'000
Solvency requirement	A	792,037
Represented by:		
Minimum Termination Value (1)		783,096
Other Liabilities		6,754
Solvency Reserve	B	2,187
		792,037
Assets Available for Solvency	C	9,272
Comprised of:		
Excess of Net Policy Liability over Minimum Termination Value		2,118
Net Assets		7,153
		9,272
Solvency Reserve % (B / (A - B)) x 100		0.28%
Coverage of Solvency Reserve C/ B		4.24

(1) The Minimum Termination Value is determined in accordance with the Solvency Standard and is the base figure upon which reserves against liability and asset risks are layered in determining the Solvency Requirement. The Minimum Termination Value represents the minimum obligation of the company to policy owners at the reporting date.

41 Subsequent events

The Directors are not aware of any other 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.

Shareholder information

Share Capital

IOOF has on issue 232,118,034 fully paid ordinary shares held by 55,417 holders as at 20 September 2013. All ordinary shares of the company carry one vote per share.

Rank	Investor Name	20 Sep 13	% of Issued Capital
1	National Nominees Limited	30,807,075	13.27%
2	The Trust Company (Australia) Limited <Mr Bruce William Neil a/c>	25,412,867	10.95%
3	JP Morgan Nominees Australia Limited	23,345,317	10.06%
4	HSBC Custody Nominees (Australia) Limited	20,931,162	9.02%
5	Citicorp Nominees Pty Limited	11,543,526	4.97%
6	UBS Wealth Management Australia Nominees Pty Ltd	9,701,393	4.18%
7	BNP Paribas Noms Pty Ltd <DRP>	6,353,202	2.74%
8	JP Morgan Nominees Australia Limited <Cash Income a/c>	4,381,228	1.89%
9	BNP Paribas Nominees Pty Ltd ACF Pengana <drp a/c>	3,665,869	1.58%
10	AMP Life Limited	2,253,406	0.97%
11	Bainpro Nominees Pty Limited	1,548,555	0.67%
12	Mr Ian Gregory Griffiths	1,340,483	0.58%
13	Custodial Services Limited <Beneficiaries Holding a/c>	1,173,450	0.51%
14	David Vautin Pty Ltd <David Vautin Family a/c>	961,248	0.41%
15	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp a/c>	793,515	0.34%
16	Citicorp Nominees Pty Limited <Colonial First State Inv a/c>	636,820	0.27%
17	Milton Corporation Limited	573,067	0.25%
18	Brispot Nominees Pty Ltd <House Head Nominee No 1 a/c>	561,251	0.24%
19	Lujeta Pty Ltd <Margaret a/c>	500,000	0.22%
19	IOOF Holdings Trustee Pty Ltd - IOOF Foundation	500,000	0.22%
20	Mr Stuart John Edward Steele & Mrs Kimberly Jacoba Steele <The Steele Family a/c>	482,000	0.21%
Total		147,465,434	63.53%

Notes to the financial statements

For the year ended 30 June 2013

Distribution of Equity Securities

(a) Analysis of number of shareholders by size of holding

Range	No. of holders	No. of Units	% Issued Capital
1 – 1,000	38,800	12,404,143	5.34
1001 – 5000	13,853	30,339,962	13.07
5001 – 10,000	1,793	12,853,817	5.54
10,001 – 100,000	904	19,019,412	8.19
100,001 +	67	157,500,700	67.85
TOTAL	55,417	232,118,034	100.00

(b) There were 6,493 shareholders holding less than a marketable parcel ($500) based on a market price of $8.32 at the close of trading on 20 September 2013.

Substantial Shareholdings

The following substantial shareholder notices have been lodged in accordance with section 671B of the Corporations Act 2001:

Name	Date of Notice	No. of Ord. Shares	% of Issued Capital
Trust Company Fiduciary Services Ltd	12 May 2009	27,834,878	11.93
Vinva Investment Management	15 March 2013	14,257,583	6.14

Share register and other enquiries

If you have any questions in relation to your shareholding, share transfers or dividends, please contact our share registry:

Link Market Services
Locked Bag A14
Sydney South NSW 1235

Australian callers: 1300 554 474
Telephone +61 2 8280 7111
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Please include your shareholder reference number (SRN) or holder identification number (HIN) in all correspondence to the share registry.

Corporate directory

(as at the date of this report)

Directors

Dr Roger Sexton AM
B.Ec. (Hons), M.Ec. Ph.D (Econ), FAICD, FAIM. FFin, C. P Mgr, C.Univ

Mr Christopher Kelaher
B.Ec, LL.B, F Fin
Managing Director

Mr Ian Griffiths
C.Acc, DipAll, MIIA.

Ms Jane Harvey
B.Com, MBA, FCA, FAICD.

Mr George Venardos
BComm, FCA, FCIS, FAICD, FTIA

Mr Kevin White
B. Eng (civil) , M Eng Sci, M Admin

Company Secretary

D S Corcoran

Notice of Annual General Meeting

The Annual General Meeting of IOOF Holdings Ltd will be held at the offices of:

Ord Minnett Limited
Level 23
120 Collins Street
Melbourne, Victoria, 3000

Time 9.30am

Date 26 November 2013

A formal notice of meeting is available on our website and has been sent to shareholders

Principal registered office in Australia

Level 6, 161 Collins Street
Melbourne, VIC 3000

(03) 8614 4400

Share registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne, VIC 3000

Auditor

KPMG
147 Collins Street Melbourne, VIC 3000

Solicitors

King & Wood Mallesons
Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Hall & Wilcox Lawyers
Level 30, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Bankers

Commonwealth Bank Limited
201 Sussex Street, Tower 1, Sydney NSW 2000

Securities exchange listing

IOOF Holdings Ltd shares are listed on the Australian Securities Exchange

(ASX: IFL)

Website address

www.ioof.com.au

CRA-3456