Appendix 4E
Full year report
IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting Period	**30 June 2012**
Previous reporting period	30 June 2011

2. Results for announcement to market

	$'000	% change from previous corresponding period
Revenue from Shareholder activities [(1)]	624,764	down 3%
Life statutory revenue	52,528	down 38%
Profit from ordinary activities after tax attributable to members [(2)]	19,373	down 81%
Net profit for the period attributable to members	19,373	down 81%
Underlying Net Profit After Tax (pre-amortisation) [(3)]	96,393	down 14%

		Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2011			
Paid:	20 October 2011	22.0	22.0
Interim dividend for the year ended 30 June 2012			
Paid:	04 April 2012	19.0	19.0
Final dividend for the year ended 30 June 2012			
Record date:	14 September 2012		
To be paid:	17 October 2012	18.0	18.0

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

[(2)] Owing to recent retrospective changes in Australian income tax regulations which required that IOOF recognise a $63 million deferred tax liability, the statutory result is lower. This liability will not result in a cash outflow for the Group and will unwind to profit in future periods in line with the amortisation of the Group's intangible assets. This entry has no impact on IOOF's dividend paying capacity.

[(3)] Underlying Net Profit After Tax (UNPAT) pre amortisation excludes the impact of amortisation of intangible assets, income tax benefit from acquisition accounting, deferred tax recognition and unwind on intangible assets, fair value gains from acquisition accounting, impairment and restructuring costs.

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2012

The Group's Funds Under Management, Administration and Supervision (FUMAS) were $107.3 billion as at 30 June 2012, an increase of $1.1 billion from 30 June 2011. This movement is primarily a result of acquiring DKN Financial Group Ltd (DKN) funds under advice offset by decreases in the market value of the assets underpinning FUMAS and net institutional outflows in Funds Under Management. The resultant impact has been a decline in FUMAS related net revenue and expense of approximately $14.2 million in the pre-acquisition businesses partly offset by a FUMAS related net revenue and expense contribution from DKN of $16.9m (all amounts pre-tax).
The uncertain economic environment responsible for the market value declines noted has also had an unfavourable impact on other revenue lines, most notably stockbroking where the sector's traded volumes generally remain low in comparison to the years preceding the global financial crisis. The Group has constrained its costs to below inflation with the exceptions of increasing expenditure on its technology and brand to promote the long term interests of its businesses.

The Group incurred debt of $55 million to facilitate the $96 million acquisition of DKN. The residual amount was funded through DKN's cash reserves of approximately $10 million and the IOOF's pre-acquisition cash reserves.

The Group's future growth will be underpinned by organic and acquisition initiatives. Organic growth will be advanced through:
- increasing brand and product awareness among financial advisers;
- enhancing the adviser and client experience through continued technology development and knowledgeable support staff;
- above benchmark performance in investment management; and
- continuous improvement in process efficiency to ensure operating costs are minimised.

The 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.

On 13 July 2012, the Company announced that the Company and Plan B Group Holdings Limited (Plan B) had entered into a Bid Implementation Deed under which the Company, through a wholly owned subsidiary, proposes to acquire all of the ordinary shares in Plan B. Under the terms of the Bid Implementation Deed, the Company has agreed to pay $0.60 cash per Plan B share. The deed is subject to Plan B shareholder approval and as a result, no amounts have been recognised in the profit or loss or financial position of the Group at balance date. If accepted, the total consideration payable to shareholders is estimated at $49.1 million.

IOOF will seek to enter into a Debt Facility with a suitable financial institution before or during the Offer Period. A suitable financial institution is one which has a suitable credit rating and significant experience in provision of credit to Australian corporate entities. Under the intended Debt Facility, IOOF will seek funding up to $50 million for the purpose of funding the acquisition of Plan B Shares pursuant to the terms of the Offer, as well as all related transaction costs.
If such a facility is entered into, IOOF intends to draw down from that facility all amounts as are required to satisfy IOOF's obligations to pay the Offer Amount together with amounts required to cover all transaction costs associated with the Offer.

3. Net tangible assets

	30 June 2012 (cents)	30 June 2011 (cents)
Net tangible assets per share *	12.3	66.9

* as a result of the significant deferred tax liabilities raised in relation to intangible assets, deferred taxes are now also excluded from net tangible assets. The comparative amounts have been reclassified to conform with the current year's presentation.

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2012

4. Entities over which control has been gained or lost

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

5. Dividends

	Amount $'000	Cents per share	% Franked
Final dividend for the year ended 30 June 2011	51,019	22.0	100%
Interim dividend for the year ended 30 June 2012	44,087	19.0	100%
Final dividend for the year ended 30 June 2012	41,767	18.0	100%
Record date for determining entitlements to dividends	14 September 2012		
Date for payment of final dividend	17 October 2012		

6. Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

7. Details of associates and joint venture entities

	Ownership interest held at the end of period		Contribution to net profit	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Equity accounted associates				
Perennial Value Management Ltd *	52.4	52.4	7,625	9,053
Other associates			556	148
			8,181	9,201

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

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2012

8. Earnings per share

	30 June 2012 (cents)	30 June 2011 (cents)
Basic earnings per share	8.4	43.1
Diluted earnings per share	8.3	42.9

	30 June 2012 No. '000	30 June 2011 No. '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	231,985	230,676
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	232,638	231,910

At 30 June 2012, 4,040,701 options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would not have been dilutive.

9. Other

The information contained in this Appendix 4E is based on the 30 June 2012 Annual Financial Report of IOOF Holdings Ltd and its subsidiaries, which have been subject to review by our external auditors. The financial statements are not subject to qualification. A copy of the financial statements is attached.

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

IOOF Holdings Ltd

ABN 49 100 103 722

30 June 2012

Annual Financial Report

IOOF HOLDINGS LTD
30 June 2012 Annual Financial Report

The Directors present their report together with the financial report of IOOF Holdings Ltd (the "Company" or "Parent") and of the Group ("IOOF" or "Group"), being the Company and its subsidiaries and the Group's interest in associates for the financial year ended 30 June 2012 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 (appointed Chairman 1 April 2012)
Mr Christopher Kelaher (Managing Director)
Mr Ian Blair (retired 31 March 2012 - former Chairman)
Mr Ian Griffiths
Ms Jane Harvey
Mr George Venardos
Mr Kevin White (appointed 4 October 2011)

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

Principal activities

The principal continuing activities of the 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.

Review of operations

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 Group. The inclusion of the benefit funds has no impact on the profit after tax for the year (2011: $11,000), 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 Group and underlying net profit after tax (UNPAT) pre-amortisation, with the results of the benefit funds excluded. In calculating its UNPAT pre-amortisation, the Group reverses the impact on profit of certain, predominantly non cash, items to enable a better understanding of its operational result.
Shareholders can view the more detailed results presentation by visiting the Company website at www.ioof.com.au

	Note	2012 $'000	2011 $'000
Profit attributable to Owners of the Company		**19,373**	**99,489**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Reverse the impact of:			
Amortisation of intangible assets	8	20,352	17,980
Impairment	8	9,174	-
DKN Financial Group Ltd (DKN) acquisition costs	8	3,119	-
Termination and retention incentive payments	8	3,705	1,504
Recognition of deferred taxes on intangible assets	10	62,689	-
Unwind of deferred taxes on intangible assets	10	(1,915)	(2,966)
Profit on life policy transfer	7	-	(220)
Fair value gain on investment in DKN	7	(9,587)	-
Recognition of previously uncertain tax position		(6,955)	-
Reinstatement of Perennial non-controlling interests		(2,407)	(3,952)
Income tax attributable		(1,155)	(385)
Underlying net profit after tax (UNPAT) pre-amortisation		**96,393**	**111,450**

Review of operations (continued)

UNPAT adjustments

Amortisation of intangible assets: Non-cash entry reflective of declining intangible asset values over their useful lives. Intangible assets are continuously generated within the 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 Group.

Acquisition costs - DKN: One off payments to external advisers by both DKN and IOOF in pursuit of a successful acquisition which are not reflective of conventional recurring operations.

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

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 newly legislated tax consolidation rules. 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 Group's intention to hold these assets long term.

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

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 Group is therefore required to measure this previously held equity interest in DKN at acquisition-date fair value and recognise the resulting gain in P&L. The initial entry ensures the assets acquired are held on balance sheet at fair value, however the impact on profit is reversed as it is regarded as highly unlikely to be realised due to the Group's intention to hold its investment in DKN long term.

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

The Group's Funds Under Management, Advice, Administration and Supervision (FUMAS) were $107.3 billion as at 30 June 2012, an increase of $1.1 billion from 30 June 2011. This movement is primarily a result of acquiring DKN funds under advice offset by decreases in the market value of the assets underpinning FUMAS and net institutional outflows in Funds Under Management. The resultant impact has been a decline in FUMAS related net revenue and expense of approximately $14.2 million in the pre-acquisition businesses partly offset by a FUMAS related net revenue and expense contribution from DKN of $16.9m (all amounts pre-tax).

The uncertain economic environment responsible for the market value declines noted has also had an unfavourable impact on other revenue lines, most notably stockbroking where the sector's traded volumes generally remain low in comparison to the years preceding the global financial crisis. The Group has constrained its costs to below inflation with the exceptions of increasing expenditure on its technology and brand to promote the long term interests of its businesses.

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

Review of operations (continued)

Basic earnings per share decreased from 43.1 cents per share in the year to 30 June 2011 to 8.4 cents per share for the year to 30 June 2012.

Shareholder returns

	Years ended 30 June				
	2012	2011	2010	2009	2008
Profit attributable to owners of the Company ($'000s) [1]	19,373	99,489	77,371	9,044	24,286
Basic EPS (cents per share)	8.4	43.1	33.7	7.4	35.6
Diluted EPS (cents per share)	8.3	42.9	33.6	7.3	35.1
UNPAT post amortisation	76,041	93,470	79,261	49,100	25,900
UNPAT EPS (cents per share)	32.8	40.5	34.5	21.4	37.9
Dividends paid ($'000s)	95,106	89,935	78,197	10,350	22,763
Dividends per share (cents per share)	41.0	39.0	34.0	15.0	33.0
Share price at start of year	$ 6.60	$ 5.99	$ 4.04	$ 5.10	$ 10.19
Share price at end of year	$ 6.05	$ 6.60	$ 5.99	$ 4.04	$ 5.10
UNPAT pre-amortisation	96,393	111,450	97,166	59,900	27,400
Return on equity (non-statutory measure) [2]	11.1%	12.9%	11.4%	11.3%	14.1%

[1] Profit attributable to owners of the Company for 2008 to 2012 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 capital on issue during the year.

Returns to shareholders increase / decrease through both dividends and capital growth / decline. Dividends for 2012 and prior years were fully franked.

Dividends

In respect of the financial year ended 30 June 2012, the Directors declared the payment of a final dividend of 18.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 17 October 2012. The dividend will be paid to all shareholders recorded on the Register of members on 14 September 2012.
The Directors declared the payment of an interim dividend of 19.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares paid on 4 April 2012.
In respect of the financial year ended 30 June 2011, a final dividend of 22.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 20 October 2011.

Future developments

The Group's future growth will be underpinned by organic and acquisition initiatives. Organic growth will be advanced through:
- increasing brand and product awareness among financial advisers;
- enhancing the adviser and client experience through continued technology development and knowledgeable support staff;
- above benchmark performance in investment management; and
- continuous improvement in process efficiency to ensure operating costs are minimised.

The 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.
Further information on future developments is disclosed below in events occurring after balance sheet date.

Environmental regulation

The Group is not subject to significant environmental regulation.

Events occurring after balance date

On 13 July 2012, the Company announced that the Company and Plan B Group Holdings Limited (Plan B) had entered into a Bid Implementation Deed under which the Company, through a wholly owned subsidiary, proposes to acquire all of the ordinary shares in Plan B. Under the terms of the Bid Implementation Deed, the Company has agreed to pay $0.60 cash per Plan B share. The deed is subject to Plan B shareholder approval and as a result, no amounts have been recognised in the profit or loss or financial position of the Group at balance date. If accepted, the total consideration payable to shareholders is estimated at $49.1 million.

IOOF will seek to enter into a Debt Facility with a suitable financial institution before or during the Offer Period. A suitable financial institution is one which has a suitable credit rating and significant experience in provision of credit to Australian corporate entities.

Under the intended Debt Facility, IOOF will seek funding up to $50 million for the purpose of funding the acquisition of Plan B Shares pursuant to the terms of the Offer, as well as all related transaction costs.

The Directors have declared the payment of a final dividend of 18.0 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid in October 2012.

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 2012 that has significantly affected, or may significantly affect:

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

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 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, auditor's own work, acting in a management or decision-making capacity for the Company, acting as sharing economic risks and rewards.

	Amount paid/payable	
Non-audit service	**2012**	**2011**
Taxation services	591,213	332,880
Due diligence services	108,656	-
Consultancy services	129,592	87,292
Total	829,461	420,172

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 35 of the Annual Report and forms part of the Directors' Report for the financial year ended 30 June 2012.

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.

Information on Directors

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

Chairman - Non-Executive Director. Age 62.

Experience and expertise

Non-Executive Director of IOOF Holdings Ltd since 2002.

Over 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 directorships

- TWT Group Limited (Director since 2008).

Former directorships in the last 3 years

- Yanghao International Limited (Chairman from 2008 - 2011)

Special responsibilities

- Appointed Chairman of IOOF Holdings Ltd in April 2012.
- Appointed Chairman of the Remuneration and Nominations Committee in 2012.
- Chairman of Perennial Investment Partners Ltd.
- Member of the Audit Committee.

Mr C Kelaher B.Ec, LL.B, F Fin.

Managing Director. Age 57.

Experience and expertise

Managing Director of IOOF Holdings Ltd and antecedent companies Australian Wealth Management Ltd and Select Managed Funds Ltd since 1997.

More than 25 years experience in investment management and business development. Mr Kelaher was responsible for business management, strategic marketing and sales growth in Australia at Citicorp. He also performed an important role in the establishment of Citicorp Investment Management/Global Asset Management in Australia and establishing its New Zealand business.

Former directorships in the last 3 years

- DKN Financial Group Ltd (Director since 2004 to 2011).

Special responsibilities

- Managing Director of the Group from 30 April 2009.

Mr I Blair OAM, MMgt, FCA.

Former Chairman (retired 31 March 2012) - Non-Executive Director. Age 65.

Experience and expertise

Non-Executive Director of IOOF Holdings Ltd from 2002 to 2012.

Extensive experience in the fields of finance, accounting, audit and taxation with accounting firm Deloitte.

Responsible for management of Deloitte as Managing Partner and CEO between 1989 and 1997.

Other current directorships

- SAS Trustee Corporation (NSW State Superannuation Fund) (Director since 1998).
- Capral Ltd (Director since 2006).
- Bisley & Company Pty Ltd (Chairman since 1 January 2008).

Information on Directors (continued)

Mr I Griffiths C.Acc, DipAll, FAICD.

Non-Executive Director. Age 58.

Experience and expertise

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

More than 40 years experience in the financial and superannuation industries. A superannuation administration and business consulting career commencing with AMP in 1972. He 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 57.

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 directorships

- Telecommunications Industry Ombudsman (Director since 2002).
- Colonial Foundation Trust (Director since 2007).
- Medibank Private Limited (Director since 2007).

Former directorships in last 3yrs

- Royal Flying Doctor Service (Nat and Vic) (Director from 2002 to 2011).
- Boom Logistics Limited (Director from 2005 to 2009).

Special responsibilities

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

Information on Directors (continued)

Mr G Venardos BComm, FCA, FCIS, FAICD, FTIA.

Independent Non-Executive Director. Age 54.

Experience and expertise

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

More than thirty years experience in financial services with senior executive experience in finance, IT, funds management, reinsurance and corporate services. His former roles include that of Group Chief Financial Officer of Insurance Australia Group Ltd (from 1998 to 2008), Chairman Finance and Accounting Committee of The Insurance Council of Australia (from 1998 to 2008) and Group Director of Finance of Legal and General Australia (from 1986 to 1998).

Other current directorships

- Chairman of Guild Group Holdings Ltd (Director from 2008).
- Chairman of Bluglass Ltd (Director from 2008).
- Territory Insurance Office Ltd (Director from 2010).
- Ardent Leisure Group (Director from 2009).
- Miclyn Express Offshore Ltd (Director from 2010).

Former directorships in last 3yrs

- Director of Australian Wealth Management Limited (from 2008 to April 2009).

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 60.

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 finance industry, including 15 years as Managing Director of WHK Group Limited, a financial services company listed on the Australian Securities Exchange. Mr White is a Non-Executive Director of Royal Automobile Club of Victoria (RACV) Limited and a number of its associated companies, including Insurance Manufacturers of Australia Pty Limited.

Former directorships in last 3yrs

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

Special responsibilities

- Member of the Risk and Compliance Committee.

Company secretary

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

Directors' meetings

Director	Directors Meetings		Committee Meetings					
			Remuneration Committee		Audit Committee		Risk and Compliance Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
I Blair	13	12	2	2	n/a	n/a	n/a	n/a
R Sexton	17	16	4	4	6	6	n/a	n/a
I Griffiths	17	17	4	4	6	6	n/a	n/a
J Harvey	17	15	n/a	n/a	6	6	4	4
C Kelaher	17	16	n/a	n/a	n/a	n/a	n/a	n/a
G Venardos	17	16	4	4	n/a	n/a	4	4
K White	11	10	n/a	n/a	n/a	n/a	3	2

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 $
22 Nov 12	134,048	9.99
30 Jun 13	332,420	9.36
2 Aug 13	150,000	5.68
15 Feb 14	53,619	2.98
16 Jun 14	26,809	3.73
2 Aug 14	150,000	7.40
30 Sep 14	399,234	7.50
30 Jun 15	1,925,000	6.14
27 Nov 15	316,624	5.20
4 May 16	500,000	7.01
23 Nov 16	300,000	6.93
1 Jul 17	300,000	6.81
	4,587,754	

Performance rights	
Vesting date	Number of rights
27 Nov 12	75,000
1 Dec 12	32,970
30 Jun 13	5,000
31 Jul 13	1,250
23 Nov 13	75,000
27 Nov 13	37,500
30 Jun 14	371,250
1 Jul 14	75,000
23 Nov 14	37,500
27 Nov 14	37,500
30 Jun 15	210,000
1 Jul 15	37,500
23 Nov 15	37,500
1 Jul 16	37,500
	1,070,470

Deferred shares	
Vesting date	Number of shares #
31 Jul 13	35,977
	35,977

The Board has the discretion to either purchase shares on market or to issue new shares. 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 termination of the employee's employment. In addition, the ability to exercise options is conditional on service and performance hurdles as detailed in section 6 of the Remuneration Report.

These options, performance rights and deferred shares 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. During the financial year, the Group paid insurance premiums to insure against amounts that IOOF 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 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 IOOF, 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

Remuneration Report (continued)

1. Introduction

This Remuneration Report has been written in a different format this year in order to simplify this important area for shareholders and provide a clear and concise explanation of the Group's remuneration structure and the actual value of the remuneration received by Key Management Personnel (KMP) of the Group.

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.

The key principles of IOOF's remuneration policy remains unchanged from last year. These principles, as outlined in the following section, are designed to achieve a performance culture across the Group subject to the constraints embodied in the Group's risk appetite framework, by linking a large component of executive's remuneration to the creation of value for our shareholders.

The Board of Directors oversees the 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 and shareholders are closely aligned, to maximise shareholder value in the medium and longer term.

During the past twelve months, IOOF has experienced significant challenges arising from market movements, competitive pressures, and regulatory changes within the financial services industry in which it operates. Moreover, in response to issues arising out of the global financial crisis, regulators in Australia, in keeping with those in a number of overseas jurisdictions, have introduced a number of legislative measures which place increased focus on the remuneration quantum and structures employed by public companies.

The Board of IOOF Holdings Ltd, in conjunction with the Remuneration Committee, has reviewed the Group's remuneration policies to determine whether any significant changes or fine-tuning adjustments are needed in light of the above. The Remuneration Committee has also engaged the services of external consultant, Ernst & Young, to assist with this review.

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 Group aims to ensure that its remuneration policies are consistent with best practice in terms of:

- attracting and retaining high quality people; and
- aligning the rewards for performance by KMP with the returns achieved by Shareholders.

The remuneration arrangements for KMP comprise three key components:

- a base package which is a fixed amount 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 IOOF);
- 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 Group to enhance the sustainable performance of IOOF over the long term and to provide sound and competitive rates of return for our clients.

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

Remuneration Report (continued)

2. Remuneration Framework

2.1 Objectives

A principal objective of the Board is to achieve superior returns for our shareholders within the financial services industry in which it operates, while managing risk in a prudent manner. 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 and other employees.

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

- Be competitive in the markets in which IOOF operates in order to attract, motivate and retain high calibre employees;
- Reinforce the short and long term objectives of the 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 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 Group performance and rewards.

2.2 Governance

The Board is responsible for ensuring that the Group's remuneration policies are equitable and aligned with the medium and long term interests of shareholders. In performing this function, the Board is conscious of the imperative for decisions on employee remuneration to be given due consideration and be in line with best practice.

To assist in this task, and to advise the Board on the enhancement and administration of the 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 Group on an annual basis, including:

- Determination of Managing Director and Executive KMP remuneration arrangements;
- Remuneration policy and structures applicable to Non-Executive Directors;
- Ensuring that succession planning and development plans are in place for Executive KMP;
- On-going review and monitoring of short-term and long-term incentive schemes;
- Assessment of Managing Directors' performance against company performance;
- Industrial agreements and the overall compensation arrangements of the Group; and
- Ongoing review of the composition, skill base and performance of the Non-Executive Director component of the Board.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and Directors of the Company and of other Group senior executives.

Further details of the Remuneration Committee's charter and policies, including those for selecting and appointing Directors, Executive KMP and diversity are available on the Corporate Governance page of the Company's website at www.ioof.com.au

Remuneration Report (continued)

2.3 Committee Members

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

The members of the Remuneration Committee during 2011-12 were:

Dr Roger Sexton (Appointed Chairman 1 April 2012)
Mr Ian Blair (Former Chairman, retired 31 March 2012)
Mr Ian Griffiths
Mr George Venardos

The Board considers that membership of the Remuneration Committee provides 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 Head 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 remuneration consultants (refer 2.5 below).

2.4 How Remuneration is Determined

The 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 Company, 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 Board extend to include members of the Board to ensure alignment and consistency across the 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. This enables the Company 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 includes a number of components including total fixed remuneration (TFR), short term incentive (STI) opportunity, 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. Each of these forms of remuneration is described in detail below.

Total Fixed Remuneration (TFR)

TFR includes a combination of base salary, superannuation 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.

Remuneration Report (continued)

2.4 How Remuneration is Determined (continued)

Short Term Incentive Opportunity (STI)

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 80% of base salary. The other executives' maximum STI opportunity is up to 40% with the exception of Mr Merlicek 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, Total Shareholder Return and Return on Equity.

- Business excellence
  Performance measures for the year ended 30 June 2012 included operational targets such as long-term structural reductions to the cost base of the 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.

Long Term Incentive Opportunity (LTI)

The Board considers a long-term performance-related incentive component to be an important element of the executive reward framework. The 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 and retain employees;
- strengthen the link between remuneration and performance; and
- reward senior management for improvements in the Group's performance.

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

- 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
- In other circumstances where the Board determines appropriate. (Note: such discretion has never been exercised by the Board and would require exceptional circumstances).

The performance hurdle for current LTI plans has been linked to Company Total Shareholder Return (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 Group engages the services of an external organisation (Value Adviser Associates) to calculate the Group's performance against the TSR hurdles. The LTI element of Managing Director's remuneration is described in detail in the next section of this report.

Remuneration Report (continued)

2.4 How Remuneration is Determined (continued)

Deferral Arrangements

The Board has implemented deferral arrangements and look back provisions on a portion of the STI and LTI for the Managing Director in the 2011-12 year. The deferral element of the Managing Director's remuneration is described in detail in Section 6 of this report.

Further Education

During the year the focus on enhancing shareholder value in all facets of the business identified opportunities within the organisation's human capital. Existing processes were refined to identify candidates in leadership positions whose skills and experience could be enhanced through further specific education. Courses offered by leading institutions both domestically and internationally including Columbia Business School and London Business School were assessed to match the development needs of individual staff. The success of this ongoing program is reflected in the increase in the depth of talent within the organisation's leadership group and the value which the individuals have placed on the Company's commitment to their personal development.

Hedging of Unvested Securities

The 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 could 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 performance base remuneration as a proportion of total remuneration:

Position	TFR %	STI %	LTI %
Managing Director	40	32	28
Chief Investment Officer	41	41	18
Other Executives	50	20	30

2.5 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 their terms of engagement, regulate their access to, and require, their independence from IOOF’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 November 2011, the Remuneration Committee engaged Ernst & Young Human Capital (EYHC) as remuneration consultant to the Committee to provide market data and benchmarking information to assist the Committee in reviewing remuneration of KMP. Recommendations for the amount of remuneration to KMP were not provided.

In addition to the market and benchmarking data research, EYHC provided data in relation to the structure of long-term incentive plans for Executive KMP to the Company during the year.

Remuneration Report (continued)

3. *Remuneration Snapshot*

The following is designed to provide a summary of IOOF's remuneration policies and structure and provide an overview of the actual value of the remuneration received by Non-Executive Directors, the Managing Director and KMP in 2011-12. Comprehensive detail on these matters is contained in Section 4.

3.1 Non-Executive Directors

The fees paid to Non-Executive Directors fall within a limit of $980,000 approved by shareholders at the 2010 Annual General Meeting. There has been no increase in the approved limit since this time.

Details on the fees paid to Non-Executive Directors in 2011-12 are shown on page 21.

Non-Executive Directors' fees remain unchanged in the two years immediately following the global financial crisis i.e. in 2008-09 and 2009-10. Since that time they have been adjusted in line with inflationary movements.

The Board elected to increase Non-Executive Director fees by 3% for the 2012-13 financial year.

3.2 Managing Director and Key Management Personnel

The remuneration of the Managing Director and Executive KMP is designed to ensure strong alignment between the medium and long term interests of shareholders and the executive team. To achieve this, the remuneration packages of Executive KMP are structured into three components:

Total Fixed Remuneration : This is the only 'guaranteed' part of the remuneration package. The amount of the Total fixed remuneration pay is reviewed annually by the Remuneration Committee having regard to market movements in the financial services industry and the relativities of an individual's responsibilities at IOOF, along with their performance, qualifications and experience.

The financial services industry consists of companies operating in a similar regulatory environment to IOOF and is considered the appropriate market for comparison as this is the key source of talent for IOOF.

Short Term Incentive (STI) : The STI provides an annual opportunity for individual incentive rewards. The STI reward is assessed against both Group and individual objectives.

Long Term Incentive (LTI) : The LTI provides an annual opportunity for an equity award that aligns a significant portion of overall remuneration to shareholder value over the medium to longer term.

For the purposes of this report, the executive KMP (excluding the Managing Director) are as follows:

Name	Position
Executive KMP	
Mr Stuart Abley	Head of Consultum Financial Services
Mr Michael Carter	Chief Executive Officer - Bridges Financial Services
Mr David Coulter	Chief Financial Officer
Mr Stephen Merlicek	Chief Investment Officer
Mr Renato Mota	General Manager Distribution
Mr Gary Riordan	Group General Counsel & General Manager Trustee Services
Mr Mark Stephen	Chief Executive Officer - Lonsdale

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

Remuneration Report (continued)

3.3 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 2012, Mr Kelaher received a remuneration package comprising total fixed remuneration of $1,090,000. This amount included $65,000 annual Director's fees paid directly by DKN Financial Group Limited prior to acquisition by the Group which has been incorporated into Mr Kelaher's remuneration from the Group. Mr Kelaher was entitled to a total STI opportunity of up to a maximum of $870,000 based on achievement of superior performance against set targets determined by the Remuneration Committee. In July 2012 the Remuneration Committee assessed Mr Kelaher's performance against those targets and determined an STI amount of $626,400, being 72% 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 29 June 2012, which was $5.8038. The number of deferred shares to be issued accordingly is 35,977 (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 that will be deferred will be subject to Board 'look back' arrangements. This means the Board will conduct a review of Group performance in June 2013 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 2012, and whether it is still appropriate to award the deferred shares.

During June 2012, the Remuneration Committee performed a 'look back' review in regards to the 31,694 deferred shares issued in July 2011. The Remuneration Committee determined that all of the deferred shares were to vest in accordance with the terms of the arrangement. The 31,694 shares have since been transferred to Mr Kelaher.

The LTI arrangements in place for Mr Kelaher are disclosed further in Section 6 of the report.

3.4 Other Executive KMP Remuneration

The remuneration of other seniors executives is determined by the Managing Director and is approved by the Board.

Mr Abley
During the financial year ended 30 June 2012, Mr Abley received a remuneration package comprising total fixed remuneration of $319,300. Mr Abley was entitled to a total STI opportunity of up to a maximum of $127,720 based on achievement of superior performance against set targets. Due to Mr Abley's extended leave of absence during the year, Mr Abley was not awarded an STI for 2012.

Mr Carter
During the financial year ended 30 June 2012, Mr Carter received a remuneration package comprising total fixed remuneration of $330,000. Mr Carter was entitled to a total STI opportunity of up to a maximum of $132,000 based on achievement of superior performance against set targets. In August 2012 the Managing Director assessed Mr Carter's performance against those targets and determined an STI amount of $65,000.

Mr Coulter
During the financial year ended 30 June 2012, Mr Coulter received a remuneration package comprising total fixed remuneration of $322,000. Mr Coulter was entitled to a total STI opportunity of up to a maximum of $128,800 based on achievement of superior performance against set targets. The Managing Director assessed Mr Coulter's performance against those targets and determined a total STI amount of $125,000.

Remuneration Report (continued)

3.4 Other Executive KMP Remuneration (continued)

Mr Merlicek
During the financial year ended 30 June 2012, Mr Merlicek received a remuneration package comprising total fixed remuneration of $375,000. Mr Merlicek was entitled to a total STI opportunity of up to a maximum of $375,000 based on achievement of superior performance against set targets. In August 2012 the Managing Director assessed Mr Merlicek's performance against those targets and was not awarded an STI for 2012.

Mr Mota
During the financial year ended 30 June 2012, Mr Mota received a remuneration package comprising total fixed remuneration of $350,000. Mr Mota was entitled to a total STI opportunity of up to a maximum of $140,000 based on achievement of superior performance against set targets. The Managing Director assessed Mr Mota's performance against those targets and determined a total STI amount of $125,000.

Mr Riordan
During the financial year ended 30 June 2012, Mr Riordan received a remuneration package comprising total fixed remuneration of $410,000. Mr Riordan was entitled to a total STI opportunity of up to a maximum of $164,000 based on achievement of superior performance against set targets. The Managing Director assessed Mr Riordan's performance against those targets and determined a total STI amount of $155,000.

Mr Stephen
During the financial year ended 30 June 2012, Mr Stephen received a remuneration package comprising total fixed remuneration of $250,000. Mr Stephen was entitled to a total STI opportunity of up to a maximum of $100,000 based on achievement of superior performance against set targets. In August 2012 the Managing Director assessed Mr Stephen's performance against those targets and determined an STI amount of $55,000.

3.5 Short Term Incentive: Targets and Outcomes

Managing Director
The Managing Director’s Short Term Incentive targets/objectives for the 2011/2012 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; evaluate acquisition opportunities to create shareholder wealth; succession planning; and creating cost efficiencies. The Board through its Remuneration Committee assessed each of the Managing Director’s targets and awarded a STI amount of $626,400.

Executive KMP
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 company compliance and ensuring that all outcomes from internal and external audit are actioned tested. In addition Executive KMP has specific targets relating to their business and aligned targets with other KMP to ensure they are working towards the Company’s overall objectives.

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 in Section 3.4 above.

Remuneration Report (continued)

4. Non-Executive Directors' Remuneration

4.1 Components of Non-Executive Director remuneration

Non-Executive Directors receive a fee for being a Director of the Board. An additional fee is paid to the Chairman of the Board. Non-Executive Directors do not receive additional fees for service on Board Committees.

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.

Elements	*Details*
Current Board fees	**2012 Fees per annum are:** Board Chairman fee $ 213,200 Board Non-Executive Director fee $ 140,400 Each of the Non-Executive Directors also hold Board positions on each of the following Australian Financial Services Licensed companies within the Group, IOOF Investment Management Limited; Australian Executor Trustees Limited; Questor Financial Services Limited and IOOF Limited. Each of these Boards meets at least four times per annum.
Post-employment benefits	Superannuation contributions are made at a rate of 9% (up to the Government's prescribed maximum contributions limit) which satisfies the Company's statutory superannuation contributions and are included in the base fee. The Board has withdrawn the retirement benefit from the potential remuneration for new Non-Executive Directors. However, the program continued for 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 and is calculated as follows:

Period of service as a Non-Executive Director	Benefit Value [1]
0 to < 3 years	Nil
3 to 5 years	AAE times 1.0
> 5 years to 10 years	AAE times 1.5
> 10 years	AAE times 2.0

The retirement benefits plan will remain in operation for Dr Sexton (being the only remaining participant) for the year ending 30 June 2013.

[1] "AAE" = Annual Average Emoluments over the last 3 years of service to date of retirement.

The accrued entitlement for current Non-Executive Directors under the retirement benefits plan as at 30 June 2012 was $282,258 attributable to Dr Sexton.

On retirement at 31 March 2012 Mr Blair received $406,224 of his retirement benefit.

Remuneration Report (continued)

4.1 Components of Non-Executive Director remuneration (continued)

Deferred share purchase plan

IOOF 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 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.

Shares acquired under the Plan were purchased on market. 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 2012 and the range of prices at which shares were acquired during the financial year ended 30 June 2012.

Name	Shares No.	Share price range at $	Total $
I Blair	4,025	$5.20 - $6.54	23,079
J Harvey	2,081	$5.20 - $6.54	12,015
R Sexton	4,223	$5.20 - $6.54	24,353

4.2 Objectives

The primary objective for the Remuneration Committee is to ensure the Company 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 Company's earnings or growth in shareholder value to encourage Non-Executive Directors to perform their roles independently of Executive KMP.

4.3 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 IOOF Holdings Ltd Constitution, one-third of Directors must retire from office each year and may seek re-election by shareholders at the AGM of the Company.

4.4 Shareholdings of Non-Executive Directors

Name	Balance as at 1 Jul 2011	Shares from changes during the year[(1)]	Balance as at 30 Jun 2012[(2)]	Balance as at report sign-off date
Current Non-Executive Directors				
I Griffiths	4,280,280	(5,241)	4,275,039	4,275,039
J Harvey	10,425	2,081	12,506	12,652
R Sexton	41,717	14,223	55,940	55,940
G Venardos	20,013	-	20,013	20,013
K White [(3)]	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 2012: I Griffiths - 887,520; J Harvey - 12,506; K White - 80,000 and R Sexton - 23,197.
[(3)] The balance as at 1 July 2011 represents Mr White's initial interest in IOOF on appointment at 4 October 2011.

Remuneration Report (continued)

4.5 Remuneration table

Key management personnel		Short-term benefits: Directors fees (1) $	Short-term benefits: Shares(2) $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Total Shareholder approved remuneration(3) $	Post-employment benefits: Retirement benefits(4) $	Total $
Current Non-Executive Directors								
I Griffiths	**2012**	**128,827**	**-**	**-**	**11,594**	**140,421**	**-**	**140,421**
	2011	125,055	-	-	9,945	135,000	-	135,000
J Harvey	**2012**	**118,738**	**12,000**	**139**	**9,579**	**140,456**	**-**	**140,456**
	2011	112,852	12,000	153	10,148	135,153	-	135,153
R Sexton	**2012**	**121,629**	**24,355**	**139**	**11,133**	**157,256**	**18,554**	**175,810**
	2011	103,381	22,320	153	9,299	135,153	492	135,645
G Venardos	**2012**	**128,731**	**-**	**-**	**11,586**	**140,317**	**-**	**140,317**
	2011	123,861	-	-	11,139	135,000	-	135,000
K White	**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**
	2011	160,562	30,000	153	14,438	205,153	64,101	269,254
J Pfeiffer	2011	92,310	41,857	153	833	135,153	-	135,153
Total	**2012**	**720,730**	**59,432**	**417**	**63,944**	**844,523**	**29,990**	**874,513**
	2011	718,021	106,177	612	55,802	880,612	64,593	945,205

(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 $844,523 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. Mr Blair retired during the year and was paid his retirement benefit entitlement of $406,244. Refer to 'retirement benefits' above for further details.

Remuneration Report (continued)

5. Summary of Executive Contracts

Remuneration and other terms of employment for the Managing Director and Executive KMPs 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 Company may terminate Mr Kelaher's employment (except for misconduct) with 12 months written notice. The Company 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.
S. Abley	Ongoing	The Company may terminate Mr Abley's employment (except in the event of misconduct) by giving 5 months written notice. Mr Abley may terminate his employment by giving 1 months written notice.
M. Carter	Ongoing	The Company may terminate Mr Carter's employment (except in the event of misconduct) by giving 6 months written notice. Mr Carter may terminate his employment by giving 1 months written notice.
D. Coulter	Ongoing	The Company 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.
S. Merlicek	Ongoing	The Company 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 Company 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 Company 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.
M. Stephen	Ongoing	The Company may terminate Mr Stephen's employment (except in the event of misconduct) by giving 3 months written notice. Mr Stephen may terminate his employment by providing 3 months written notice.

6. Managing Director's remuneration

6.1 Terms of appointment

Mr Kelaher is employed under an unlimited duration service agreement. Under that agreement, Mr Kelaher receives fixed remuneration, a short-term incentive component, and an equity-based long-term incentive component, as discussed below. The fixed and short term incentive components of Mr Kelaher's remuneration are subject to annual review by the Board. There are various performance and vesting conditions attached to the remuneration provided to Mr Kelaher under the terms of his agreement.

Mr Kelaher can terminate his employment by giving IOOF three (3) months' written notice. The Board can waive the requirement for him to serve out part or all of the notice period, although he would be entitled to the fixed remuneration for that portion of the notice period not served out. Any unvested incentives at the date of termination would lapse.

Remuneration Report (continued)

6.1 Terms of appointment (continued)

The Company can terminate Mr Kelaher's employment at any time by giving twelve (12) months' written notice, or the Company can elect to make payment of fixed remuneration in lieu of part or all of the notice period that he is not required to serve out. The proportion (if any) of the short-term incentive and any unvested long-term incentives to which Mr Kelaher will be entitled in this event is at the discretion of the Board.

In the event Mr Kelaher's employment is terminated (except in the circumstances of misconduct), he will be paid an entitlement equal to twelve (12) months' fixed remuneration plus unpaid leave entitlements, and an amount to reflect a pro-rated entitlement to STI for the period.

6.2 Total Fixed Remuneration and Short Term Incentive

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 2012, Mr Kelaher received a remuneration package comprising fixed remuneration of $1,090,000. This amount included $65,000 annual Director's fee paid directly by DKN Financial Group Limited prior to acquisition by the Group which has been incorporated into Mr Kelaher's remuneration from the Group. Mr Kelaher was entitled to a total STI opportunity of up to a maximum of $870,000 based on achievement of superior performance against set targets determined by the Remuneration Committee. In July 2012 the Remuneration Committee assessed Mr Kelaher's performance against those targets and determined an STI amount of $626,400.

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 29 June 2012, which was $5.8038. The number of deferred shares to be issued accordingly is 35,977 (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 that will be deferred will be subject to Board 'look back' arrangements. This means the Board will conduct a review of Group performance in June 2013 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 2012, and whether it is still appropriate to award the deferred shares.

During June 2012, the Remuneration Committee performed a 'look back' review in regards to the 31,694 deferred shares issued in July 2011. The Remuneration Committee determined that all of the deferred shares were to vest in accordance with the terms of the arrangement. The 31,694 shares have since been transferred to Mr Kelaher.

Remuneration Report (continued)

6.3 Performance Rights and Share Options

As approved at the Annual General Meeting (AGM) of shareholders on 23 November 2010, Mr Kelaher is entitled to participate in an LTI program offering a maximum reward opportunity of 150,000 performance rights and 300,000 options in respect of the 2010/11 and 2011/12 financial years.

Following shareholder approval, 150,000 performance rights and 300,000 share options were granted to Mr Kelaher on 23 November 2010 in relation to the 2010/11 financial year. An additional 150,000 performance rights and 300,000 share options were granted to Mr Kelaher on 1 July 2011.

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

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

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

6.4 Performance rights – performance hurdles

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

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

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

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

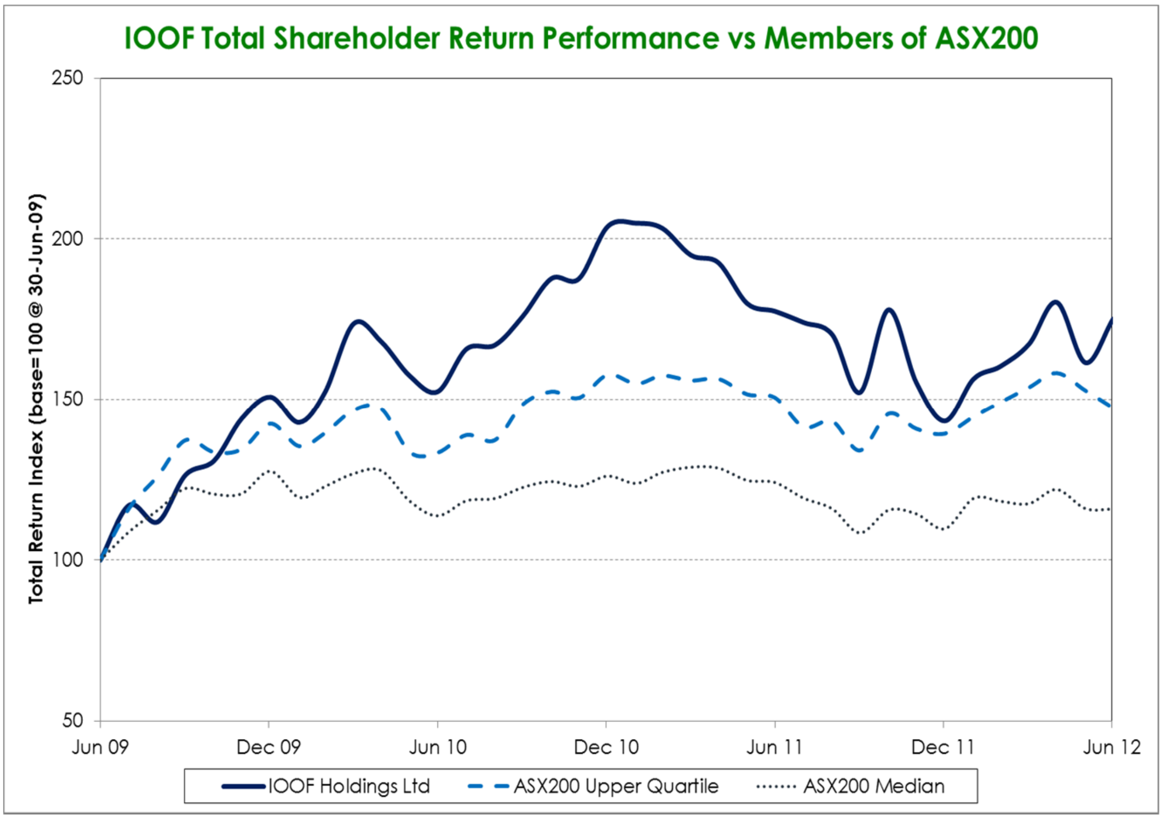
Upon exercise of the performance rights, shares will be allocated to Mr Kelaher. Shares allocated to Mr Kelaher will rank equally with all other ordinary shares on issue. Any dealing in shares resulting from performance rights that have been exercised will be subject to IOOF's Securities and Insider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

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

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

Remuneration Report (continued)

6.4 Performance rights – performance hurdles (continued)



The above figure compares IOOF's TSR performance against the median TSR of the ASX 200 over the 2009 to 2012 measurement period.

6.5 Share options – performance hurdles

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

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

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

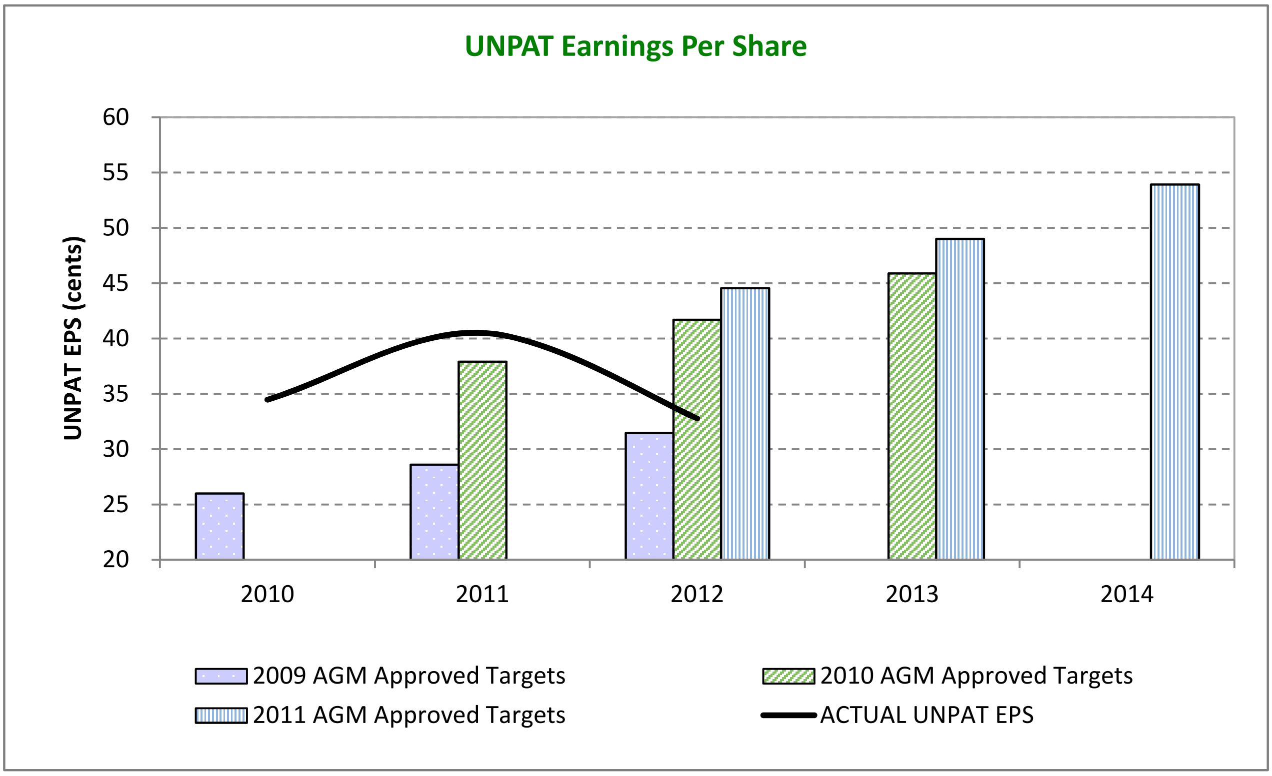
EPS for the purposes of the hurdle will be calculated on the basis of post-acquisition purchase price allocation Underlying Net Profit After Tax, post amortisation, divided by average shares on issue during the year.

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

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

Remuneration Report (continued)

6.5 Share options – performance hurdles (continued)



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

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

Year	EPS target	Number granted	Option 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 75,000 75,000	$ 6.81	01 Jul 11	01 Jul 14 01 Jul 15 01 Jul 16	01 Jul 17 01 Jul 17 01 Jul 17
2011	Compound growth of 10% per annum from 2010-11 to 2012-13 from a base point of 34 cents per share	150,000 75,000 75,000	$ 6.93	23 Nov 10	23 Nov 13 23 Nov 14 23 Nov 15	23 Nov 16 23 Nov 16 23 Nov 16
2010	Compound growth of 10% per annum from 2010-11 to 2011-12 from a base point of 26 cents per share	158,312 79,156 79,156	$ 5.20	27 Nov 09	27 Nov 12 27 Nov 13 27 Nov 14	27 Nov 15 27 Nov 15 27 Nov 15

Remuneration Report (continued)

6.6 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

6.7 Remuneration for the year ended 30 June 2013

The Board, on the advice of the Remuneration Committee has increased the Managing Director's fixed annual remuneration to $1,122,700 for the financial year commencing 1 July 2012. The Managing Director's Short Term Incentive (STI) opportunity for the year to 30 June 2013 has also been increased to 90% of base remuneration from $870,000 to $1,010,430.

The STI opportunity has been approved to increase to 100% of base remuneration for the year ended 30 June 2014. 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 2013 after a "look back" review in June 2013.

Mr Kelaher has been provided with 250,000 performance rights for the year ended 30 June 2013 and will also receive the same for the following financial year. Both series are subject to shareholder approval, the achievement of performance hurdles that will be set out in the notice of annual general meeting for the 2012 Annual General Meeting and are conditional upon Mr Kelaher's continued employment.

Remuneration Report (continued)

7. *Remuneration tables*

The following table sets out the remuneration received by the Managing Director and other KMP for the financial year ended 30 June 2012 and the comparative year.

		Short term employee benefits			Post-employment benefits	Share-based payment (3)			
		Salary & fees $	Bonus (1) $	Non-monetary (2) $	Super-annuation $	Options $	Shares $	Total $	Cash Remuneration (4) $
Managing Director									
C Kelaher	**2012**	**1,055,590**	**417,600**	**6,120**	**15,775**	**162,934**	**588,847**	**2,246,866**	**1,632,039**
	2011	914,801	408,000	7,118	15,199	273,956	398,307	2,017,381	1,227,231
Other key management personnel									
S Abley	**2012**	**284,847**	**-**	**4,866**	**14,804**	**146,705**	**14,569**	**465,791**	**377,412**
	2011	305,624	60,000	6,474	15,199	134,680	14,529	536,506	380,715
M Carter	**2012**	**314,071**	**65,000**	**11,769**	**15,775**	**260,522**	**15,816**	**682,953**	**389,846**
	2011	291,376	60,000	12,441	15,199	245,985	-	625,001	401,506
D Coulter	**2012**	**306,040**	**125,000**	**6,120**	**15,775**	**223,845**	**15,816**	**692,596**	**396,816**
	2011	294,801	50,000	-	15,199	211,610	-	571,610	360,622
S Merlicek	**2012**	**359,002**	**-**	**6,120**	**15,775**	**146,705**	**15,816**	**543,418**	**454,777**
	2011	345,301	80,000	1,868	15,199	134,680	-	577,048	430,378
R Mota	**2012**	**329,624**	**125,000**	**6,120**	**15,775**	**146,705**	**52,854**	**676,078**	**714,014**
	2011	306,801	60,000	1,868	15,199	134,680	73,517	592,065	406,223
G Riordan	**2012**	**394,225**	**155,000**	**-**	**15,775**	**260,522**	**15,816**	**841,338**	**545,000**
	2011	368,995	100,000	-	15,230	245,280	-	729,505	448,393
M Stephen(5)	**2012**	**262,510**	**55,000**	**2,040**	**11,528**	**10,592**	**-**	**341,670**	**274,038**
Total	**2012**	**3,305,909**	**942,600**	**43,155**	**120,982**	**1,358,530**	**719,534**	**6,490,710**	**4,783,941**
	2011	2,827,698	818,000	29,769	106,424	1,380,871	486,353	5,649,116	3,655,069

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 2013, 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 fringe benefits tax paid and the value of other non-monetary benefits.
(3) Share-based payments includes 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 closing share price on the date the shares were allocated to the KMP less any consideration paid or payable.
(5) Mr Stephen was appointed in October 2011.

Remuneration Report (continued)

7.1 Remuneration components as a percentage of total remuneration

Remuneration components (based on annualised amounts)								
Name	Fixed		Total Incentive Compensation Award		Total Remuneration		STI awarded as a component of Total Fixed Remuneration	
	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
C Kelaher	48	46	52	54	100	100	40	45
S Abley	65	61	35	39	100	100	-	20
M Carter	50	51	50	49	100	100	21	21
D Coulter	47	54	53	46	100	100	41	17
S Merlicek	70	63	30	37	100	100	-	23
R Mota	52	55	48	45	100	100	38	20
G Riordan	49	53	51	47	100	100	39	27
M Stephen	81	n/a	19	n/a	100	n/a	21	n/a

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.

7.2 Share option and performance rights component of total remuneration

The following table summarises the percentage of remuneration consisting of rights and options, value of options granted and the percentage vested and forfeited during the year to Directors and senior management:

Name	Remuneration consisting of rights and options [(1)]		Value at grant date [(2)]		% vested in year	% forfeited in year	Financial years in which grant vests
	2012 %	2011 %	2012 $	2011 $	2012	2012	
C Kelaher	33	33	516,000	1,240,875	-	-	2015 - 2017
S Abley	35	28	-	428,090	-	-	2013 - 2014
M Carter	40	39	214,875	535,112	-	-	2013 - 2014
D Coulter	35	37	214,875	428,090	-	-	2013 - 2014
S Merlicek	30	37	214,875	428,090	-	-	2013 - 2014
R Mota	30	35	214,875	428,090	100	-	2013 - 2014
G Riordan	33	34	214,875	535,112	-	-	2013 - 2014
M Stephen [(3)]	3	n/a	28,521	n/a	-	-	2013 - 2014

[(1)] The percentage of the value of remuneration consisting of options, based on the value of the options expensed during the year.
[(2)] The value at grant date calculated in accordance with AASB 2 Share-based payment of options granted during the year as part of remuneration and accounted for over the vesting period.
[(3)] Mr Stephen was granted options for IOOF shares to replace options held in DKN prior to acquisition.

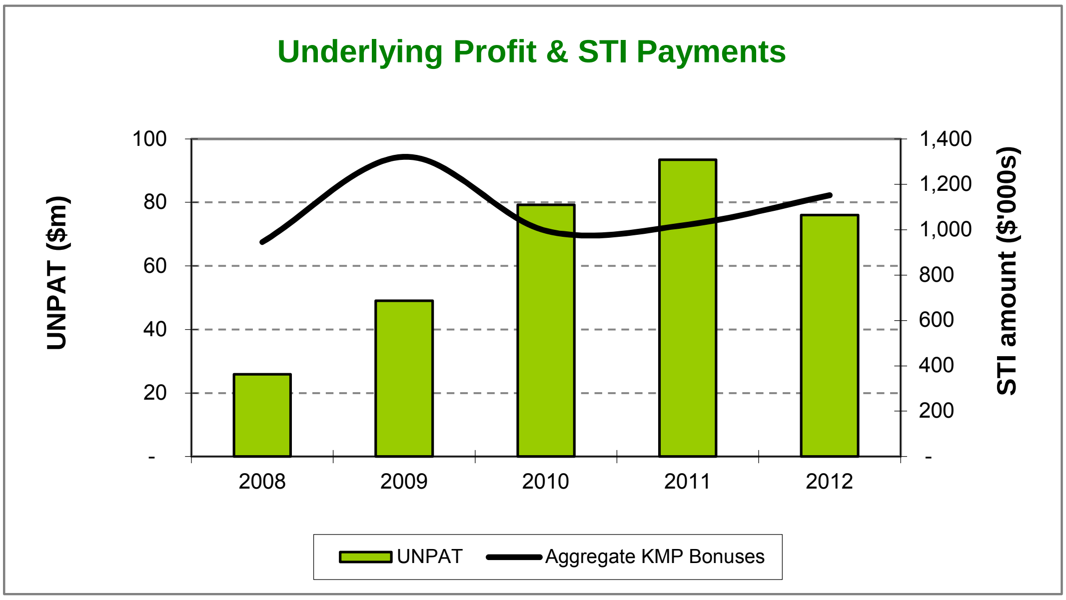
Remuneration Report (continued)

7.3 Consequences of performance on shareholder wealth

In considering the 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.

	2012	2011	2010	2009	2008
Profit attributable to owners of the Company ($'000s)	19,373	99,489	77,371	9,044	24,286
UNPAT post amortisation ($'000s)	76,041	93,470	79,261	49,100	25,900
UNPAT pre-amortisation ($'000s)	96,393	111,450	97,166	59,900	27,400
Basic EPS (cents per share)	8.4	43.1	33.7	7.4	35.6
Share price at start of year	$ 6.60	$ 5.99	$ 4.04	$ 5.10	$ 10.19
Share price at end of year	$ 6.05	$ 6.60	$ 5.99	$ 4.04	$ 5.10
Change in share price	$(0.55)	$0.61	$1.95	$(1.06)	$(5.09)
Dividends paid (cents per share)	41.0	39.0	34.0	15.0	33.0
Return on equity (non-statutory measure)*	11.1%	12.9%	11.4%	11.3%	14.1%
Total STIs paid to key management personnel ($'000s)	1,151	1,022	995	1,321	945

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



STI payments prior to 2009 reflect the lower size and profitability of Group prior to its 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. In 2009, the acquisitions noted previously 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 Group's increased profitability and scale. As is consistent with the Group's adherence to effective cost management, STI levels from 2010 to 2012 have been constrained and recognise KPIs specific to individuals rather than being rigidly tied to enhanced profitability.

Remuneration Report (continued)

7.4 Deferred shares, options and performance rights over equity instruments granted as compensation during 2012

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	Date of expiry	Exercise price $	Instrument fair value[1]
C Kelaher	LTI options	150,000	01-Jul-11	01-Jul-14	01-Jul-17	$ 6.81	$ 1.62
	LTI options	75,000	01-Jul-11	01-Jul-15	01-Jul-17	$ 6.81	$ 1.77
	LTI options	75,000	01-Jul-11	01-Jul-16	01-Jul-17	$ 6.81	$ 1.87
	LTI performance rights	75,000	01-Jul-11	01-Jul-14	01-Jul-17	$ 0.00	$ 3.11
	LTI performance rights	37,500	01-Jul-11	01-Jul-15	01-Jul-17	$ 0.00	$ 2.93
	LTI performance rights	37,500	01-Jul-11	01-Jul-16	01-Jul-17	$ 0.00	$ 2.77
M Carter	LTI performance rights	45,000	3-May-12	30-Jun-14	30-Jun-14	$ 0.00	$ 4.78
D Coulter	LTI performance rights	45,000	3-May-12	30-Jun-14	30-Jun-14	$ 0.00	$ 4.78
G Riordan	LTI performance rights	45,000	3-May-12	30-Jun-14	30-Jun-14	$ 0.00	$ 4.78
S Merlicek	LTI performance rights	45,000	3-May-12	30-Jun-14	30-Jun-14	$ 0.00	$ 4.78
R Mota	LTI performance rights	45,000	3-May-12	30-Jun-14	30-Jun-14	$ 0.00	$ 4.78

[1] The maximum value at the time of the grant is determined by multiplying the number granted by the fair value of the equity instruments. The minimum value of the grants, if the applicable conditions are not met at vesting date, is nil.

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

The following performance rights were granted to KMP since the end of the financial year:

Name	Type of instrument	Number granted	Grant date	Vesting date	Date of expiry	Exercise price $
M Carter	LTI performance rights	25,000	20-Aug-12	30-Jun-15	30-Jun-15	$ 0.00
D Coulter	LTI performance rights	25,000	20-Aug-12	30-Jun-15	30-Jun-15	$ 0.00
G Riordan	LTI performance rights	25,000	20-Aug-12	30-Jun-15	30-Jun-15	$ 0.00
S Merlicek	LTI performance rights	25,000	20-Aug-12	30-Jun-15	30-Jun-15	$ 0.00
R Mota	LTI performance rights	25,000	20-Aug-12	30-Jun-15	30-Jun-15	$ 0.00
M Stephen	LTI performance rights	10,000	20-Aug-12	30-Jun-15	30-Jun-15	$ 0.00

In addition to continued service to the Group ,the performance hurdle for the LTI plan has been linked to Company Total Shareholder Return (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.

Remuneration Report (continued)

7.6 Key management personnel deferred shares, options and performance rights holdings (including movements during the 2012 year)

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 11	Granted as compen-sation	Vested and transferred	Forfeited/ lapsed	Balance as at 30 Jun 12	Vested and exercisable at 30 Jun 12	Balance as at date of report sign-off
Key management personnel								
C Kelaher	2010 defd shares[(1)]	48,238	-	(24,119)	-	24,119	-	-
	2011 defd shares[(1)]	31,694	-	-	-	31,694	-	-
	2012 defd shares[(2)]	-	35,977	-	-	35,977	-	35,977
	2010 rights	150,000	-	-	-	150,000	-	150,000
	2011 rights	150,000	-	-	-	150,000	-	150,000
	2012 rights	-	150,000	-	-	150,000	-	150,000
	2007 options	134,048	-	-	-	134,048	134,048	134,048
	2010 options	316,624	-	-	-	316,624	-	316,624
	2011 options	300,000	-	-	-	300,000	-	300,000
	2012 options	-	300,000	-	-	300,000	-	300,000
S Abley	2009 rights	11,557	-	-	-	11,557	-	11,557
	2011 options	200,000	-	-	-	200,000	-	200,000
M Carter	2012 rights	-	45,000	-	-	45,000	-	45,000
	2009 options	13,404	-	-	-	13,404	13,404	13,404
	2010 options	100,000	-	-	-	100,000	-	100,000
	2011 options	250,000	-	-	-	250,000	-	250,000
D Coulter	2012 rights	-	45,000	-	-	45,000	-	45,000
	2010 options	100,000	-	-	-	100,000	-	100,000
	2011 options	200,000	-	-	-	200,000	-	200,000
S Merlicek	2012 rights	-	45,000	-	-	45,000	-	45,000
	2011 options	200,000	-	-	-	200,000	-	200,000
R Mota	2008 rights	30,496	-	(30,496)	-	-	-	-
	2009 rights	18,596	-	-	-	18,596	-	18,596
	2012 rights	-	45,000	-	-	45,000	-	45,000
	2011 options	200,000	-	-	-	200,000	-	200,000
G Riordan	2012 rights	-	45,000	-	-	45,000	-	45,000
	2009 options	53,619	-	-	-	53,619	53,619	53,619
	2010 options	100,000	-	-	-	100,000	-	100,000
	2011 options	250,000	-	-	-	250,000	-	250,000

[(1)] In July 2011, Mr Kelaher was awarded an STI amount of $612,000 for the 2010-11 financial year (2010: $594,000) of which one-third was settled in the form of deferred shares (2010: 50%). The number of deferred shares issued was 31,694 which vested in July 2012 (2010: 48,238).

[(2)] In June 2012, the Remuneration Committee assessed Mr Kelaher's performance against key performance indicators for the 2011-12 financial year and determined an STI amount of $626,400.

In terms of his remuneration arrangements, the STI opportunity was settled two thirds by cash and one 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 29 June 2012, which was $5.8038. The number of deferred shares to be issued accordingly is 35,977 (capped at 75,000 annually) and there is no consideration payable for the grant of the deferred shares.

Remuneration Report (continued)

7.7 Short Term Incentive (STI) and Long Term Incentive (LTI) equity allocations

The following table sets out the STI and LTI equity allocation awarded or forfeited in respect of the financial year.

	STI		LTI	
Name	Paid %	Forfeited %	Paid %	Forfeited %
C Kelaher	72%	28%	n/a	n/a
S Abley	0%	100%	n/a	n/a
M Carter	49%	51%	n/a	n/a
D Coulter	97%	3%	n/a	n/a
S Merlicek	0%	100%	n/a	n/a
R Mota	89%	11%	n/a	n/a
G Riordan	95%	5%	n/a	n/a
M Stephen	55%	45%	n/a	n/a

There were no LTI schemes that vested during the period for which performance hurdles were required to be tested.

7.8 Equity Vested/Exercised/Lapsed during 2012

Name	Type of instrument	Number granted	Grant date	First exercisable date	Date of expiry	Number vested and transferred	%	Value[1]
Key management personnel								
C Kelaher	STI deferred shares	24,119	01-Jul-10	01-Jul-11	01-Jul-11	24,119	100	158,703
R Mota	LTI rights	30,496	01-Dec-08	01-Dec-11	01-Dec-11	30,496	100	173,827

The deferred shares and performance rights above were exercised during the period therefore no deferred shares or performance rights remain exercisable as at 30 Jun 12.

[1] The value of deferred shares, options or performance rights is based on the closing share price on the ASX on the date of vesting, lapsing or exercising, multiplied by the number of deferred shares/options/performance rights. The value of options is based on the difference between the closing share price and the exercise price, multiplied by the number of options.

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 2012

DIRECTORS' DECLARATION

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

(a) the consolidated financial statements and notes set out on pages 38 to 107, and the Remuneration report, set out on pages 10 to 33 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 2012 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 2012.

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 2012

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

To: the directors of IOOF Holdings Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 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

Michelle Hinchliffe
Partner

Melbourne

23 August 2012

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 2012, 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 control 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.

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 2012 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 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 10 to 33 of the directors' report for the year ended 30 June 2012. 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 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M Hinchliffe

Michelle Hinchliffe
Partner

Melbourne

23 August 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated		Parent	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Revenue	7	624,764	642,649	89,634	132,422
Expenses	8	(522,995)	(512,774)	(1,432)	(671)
Life statutory revenue*	40(d)	52,528	85,260	-	-
Life statutory expenses*	40(e)	(55,832)	(71,649)	-	-
Share of profits of associates accounted for using the equity method (net of income tax)		8,181	9,201	-	-
Finance costs	9	(2,586)	(761)	(2,744)	(467)
Profit before income tax expense		104,060	151,926	85,458	131,284
Income tax (expense)/benefit - shareholder	10	(87,665)	(37,525)	7,987	44
Income tax (expense)/benefit - statutory*		3,304	(13,622)	-	-
Profit for the period		19,699	100,779	93,445	131,328
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	26	(65)	5,398	-	-
Net change in fair value of share buy back liability	26	5,063	(10,112)	-	-
Income tax on other comprehensive income	10	3,509	(1,866)	-	-
Other comprehensive income/(expense) for the period, net of income tax		8,507	(6,580)	-	-
Total comprehensive income for the period		28,206	94,199	93,445	131,328
Profit attributable to:					
Owners of the Company		**19,373**	**99,489**	**93,445**	**131,328**
Policyholders of the IOOF Life Ltd Statutory Fund		-	(11)	-	-
Non-controlling interest		326	1,301	-	-
Profit for the period		19,699	100,779	93,445	131,328
Total comprehensive income attributable to:					
Owners of the Company		27,880	92,909	93,445	131,328
Policyholders of the IOOF Life Ltd Statutory Fund		-	(11)	-	-
Non-controlling interest		326	1,301	-	-
Total comprehensive income for the period		28,206	94,199	93,445	131,328
Earnings per share:					
Basic earnings per share (cents per share)	29	8.4	43.1		
Diluted earnings per share (cents per share)	29	8.3	42.9		

Notes to the financial statements are included on pages 44 to 107.

*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
AS AT 30 JUNE 2012

		Consolidated		Parent	
	Note	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Assets					
Cash and cash equivalents	11	113,344	152,999	1,912	45,959
Receivables	12	65,505	73,068	8,939	14,342
Other financial assets	13	30,517	60,573	1,005,961	912,479
Assets relating to statutory funds	40	798,758	968,017	-	-
Other assets	14	21,220	24,961	163	-
Equity-accounted investees	15	26,278	14,739	-	-
Property and equipment	16	13,878	12,553	-	-
Deferred tax assets	19	-	-	506	-
Goodwill	17	564,372	491,856	-	-
Other intangible assets	18	292,721	258,997	-	-
Total assets		1,926,593	2,057,763	1,017,481	972,780
Liabilities					
Payables	20	61,915	50,664	109	70
Borrowings	21	56,791	38	71,000	10,000
Current tax liabilities		39,541	32,108	25,861	29,387
Other financial liabilities	22	29,371	43,112	-	-
Provisions	23	40,205	40,379	-	-
Deferred tax liabilities	19	58,315	4,074	-	13,113
Other liabilities	24	14,375	17,393	-	-
Liabilities relating to statutory funds	40	798,758	968,017	-	-
Total liabilities		1,099,271	1,155,785	96,970	52,570
Net assets		827,322	901,978	920,511	920,210
Equity					
Share capital	25	869,070	868,451	869,070	868,451
Reserves	26	(9,486)	(7,756)	7,053	8,246
Retained earnings	27	(47,138)	25,126	44,388	43,513
Total equity attributable to equity holders of the Company		812,446	885,821	920,511	920,210
Non-controlling interest		14,876	16,157	-	-
Total equity		827,322	901,978	920,511	920,210

Notes to the financial statements are included on pages 44 to 107.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
		Consolidated - 2012					
		$'000	**$'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**
Loss for the period attributable to policyholders of the IOOF Life Ltd Statutory Fund		-	-	-	-	-	**-**
Other comprehensive income							
Net change in fair value of available-for-sale financial assets		-	(65)	-	(65)	-	**(65)**
Fair value gain on investment in DKN	30	-	(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 44 to 107.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated - 2011					
		Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Opening balance at 1 July 2010	25,26,27	858,178	(3,324)	15,583	870,437	16,517	**886,954**
Total comprehensive income for the period							
Profit for the period attributable to owners of the Company		-	-	99,489	99,489	1,301	**100,790**
Loss for the period attributable to policyholders of the IOOF Life Ltd		-	-	(11)	(11)	-	**(11)**
Other comprehensive income							
Net change in fair value of available-for-sale financial assets		-	5,398	-	5,398	-	**5,398**
Net change in fair value of share buy back liability		-	(10,112)	-	(10,112)	-	**(10,112)**
Income tax on other comprehensive income		-	(1,866)	-	(1,866)	-	**(1,866)**
Total other comprehensive income		-	(6,580)	-	(6,580)	-	**(6,580)**
Total comprehensive income for the period		-	(6,580)	99,478	92,898	1,301	**94,199**
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends to equity holders		-	-	(89,935)	(89,935)	(1,567)	**(91,502)**
Share-based payment expense		-	3,232	-	3,232	-	**3,232**
Acquisition through business combination							
Issue of shares on exercise of options under executive and employee share option plan		9,464	-	-	9,464	-	**9,464**
Transfer from employee equity-settled benefits reserve on exercise of options		440	(440)	-	-	-	**-**
Employee performance rights vested during the year		330	(330)	-	-	-	**-**
Adviser performance rights vested during the year		453	(453)	-	-	-	**-**
On-market purchase of treasury shares transferred to employees during the year		(414)	-	-	(414)	-	**(414)**
Total contributions by and distributions to owners		10,273	2,009	(89,935)	(77,653)	(1,567)	**(79,220)**
Changes in ownership interests in subsidiaries that do not result in a loss							
Issue of additional non-controlling interests		-	-	-	-	45	**45**
Derecognition of non-controlling interest subject to buy-back		-	139	-	139	(139)	**-**
Total changes in ownership interests in subsidiaries		-	139	-	139	(94)	**45**
Total transactions with owners		10,273	2,148	(89,935)	(77,514)	(1,661)	**(79,175)**
Balance at 30 June 2011	25,26,27	868,451	(7,756)	25,126	885,821	16,157	**901,978**

Notes to the financial statements are included on pages 44 to 107.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Parent - 2012 Share capital $'000	Parent - 2012 Reserves $'000	Parent - 2012 Retained earnings $'000	Parent - 2012 Total equity $'000	Parent - 2011 Share capital $'000	Parent - 2011 Reserves $'000	Parent - 2011 Retained earnings $'000	Parent - 2011 Total equity $'000
Opening balance at 1 July	25,26,27	868,451	8,246	43,513	**920,210**	858,628	5,903	2,120	**866,651**
Total comprehensive income for the period									
Profit for the period		-	-	93,445	**93,445**	-	-	131,328	**131,328**
Other comprehensive income		-	-	-	**-**	-	-	-	**-**
Total comprehensive income for the period		-	-	93,445	**93,445**	-	-	131,328	**131,328**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends to equity holders		-	-	(95,106)	**(95,106)**	-	-	(89,935)	**(89,935)**
Share-based payment expense recognised in controlled entities		-	2,950	-	**2,950**	-	3,098	-	**3,098**
Issue of shares on exercise of options under executive and employee share option plan		1,094	-	-	**1,094**	9,464	-	-	**9,464**
On-market purchase of treasury shares transferred to employees during the year		(2,082)	-	-	**(2,082)**	(396)	-	-	**(396)**
Transfer from employee equity-settled benefits reserve on exercise of options		444	(444)	-	**-**	1,049	(1,049)	-	**-**
Employee performance rights vested during the year		736	(736)	-	**-**	330	(330)	-	**-**
Transfer of lapsed share options to retained earnings		-	(2,536)	2,536	**-**	(1,077)	1,077	-	**-**
Adviser performance rights vested during the year		427	(427)	-	**-**	453	(453)	-	**-**
Total contributions by and distributions to owners		619	(1,193)	(92,570)	**(93,144)**	9,823	2,343	(89,935)	**(77,769)**
Total transactions with owners		619	(1,193)	(92,570)	**(93,144)**	9,823	2,343	(89,935)	**(77,769)**
Balance at 30 June	25,26,27	869,070	7,053	44,388	**920,511**	868,451	8,246	43,513	**920,210**

Notes to the financial statements are included on pages 44 to 107.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Cash flows from operating activities					
Receipts from customers		680,860	689,929	6,792	6,219
Payments to suppliers and employees		(548,762)	(554,160)	(2,317)	(609)
Interest and other costs of finance paid		(2,407)	(761)	(2,744)	(467)
Net stockbroking purchases		3,002	(276)	-	-
Dividends from equity-accounted investees		9,416	9,378	-	-
Income taxes paid		(39,155)	(21,913)	(2,527)	(12,856)
Fund manager rebates paid to subsidiaries		-	-	(6,029)	(6,029)
Net cash provided by/(used in) operating activities	**38(b)**	102,954	122,197	(6,825)	(13,742)
Cash flows from investing activities					
Dividends and distributions received		1,276	1,843	87,177	129,912
Interest received		7,096	9,115	2,492	2,459
Acquisition of DKN, net of cash acquired	30	(86,436)	-	-	-
Acquisition costs of DKN		(3,119)	-	-	-
Net proceeds/(payments) from sales or purchases of financial assets		3,068	(580)	-	-
Payments for property and equipment		(3,253)	(8,373)	-	-
Proceeds on disposal of property and equipment		-	77	-	-
Amounts (advanced to)/borrowed from other entities		(995)	(617)	(88,747)	8,048
Proceeds on sale of life policies		-	220	-	-
Payments for intangible assets		(7,182)	(283)	-	-
Proceeds on disposal of intangible assets		619	-	-	-
Interests acquired in equity-accounted investees and non-controlling interests		(7,395)	(1,980)	-	(864)
Proceeds from disposal of equity-accounted investees		424	-	-	-
Net cash provided by/(used in) investing activities		(95,897)	(578)	922	139,555
Cash flows from financing activities					
Proceeds from borrowings		55,000	-	65,000	-
Repayment of borrowings		(548)	(14,590)	(10,000)	-
Proceeds from exercise of share options		1,094	9,464	1,094	9,464
On-market purchase of treasury shares transferred to employees during the year		(2,082)	(414)	868	-
Dividends paid:					
- members of the Company		(95,106)	(89,936)	(95,106)	(89,935)
- non-controlling members of subsidiary entities		(1,607)	(1,567)	-	-
- shareholders entitled to contractual share buy-back		(3,463)	(4,357)	-	-
Net cash provided by/(used in) financing activities		(46,712)	(101,400)	(38,144)	(80,471)
Net increase/(decrease) in cash and cash equivalents		(39,655)	20,219	(44,047)	45,342
Cash and cash equivalents at the beginning of the financial year		152,999	132,780	45,959	617
Cash and cash equivalents at the end of the financial year		113,344	152,999	1,912	45,959

Notes to the financial statements are included on pages 44 to 107.

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 2012 comprise the Company and its subsidiaries (together referred to as "IOOF" or the "Group") and the Group's interest in associates.
The 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 2012.

(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(q) - Deferred acquisition costs
- note 3(l) - Revenue (upfront service fees)
- note 3(w) - Liability to buy back vested shares
- note 17 - Goodwill
- note 18 - Other intangible assets
- note 31 - Share-based payments

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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 17 & 18 - Key assumptions used in discounted cash flow projections; and
▪ note 23 & 37 - Provisions and contingencies.

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 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 2012 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 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 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 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 Group.

The 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 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.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 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) Employee Share Trust (the "Trust")

The Group has formed a trust to administer the Group's employee share scheme. The trust is consolidated, as the substance of the relationship is that the trust is controlled by the 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 Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the 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 Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.
When the 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 Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-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 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 transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

3 Significant accounting policies (continued)

(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 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 Group becomes a party to the contractual provisions of the instrument.
The 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 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 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 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.

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 Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the 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 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.

3 Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Assets relating to statutory funds
The 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 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 Group initially recognises financial liabilities on the date at which the Group becomes a party to the contractual provisions of the instrument. The 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 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 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.

3 Significant accounting policies (continued)

(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 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 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 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.

3 Significant accounting policies (continued)

(f) Intangible assets (continued)

(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.

(g) Leased assets

Leases in terms of which the 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 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 Group on terms that the 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 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.

3 Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the 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 cash-generating unit "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.

3 Significant accounting policies (continued)

(i) Employee benefits (continued)

(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 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 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 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.
A small number of shares were held by the Trust in the opening balance of the comparative reporting date. These shares will contribute to the employee allocation of shares on satisfaction of vesting performance hurdles. The 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.
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 Group.

3 Significant accounting policies (continued)

(j) Provisions

A provision is recognised if, as a result of a past event, the 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 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 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 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.

3 Significant accounting policies (continued)

(l) Revenue

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

(i) Management and service fees revenue

The Group provide management services to unit trusts and funds operated by the 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 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 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.

3 Significant accounting policies (continued)

(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.

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% (2011: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2011: 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 Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The 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 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.

3 Significant accounting policies (continued)

(o) Income tax (continued)

(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 IOOF has reclassified some tax positions relating to deductions made by IOOF 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 IOOF's 2010 Income Tax Return has been 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. IOOF is still analysing the 2012 Act and therefore all potential deductions cannot be quantified at this stage.

The Company is also appealing to the Administrative Appeals Tribunal in respect to the result of an ATO private ruling it sought to confirm its entitlement to deductions under the 2010 Act. For these reasons the matter is ongoing.

(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.

3 Significant accounting policies (continued)

(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 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.

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 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 Group's other components. All operating segments' operating results are regularly reviewed by the 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 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) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments* , which becomes mandatory for the Group’s 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(y) 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.

4 Risk management

IOOF risk management framework

Risk is defined by IOOF as any event which hinders the sustainable achievement of Group objectives and results, including a failure to exploit opportunities. The Group's strategy to manage risk involves the identification of risks by type, impact and likelihood, implementation of controls to mitigate risks, and continuous monitoring and improvement of the procedures in place.

The Group's objective is to satisfactorily manage its risks in line with the 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 Group and vary depending on the nature of the risk. The Group maintains a framework to ensure regulatory compliance obligations are managed in accordance with Australian Standard 3806 Compliance Programs. The 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 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 Group’s income and operating cash flows.

The financial condition and operating results of the 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 Group. There is no direct impact on the net profit or the equity of the 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 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 Group is managed under a set of separate corporate policies and review processes that are directed toward the interests of the shareholders of the 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 Group is available in Note 3(a) Basis of consolidation.

4 Risk management (continued)

The following table shows the value of financial instruments held directly and actively managed by the corporate entities within the 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 Group.

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Financial assets				
Loans and other receivables	17,735	23,967	155,301	61,819
Financial assets at fair value through profit or loss	5,605	8,029	-	-
Available-for-sale financial assets	7,177	28,577	-	-
Investments in associates	-	-	864	864
Investments in subsidiaries	-	-	849,796	849,796
	30,517	60,573	1,005,961	912,479
Financial liabilities				
Payables	61,915	50,664	109	70
Borrowings	56,791	38	71,000	10,000
Contingent consideration	1,525	-	-	-
Share buy-back liabilities	27,846	43,112	-	-
	148,077	93,814	71,109	10,070

The 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 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 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 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 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 Group is in growing its business in the relevant sectors, the greater this liability will grow.

The Parent has no exposure to price risk.

4 Risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Group sensitivity

At 30 June 2012 had the price of the units / shares held by the Group in unlisted unit trusts / shares in other entities increased / decreased by 1% (2011: 1%) with all other variables held constant, post-tax profit for the year would increase / decrease by $19,000 (2011: $21,000) as a result of gains / losses recorded through profit or loss and available-for-sale reserves would increase / decrease by $50,000 (2011: $286,000).

At 30 June 2012, had the value of the underlying equity in relation to the share buy-back liabilities increased/decreased by 1% (2011: 1%) with all other variables held constant, group equity would decrease/increase by $278,000 (2011: $431,000).

(ii) Foreign exchange risk

The Group was not exposed to significant foreign exchange risk in relation to financial instruments held at year end (2011: nil).

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk to the 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 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.

The Parent has no exposure to interest rate

Group sensitivity

At 30 June 2012, if interest rates had changed by +/- 100 basis points (2011: +/- 100 basis points) from the year-end rates with all other variables held constant, post tax profit for the year would have been $819,000 higher/lower (2011: $1,550,000 higher/lower). Equity would have been higher/lower by the same amount.

4 Risk management (continued)

(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 Group. Credit risk arises for the Group from cash and cash equivalents, receivables, loans and other receivables.
The 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 Group. Where investments are held in units in a trust operated by the 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 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 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 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 Group.
The 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 2012, no receivables of the Group were impaired (2011: $32,000). The amount of the impairment provision was nil (2011: $32,000). The individually impaired receivables in the comparative period mainly relate to amounts receivable from clients.

The ageing of these impaired receivables is as follows:	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Less than 3 years	-	-	-	-
Greater than 3 years	-	32	-	-
	-	32	-	-

Movements in the provision for impairment of receivables are as follows:	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Balance at beginning of the year	32	30	-	-
Provision for impairment recognised	-	2	-	-
Receivables written off as uncollectible	(32)	-	-	-
Balance at end of the year	-	32	-	-

The amount of the provision for impairment is recognised in profit or loss in other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Uncollectible receivables are where there is no expectation of recovering additional cash.

4 Risk management (continued)

(c) Liquidity risk

Liquidity risk relates to the Group having insufficient liquid assets to cover current liabilities and unforeseen expenses. The 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 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 Group are regularly reviewed and carefully monitored in accordance with those licence requirements.

Maturities of financial liabilities
The tables below analyse the Group's financial liabilities into relevant maturity 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.

	Consolidated					
2012	<3 months $'000	3 to 12 months $'000	12 months or more $'000	No stated maturity $'000	Total contractual cash flows $'000	Carrying amount $'000
Payables	61,913	-	2	-	61,915	61,915
Borrowings	12,546	362	43,883	-	56,791	56,791
Contingent consideration	519	398	691	-	1,608	1,525
Share buy-back liabilities (i)	-	-	-	27,846	27,846	27,846
	74,978	760	44,576	27,846	148,160	148,077
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
	173,281	12,554	16,150	7,381	209,366	209,366

	Consolidated					
2011	<3 months $'000	3 to 12 months $'000	12 months or more $'000	No stated maturity $'000	Total contractual cash flows $'000	Carrying amount $'000
Payables	50,637	-	27	-	50,664	50,664
Borrowings	6	13	19	-	38	38
Share buy-back liabilities (i)	-	-	-	43,112	43,112	43,112
	50,643	13	46	43,112	93,814	93,814
Assets available to meet the above financial liabilities						
Cash and cash equivalents	152,999	-	-	-	152,999	152,999
Receivables	68,540	-	4,528	-	73,068	73,068
Other financial assets	6,806	36,034	10,008	7,725	60,573	60,573
	228,345	36,034	14,536	7,725	286,640	286,640

4 Risk management (continued)

(c) Liquidity risk (continued)

(i) The Group is required to buy back vested shares held by executives of certain subsidiaries in the event of the death of those serving executives. Hence the probability of the total liability becoming payable in any individual financial year is very low. In addition, there are provisions that enable executives to put back their shares to the Group, but the maximum the Group is obliged to purchase in any individual financial year is capped at a small proportion of the class of shares of the relevant subsidiary. No contractual obligation exists in respect of these put options until a notice is received from an executive. Due to the resignation of an executive the Group has commenced the process to buy back 154 shares in Perennial Real Estate Investments Pty Ltd. At the date of signing this report, the transaction process has commenced but has not been settled.

	Parent					
2012	<3 months $'000	3 to 12 months $'000	12 months or more $'000	No stated maturity $'000	Total contractual cash flows $'000	Carrying amount $'000
Payables	109	-	-	-	109	109
Borrowings	12,500	16,000	42,500	-	71,000	71,000
	12,609	16,000	42,500	-	71,109	71,109
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
Other financial assets	156,165	-	-	849,796	1,005,961	1,005,961
	158,956	-	8,060	849,796	1,016,812	1,016,812

	Parent					
2011	<3 months $'000	3 to 12 months $'000	12 months or more $'000	No stated maturity $'000	Total contractual cash flows $'000	Carrying amount $'000
Payables	70	-	-	-	70	70
Borrowings	-	10,000	-	-	10,000	10,000
	70	10,000	-	-	10,070	10,070
Assets available to meet the above financial liabilities						
Cash and cash equivalents	45,959	-	-	-	45,959	45,959
Receivables	3,584	-	10,758	-	14,342	14,342
Other financial assets	61,819	-	-	850,660	912,479	912,479
	111,362	-	10,758	850,660	972,780	972,780

4 Risk management (continued)

(c) Liquidity risk (continued)

Maturities of assets and liabilities

The tables below analyse the Group's assets and liabilities into current and non-current groupings. Assets and liabilities are classified as current where it is expected to be recovered or settled within 12 months from balance date. The amounts disclosed therein are the carrying values of the assets and liabilities. 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		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current assets				
Cash and cash equivalents	113,344	152,999	1,912	45,959
Receivables	59,503	68,540	879	3,584
Other financial assets	12,988	42,840	156,165	61,819
Other assets	13,972	13,887	163	-
Total Current assets	199,807	278,266	159,119	111,362
Non-Current assets				
Receivables	6,002	4,528	8,060	10,758
Investments in equity-accounted investees	26,278	14,739	-	-
Other financial assets	17,529	17,733	849,796	850,660
Other assets	7,248	11,074	-	-
Property and equipment	13,878	12,553	-	-
Deferred tax assets	-	-	506	-
Goodwill	564,372	491,856	-	-
Other intangible assets	292,721	258,997	-	-
Total Non-Current assets	928,028	811,480	858,362	861,418
Current liabilities				
Payables	61,913	50,637	109	70
Borrowings	12,908	19	28,500	10,000
Current tax liabilities	39,541	32,108	25,861	29,387
Other financial liabilities	834	-	-	-
Provisions	35,194	35,706	-	-
Other liabilities	4,868	5,639	-	-
Current liabilities	155,258	124,109	54,470	39,457
Non-Current liabilities				
Payables	2	27	-	-
Borrowings	43,883	19	42,500	-
Other financial liabilities	28,537	43,112	-	-
Provisions	5,011	4,673	-	-
Deferred tax liabilities	58,315	4,074	-	13,113
Other liabilities	9,507	11,754	-	-
Total Non-Current liabilities	145,255	63,659	42,500	13,113
Net Assets	827,322	901,978	920,511	920,210

4 Risk management (continued)

(d) Life insurance risk

During the comparative financial year the Group was exposed to life insurance risks through the subsidiary IOOF Life Ltd. These risks related to pricing, acceptance and management of mortality, morbidity and longevity risks from policyholders. The life policies of IOOF Life Ltd were transferred effective 1 September 2010 to Tower Australia Ltd. The Group had no exposure to life insurance risks as at 30 June 2012.
Insurance risks were controlled through the use of underwriting procedures, adequate premium rates and policy charges, and sufficient reinsurance arrangements; all of which were reviewed by the Appointed Actuary. Tight controls were also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

Financial risks were monitored and controlled by selecting appropriate assets to back policy liabilities. The assets were 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 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.

(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 of 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 17-24%. 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.

5 Financial instruments

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

(a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Consolidated 30 June 2012 Carrying amount $'000	Consolidated 30 June 2012 Fair value $'000	Consolidated 30 June 2011 Carrying amount $'000	Consolidated 30 June 2011 Fair value $'000
Assets carried at fair value					
Available-for-sale investments	13	7,177	7,177	28,577	28,577
Financial assets designated at fair value	13	5,605	5,605	8,029	8,029
		12,782	12,782	36,606	36,606
Assets carried at amortised cost					
Cash and cash equivalents	11	113,344	113,344	152,999	152,999
Receivables	12	65,505	65,505	73,068	73,068
Loans and receivables	13	17,735	17,735	23,967	23,967
		196,584	196,584	250,034	250,034
Liabilities carried at fair value					
Share buy-back liabilities	22	27,846	27,846	43,112	43,112
Liabilities carried at amortised cost					
Payables	20	61,915	61,915	50,664	50,664
Unsecured cash advance facility	21	55,000	55,000	-	-
Contingent consideration	22	1,525	1,525	-	-
Finance lease liabilities	21	1,791	1,970	38	40
		120,231	120,410	50,702	50,704

	Note	Parent 30 June 2012 Carrying amount $'000	Parent 30 June 2012 Fair value $'000	Parent 30 June 2011 Carrying amount $'000	Parent 30 June 2011 Fair value $'000
Assets carried at amortised cost					
Cash and cash equivalents	11	1,912	1,912	45,959	45,959
Receivables	12	8,939	8,939	14,342	14,342
Loans and receivables	13	155,301	155,301	61,819	61,819
		166,152	166,152	122,120	122,120
Liabilities carried at amortised cost					
Payables	20	109	109	70	70
Loan from controlled entity	21	16,000	16,000	10,000	10,000
Unsecured cash advance facility	21	55,000	55,000	-	-
		71,109	71,109	10,070	10,070

The basis for determining fair values is disclosed in note 4(e).

5 Financial instruments (continued)

(b) Interest rates used for determining fair value

	2012	2011
Finance lease liabilities	4.7%	5.3% - 9.5%

(c) 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 $'000	Level 2 $'000	Level 3 $'000	Total $'000
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
30 June 2011				
Assets				
Available-for-sale investments	28,577	-	-	28,577
Financial assets designated at fair value	3,000	5,029	-	8,029
	31,577	5,029	-	36,606
Liabilities				
Share buy-back liabilities	-	-	43,112	43,112
	-	-	43,112	43,112

Reconciliation of movements in level 3 financial liabilities	Share buy-back liabilities	
	2012 $'000	2011 $'000
Opening balance as at 1 July	43,112	37,357
Dividends paid to shareholders entitled to contractual share buy-back	(3,463)	(4,357)
Settlement of share buy-back liability	(6,740)	-
Revaluation of shareholder liabilities	(5,063)	10,112
Closing balance as at 30 June	27,846	43,112

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

6 Operating segments

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

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

Investment management
The management and investment of monies on behalf of corporate, superannuation, institutional 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
	2012	2011
Revenues	$'000	$'000
External management and service fee revenue	524,275	551,059
External other fee revenue	21,503	15,498
Other external revenue	60,606	64,845
Finance income	18,380	11,247
Consolidated revenue	624,764	642,649

	Total	Total
	2012	2011
Expenses	$'000	$'000
Service fees and other direct costs	252,994	275,597
Amortisation of deferred acquisition costs	6,568	7,466
Operating expenditure	226,508	204,766
Share-based payments expense	3,013	3,232
Depreciation and amortisation	24,738	21,713
Impairment	9,174	-
Consolidated expenses	522,995	512,774

6 Operating segments (continued)

	Platform management and administration		Financial advice and distribution		Investment management		Trustee services		Corporate and other		Total	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
External management and service fee revenue	315,159	343,961	67,850	58,399	122,148	129,789	19,118	18,910	-	-	524,275	551,059
External other fee revenue	8,374	8,909	7,192	2,115	3,762	2,581	2,175	1,873	-	20	21,503	15,498
Inter-segment revenue (i)	-	-	68,427	68,502	-	-	-	-	-	-	68,427	68,502
Service fees and other direct costs	(84,669)	(97,516)	(121,257)	(125,084)	(47,387)	(53,216)	148	-	171	219	(252,994)	(275,597)
Amortisation of deferred acquisition costs	(3,812)	(4,500)	(2,756)	(2,966)	-	-	-	-	-	-	(6,568)	(7,466)
Inter-segment expenses (i)	(67,627)	(68,047)	48	-	(665)	(296)	(183)	(159)	-	-	(68,427)	(68,502)
Gross Margin	**167,425**	**182,807**	**19,504**	**966**	**77,858**	**78,858**	**21,258**	**20,624**	**171**	**239**	**286,216**	**283,494**
Other external revenue	120	-	57,967	61,964	2,233	1,721	5	323	281	837	60,606	64,845
Finance income	5	-	1,768	1,619	1,137	1,359	-	-	15,470	8,269	18,380	11,247
Inter-segment revenue (i)	-	-	271	504	-	-	-	-	53	-	324	504
Share of net profits of associates	(8)	3	563	146	7,626	9,052	-	-	-	-	8,181	9,201
Operating expenditure	(78,769)	(75,270)	(61,632)	(50,062)	(36,038)	(33,486)	(14,257)	(14,126)	(35,812)	(31,822)	(226,508)	(204,766)
Share-based payments expense	(710)	(626)	(727)	(760)	(818)	(698)	(102)	(95)	(656)	(1,053)	(3,013)	(3,232)
Finance costs	-	-	(47)	(18)	(534)	-	-	-	(2,005)	(743)	(2,586)	(761)
Inter-segment expenses (i)	(90)	-	-	-	(53)	-	-	-	(181)	(504)	(324)	(504)
Impairment	-	-	(172)	-	(7,823)	-	-	-	(1,179)	-	(9,174)	-
Depreciation and amortisation	(13,026)	(12,778)	(8,527)	(5,410)	(2,737)	(2,688)	(195)	(116)	(253)	(721)	(24,738)	(21,713)
Reportable segment profit before income tax	**74,947**	**94,136**	**8,968**	**8,949**	**40,851**	**54,118**	**6,709**	**6,610**	**(24,111)**	**(25,498)**	**107,364**	**138,315**

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

Geographical segments

The Group predominantly operates in one geographical segment being Australia.

7 Revenue

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Management and service fees revenue	524,275	551,059	-	-
Stockbroking revenue	56,665	61,173	-	-
Other fee revenue	21,503	15,498	-	-
Finance income				
Interest income on loans to Directors of controlled and associated entities	621	636	1,685	2,089
Interest income from non-related entities	6,354	8,200	769	413
Dividends and distributions received	1,378	1,962	87,177	129,912
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	(276)	243	-	-
Profit on sale of financial assets	716	206	-	-
Fair value gain on investment in DKN (refer note 30)	9,587	-	-	-
	18,380	11,247	89,631	132,414
Other revenue				
Service revenue charged to related parties	2,222	2,302	-	-
Profit on transfer of life policies	-	220	-	-
Other	1,719	1,150	3	8
	3,941	3,672	3	8
Total revenue	**624,764**	**642,649**	**89,634**	**132,422**

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
8 Expenses				
Service fees and other direct costs				
Service and marketing fees expense	241,754	266,491	-	-
Other direct costs	11,240	9,106	-	175
	252,994	275,597	-	175
Operating expenditure				
Salaries and related employee expenses	128,231	121,223	-	-
Employee defined contribution plan expense	9,427	8,625	-	-
Information technology costs	34,940	32,195	-	-
Professional fees	4,925	4,724	744	484
Marketing	9,456	6,066	-	-
Office support and administration	13,831	12,629	688	12
Occupancy related expenses	13,354	12,088	-	-
Travel and entertainment	5,227	5,264	-	-
Other	230	271	-	-
	219,621	203,085	1,432	496
Other expenses				
Share-based payments expense	3,013	3,232	-	-
DKN acquisition costs	3,119	-	-	-
Termination and retention incentive payments	3,705	1,504	-	-
Depreciation of property and equipment	4,386	3,733	-	-
Amortisation of intangible assets	20,352	17,980	-	-
Loss on disposal of non-current assets	63	177	-	-
Impairment	9,174	-	-	-
Amortisation of deferred acquisition costs	6,568	7,466	-	-
	50,380	34,092	-	-
Total expenses	**522,995**	**512,774**	**1,432**	**671**

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
9 Finance costs				
Interest	2,586	761	2,744	467

10 Income tax expense

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
<u>Current tax expense</u>				
Current period	35,577	39,317	(1,114)	1
Adjustment for prior periods	(754)	(867)	6,746	(146)
	34,823	38,450	5,632	(145)
<u>Deferred tax expense</u>				
Origination and reversal of temporary differences	(3,744)	(529)	113	291
Adjustments recognised in the current year in relation to the deferred tax of prior years	(6,103)	(396)	(13,701)	(190)
Recognition of tax losses and deferred tax balances	62,689	-	(31)	-
	52,842	(925)	(13,619)	101
Total income tax expense from continuing operations	**87,665**	**37,525**	**(7,987)**	**(44)**
Income tax recognised in other comprehensive income				
<u>Available-for-sale financial assets</u>				
Before tax	(65)	5,398	-	-
Tax (expense)/benefit	3,509	(1,866)	-	-
Net of tax	3,444	3,532	-	-
<u>Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense charged in the income statement</u>				
Profit before income tax	104,060	151,926	85,458	131,284
Life statutory revenue	(52,528)	(85,260)	-	-
Life statutory expenses	55,832	71,649	-	-
Shareholder profit before income tax	107,364	138,315	85,458	131,284
Prima facie income tax at the Australian tax rate of 30%	32,209	41,495	25,637	39,385
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Share of tax credits with benefit funds	1,418	1,520	-	-
Internal interest charge	(84)	(109)	-	-
(Non assessable income)/Non-deductible expenses	6,382	2,352	(25,938)	(38,974)
Recognition of deferred taxes on intangible assets	62,689	-	-	-
Unwind of deferred taxes on intangible assets	(1,915)	(2,966)	-	-
Share of net profits of associates	(2,454)	(2,761)	-	-
Assessable associate and subsidiary dividends	5,966	5,424	-	-
Imputation credits	(6,280)	(5,658)	-	-
Other	(3,409)	(509)	(731)	(119)
Under/(over) provided in prior periods	(6,857)	(1,263)	(6,955)	(336)
	87,665	**37,525**	**(7,987)**	**(44)**

10 Income tax expense (continued)

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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Bank balances	113,344	152,999	1,912	45,959

The 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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Receivables	39,300	46,090	8,933	14,299
Provision for impairment of receivables	-	(32)	-	-
Interest receivable - related parties	59	156	-	-
Security bond	5,069	4,500	-	-
Other debtors	274	374	-	-
Accrued income	20,803	21,980	6	43
	65,505	73,068	8,939	14,342

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

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
13 Other financial assets				
Fair value through profit or loss				
Certificates of deposit and bank bills	2,569	2,428	-	-
Shares in listed companies	228	572	-	-
Unlisted unit trusts	2,808	5,029	-	-
	5,605	8,029	-	-
Available-for-sale investments	7,177	28,577	-	-
Loans and other receivables				
Loans to directors and executives (note 34)	10,148	10,008	-	-
Seed capital receivable	7,153	7,153	-	-
Receivables from statutory benefit funds and other related parties	425	6,796	155,301	61,819
Other	9	10	-	-
	17,735	23,967	155,301	61,819
Investments carried at cost less accumulated impairment				
Investments in subsidiaries	-	-	849,796	849,796
Investments in associates	-	-	864	864
	-	-	850,660	850,660
	30,517	**60,573**	**1,005,961**	**912,479**

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
14 Other assets				
Prepayments	10,117	9,370	163	-
Deferred acquisition costs	11,103	15,591	-	-
	21,220	24,961	163	-

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
15 Equity-accounted investees				
Investment in associated entities	26,278	14,739	-	-
Carrying value				
Balance at 1 July	14,739	12,891	-	-
Interests acquired in equity-accounted investees	655	2,025	-	-
Acquisition through business combination (see note 30)	12,751	-	-	-
Impairment	(172)	-	-	-
Disposals	(460)	-	-	-
Dividends from equity-accounted investees	(9,416)	(9,378)	-	-
Share of profits of associates accounted for using the equity method (net of tax)	8,181	9,201	-	-
Balance at 30 June	26,278	14,739	-	-

Name of entity	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %	Carrying value $'000	Group's share of profit/(loss) $'000
Associates					
Perennial Value Management Ltd [(i)]	Australia	52.4	52.4	8,211	7,625
Police & Nurses Financial Planning Pty Ltd	Australia	35.0	35.0	1,015	1
Kiewa Street Planners Pty Ltd	Australia	40.0	40.0	1,223	55
Goldsborough Consultants Pty Ltd	Australia	41.0	-	2,480	133
Thornton Group (SA) Pty Ltd	Australia	41.0	-	5,166	134
MW Planning Pty Ltd	Australia	31.0	-	2,314	47
Moneyplan Australia Pty Ltd	Australia	20.0	-	942	60
StrategyOne Unit Trust	Australia	25.0	-	873	2
Other associates				4,054	124
				26,278	8,181

[(i)] At 30 June 2012, Perennial Investment Partners Ltd had a 52.4% (30 June 2011: 52.4%) shareholding interest in Perennial Value Management Ltd with a 42.4% (30 June 2011: 42.4%) dividend entitlement 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.

15 Equity-accounted investees (continued)

The Group's share of profit in its equity accounted investees for the year was $8,181,000 (2011: $9,201,000). A summary of financial information of the investments accounted for using the equity method, not adjusted for the percentage ownership held by the Group follows.

	Assets $'000	Liabilities $'000	Revenues $'000	Net profit/(loss) $'000
30 June 2012				
Investment in associated entities	44,238	18,599	61,352	21,158
30 June 2011				
Investment in associated entities	24,081	5,979	50,620	22,463

None of the 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 Group received dividends of $9,416,000 (2011: $9,378,000) from its associates.

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
16 Property and equipment				
Cost or deemed cost	46,076	41,225	-	-
Accumulated depreciation	(32,198)	(28,672)	-	-
	13,878	12,553	-	-

	Consolidated			
	Office equip-ment $'000	Leasehold improve-ments $'000	Equipment under finance lease $'000	Total $'000
Carrying value				
Balance at 1 July 2010	4,242	3,798	125	8,165
Additions	4,560	3,821	-	8,381
Disposals	(236)	(17)	(7)	(260)
Depreciation/amortisation	(2,304)	(1,343)	(86)	(3,733)
Balance at 30 June 2011	6,262	6,259	32	12,553
Balance at 1 July 2011	6,262	6,259	32	12,553
Acquisitions through business combinations	396	345	-	741
Additions	4,386	993	-	5,379
Disposals	(41)	(348)	(20)	(409)
Depreciation/amortisation	(2,654)	(1,720)	(12)	(4,386)
Balance at 30 June 2012	8,349	5,529	-	13,878

17 Goodwill

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Cost	576,804	496,465	-	-
Accumulated impairment	(12,432)	(4,609)	-	-
	564,372	491,856	-	-

Carrying value	Consolidated 2012 $'000	Consolidated 2011 $'000
Balance at 1 July	491,856	491,856
Acquisition through business combination (see note 30)	80,339	-
Impairment	(7,823)	-
Balance at 30 June	564,372	491,856

Impairment testing for cash-generating units containing goodwill

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

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

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

	Consolidated 2012 $'000	Consolidated 2011 $'000
Platform management and administration	329,213	329,213
Multi manager	39,735	39,735
Perennial group	102,392	110,215
Consultum	723	723
IOOF Ltd	11,970	11,970
DKN	80,339	-
	564,372	491,856

17 Goodwill (continued)

The recoverable amounts for the relevant CGUs have been determined based on value-in-use calculations using first year cash flow projections from 2013 financial budgets approved by management and the Board. The manner in which the 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	Platform management & administration
Value in Use element					
Cash inflows years 2 - 5	A	C	B	D	B
Cash outflows years 2 - 5	E	E	E	D	E
Cash flows - perpetuity	3% growth from year 5	3% growth from year 5	3% growth from year 5	D	3% growth from year 5

A Reserve Bank of Australia forecast GDP growth rate

B Observed Australian managed funds annual compounding growth for March 2007 to March 2012

C Observed Australian equities and units in managed funds annual compounding growth for March 2007 to March 2012

D Observed IOOF Ltd annual compounding rate of decline for March 2007 to March 2012

E Blended rate of the underlying Australian forecast inflation levels and the applicable Reserve Bank of Australia GDP growth rate

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 16.5% used reflects the Group's pre-tax nominal weighted average cost of capital. 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 Group may have under various shareholder agreements to acquire shares in certain Perennial subsidiaries.

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
18 Other intangible assets				
Cost	356,645	302,684	-	-
Accumulated amortisation and impairment losses	(63,924)	(43,687)	-	-
	292,721	258,997	-	-

	Consolidated					
	Adviser relation-ships $'000	Computer software $'000	Customer relation-ships $'000	Brand names $'000	Contract agree-ments $'000	Total $'000
Carrying value						
Balance at 1 July 2010	2,689	5,016	239,079	21,852	8,058	276,694
Additions	-	307	-	-	-	307
Disposals	-	-	(24)	-	-	(24)
Amortisation for the year	(916)	(1,408)	(13,884)	(801)	(971)	(17,980)
Balance at 30 June 2011	1,773	3,915	225,171	21,051	7,087	258,997
Balance at 1 July 2011	1,773	3,915	225,171	21,051	7,087	258,997
Acquisition through business combination (see note 30)	-	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

Impairment testing for cash-generating units containing indefinite life intangible assets

For the purposes of impairment testing, indefinite life intangibles are allocated to the Group's operating divisions, or CGUs, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Each CGU is not higher than the 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 Indefinite life intangibles 2012 $'000	Consolidated Indefinite life intangibles 2011 $'000
Ord Minnett group	6,773	6,773
DKN group	500	-
	7,273	6,773

The indefinite life intangible asset relates to the Ord Minnett and Lonsdale 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 Group.

The recoverable amount for the Ord Minnett group brand name has 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 16.5% (2011: 17.3%) 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.

19 Deferred tax assets and liabilities

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deferred tax asset balance comprises temporary differences attributable to:				
Employee benefits	7,998	8,603	-	-
Staff incentives	2,745	2,183	-	-
Impairment of receivables	208	9	-	-
Provision for legal costs	394	382	-	-
Provisions, accruals and creditors	5,332	3,181	-	-
Fixed assets and computer software	1,297	1,496	1	2
Unrealised investment gains and losses	185	115	-	-
Carry forward capital and revenue losses	762	827	500	594
Deferred fee income	2,735	3,810	-	-
Other	1,109	1,026	7	94
Deferred tax asset balance as at 30 June	22,765	21,632	508	690
Set-off of deferred tax liabilities pursuant to set-off provisions	(22,765)	(21,632)	(2)	(690)
Net deferred tax asset balance as at 30 June	-	-	506	-
Deferred tax liability balance comprises temporary differences attributable to:				
Unrealised gains	-	3,279	-	-
Deferred acquisition costs	3,331	4,677	-	-
Accrued income	2,889	3,262	(2)	13
Customer relationships	74,577	78	-	-
Prepayments	283	620	-	-
Uncertain tax position	-	13,790	-	13,790
	81,080	25,706	(2)	13,803
Set-off of deferred tax liabilities pursuant to set-off provisions	(22,765)	(21,632)	2	(690)
Net deferred tax liability balance as at 30 June	58,315	4,074	-	13,113

19 Deferred tax assets and liabilities (continued)

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Reconciliation of movements				
Net carrying amounts at the beginning of the year	(4,074)	10,657	(13,113)	778
Acquisitions and disposals	(11,802)	-	-	-
Credited/(charged) to profit or loss (Note 10)	(52,842)	925	13,619	(101)
Temporary differences directly attributable to equity	3,509	(1,866)	-	-
Tax losses	-	-	-	-
Uncertain tax position	6,894	(13,790)	-	(13,790)
Carrying amount at the end of the year	**(58,315)**	**(4,074)**	**506**	**(13,113)**

Unrecognised deferred tax assets

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

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deductible temporary differences	-	-	-	-
Tax losses	1,908	1,908	-	-
	1,908	1,908	-	-
Potential tax benefit	572	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 Group can utilise the benefits there from.

20 Payables

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Accounts payable	33,075	30,649	-	70
Income received in advance	1,058	859	-	-
Accrued expenses	23,786	15,478	106	-
Goods and service tax payable	3,996	3,678	3	-
	61,915	**50,664**	**109**	**70**

Payables are non-interest bearing and are expected to be paid within 12 months from the financial year end. The 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 Group's interest-bearing borrowings, which are measured at amortised cost.
For more information about the Group's exposure to interest rate and liquidity risk, see Note 4 Risk management.

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cash Advance & Working Capital Facility drawn - Commonwealth Bank of Australia [(a)]	55,000	-	55,000	-
Loan from controlled entity	-	-	16,000	10,000
Finance lease liabilities [(c)]	1,791	38	-	-
	56,791	**38**	**71,000**	**10,000**

(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	
	2012 $'000	2011 $'000
Total facilities	100,000	25,000
Used at 30 June	55,000	-
Unused at 30 June	**45,000**	**25,000**

During the period the Group drew down $55 million of the Commonwealth Bank of Australia (CBA) facility with a fixed term of three years at a variable interest rate for the purposes of acquiring DKN.
The financial liability under the facility has a fair value equal to its carrying amount.
Further information about the 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 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 2012		Consolidated 2011	
Finance lease liabilities of the Group are payable as follows:	Future minimum lease payments $'000	Present value of minimum lease payments $'000	Future minimum lease payments $'000	Present value of minimum lease payments $'000
Less than one year	482	408	19	18
Between one and five years	1,488	1,383	21	20
	1,970	1,791	40	38
Less future finance charges	(179)		(2)	
	1,791		38	

22 Other financial liabilities

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Contingent consideration	1,525	-	-	-
Share buy-back liability (i)	27,846	43,112	-	-
	29,371	**43,112**	**-**	**-**

(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 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Employee entitlements	38,351	37,328	-	-
Directors' retirement	282	659	-	-
Onerous contracts	259	730	-	-
Other provisions	1,313	1,662	-	-
	40,205	**40,379**	**-**	**-**

	Consolidated				
	Directors' retire-ment $'000	Onerous contracts $'000	Employee entitle-ments $'000	Other $'000	Total $'000
Balance at 1 July 2011	659	730	37,328	1,662	40,379
Acquisition through business combination	-	-	1,977	196	2,173
Provisions made during the period	29	-	20,249	226	20,504
Provisions utilised during the period	(406)	(471)	(21,203)	(771)	(22,851)
Balance at 30 June 2012	282	259	38,351	1,313	40,205

Directors' retirement provision

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

Onerous contracts

The provision for onerous contracts represents the 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. The unexpired term of these leases is less than 3 months.

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 the litigation.

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
24 Other liabilities				
Deferred revenue liability	11,387	15,431	-	-
Lease incentives	2,988	1,962	-	-
	14,375	17,393	-	-

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
25 Share capital				
232,037,606 fully paid ordinary shares (2011: 231,903,558)	869,070	868,451	869,070	868,451

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 2012 No. '000	Consolidated 2012 $'000	Consolidated 2011 No. '000	Consolidated 2011 $'000
Ordinary shares				
On issue at 1 July	231,904	868,451	230,156	858,181
Adviser performance rights vested during the year (note 31)	-	427	46	453
Issue of shares on exercise of options under executive and employee share option plan (note 31)	134	1,094	1,702	9,464
Employee performance rights vested during the year (note 31)	-	736	-	330
Transfer from employee equity-settled benefits reserve on exercise of options (note 26)	-	444	-	440
Treasury shares transferred to employees during the year	-	-	-	(3)
On-market purchase of treasury shares transferred to employees during the year	-	(2,082)	-	(414)
On issue at 30 June	232,038	869,070	231,904	868,451
Treasury shares				
On issue at 1 July	-	-	(1)	(3)
Employee performance rights vested during the year (note 31)	-	-	1	3
On issue at 30 June	-	-	-	-
	232,038	869,070	231,904	868,451

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.

25 Share capital (continued)

	Parent			
	2012		2011	
	No. '000	$'000	No. '000	$'000
Ordinary shares				
On issue at 1 July	231,904	868,451	230,156	858,628
Adviser performance rights vested during the year (note 31)	-	427	46	453
Issue of shares on exercise of options under executive and employee share option plan (note 31)	134	1,094	1,702	9,464
Employee performance rights vested during the year (note 31)	-	736	-	330
Transfer from employee equity-settled benefits reserve on exercise of options (note 26)	-	444	-	1,049
Transfer of lapsed share options	-	-	-	(1,077)
Acquisition of treasury shares	-	(2,082)	-	(396)
On issue at 30 June	232,038	869,070	231,904	868,451

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 solvency 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 2012, the Group's capital risk management strategy was unchanged from 2011.

Further information in relation to solvency requirements imposed by the Life Insurance Act is provided in note 40(h) Life Insurance Business – Solvency Requirements.

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
26 Reserves				
Asset revaluation reserve	1,072	1,072	-	-
Available-for-sale investment revaluation reserve	319	5,283	-	-
Business combinations reserve	(301)	(301)	-	-
Share buy back revaluation reserve	(14,034)	(19,097)	-	-
Share-based payments reserve	3,458	5,287	7,053	8,246
	(9,486)	(7,756)	7,053	8,246
Asset revaluation reserve				
Balance at 1 July	1,072	1,072	-	-
Amount recognised during the year	-	-	-	-
Balance at 30 June	1,072	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.

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Available-for-sale investment revaluation reserve				
Balance at 1 July	5,283	1,751	-	-
Valuation gain/(loss) recognised	(65)	5,398	-	-
Fair value gain on investment in DKN (refer note 30)	(9,587)	-	-	-
Impairment loss recognised in profit or loss	1,179	-	-	-
Related income tax	3,509	(1,866)	-	-
Balance at 30 June	319	5,283	-	-

The available-for-sale investment revaluation reserve arises 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.

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Share buy back revaluation reserve				
Balance at 1 July	(19,097)	(9,124)	-	-
Valuation gain/(loss) recognised	5,063	(10,112)	-	-
Derecognition of non-controlling interest subject to buy-back	-	139	-	-
Balance at 30 June	(14,034)	(19,097)	-	-
Share-based payments reserve				
Balance at 1 July	5,287	3,278	8,246	5,903
Share-based payments expense recognised (note 8)	3,013	3,232	-	-
Share-based payment expense recognised in controlled entities	-	-	2,950	3,098
Replacement share-based payment awards on acquisition of subsidiary	234	-	-	-
Transfer of lapsed share options to retained earnings (note 27)	(3,469)	-	(2,536)	1,077
Transfer to issued capital on exercise of options (note 31)	(444)	(440)	(444)	(1,049)
Adviser performance rights vested during the year (note 31)	(427)	(453)	(427)	(453)
Performance rights vested during the year (note 31)	(736)	(330)	(736)	(330)
Balance at 30 June	3,458	5,287	7,053	8,246

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.

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
27 Retained earnings				
Balance at 1 July	25,126	15,583	43,513	2,120
Profit for the period attributable to owners of the Company	19,373	99,489	93,445	131,328
Profit/(loss) for the period attributable to policyholders of the IOOF Life Statutory Fund	-	(11)	-	-
Transfer of lapsed share options from reserves (note 26)	3,469	-	2,536	-
Dividends paid	(95,106)	(89,935)	(95,106)	(89,935)
Balance at 30 June	(47,138)	25,126	44,388	43,513

28 Dividends

The following dividends were declared and paid by the Group:

	Cents per share	Total amount $'000	Date of payment	Franked / unfranked
2012				
Final 2011 dividend	22.0	51,019	20 October 2011	Franked
Interim 2012 dividend	19.0	44,087	04 April 2012	Franked
	41.0	95,106		
2011				
Final 2010 dividend	18.0	41,443	13 October 2010	Franked
Interim 2011 dividend	21.0	48,492	23 March 2011	Franked
	39.0	89,935		

Franked dividends declared or paid during the year were franked at the tax rate of 30 per cent.
Dividend amounts are inclusive of any dividends paid on Treasury Shares.
After 30 June 2012 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 2012 dividend	18.0	41,767	17 October 2012	Franked

	Company	
	2012 $'000	2011 $'000
Dividend franking account		
30 per cent franking credits available to shareholders of IOOF Holdings Ltd for subsequent financial years	42,709	13,920

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 dividendfranking account of dividends declared after the balance date but not recognised as a liability is to reduce it by $17,900,000 (2011: $21,865,000).

29 Earnings per share

	Consolidated 2012 cents	Consolidated 2011 cents
Basic earnings per share	8.4	43.1
Diluted earnings per share	8.3	42.9

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	19,373	99,489
Earnings used in the calculation of basic EPS	19,373	99,489

Weighted average number of ordinary shares	No. ’000	No. ’000
Weighted average number of ordinary shares (basic)	231,985	230,676
Effect of unvested performance rights	547	580
Effect of share options on issue	106	654
Weighted average number of ordinary shares (diluted)	232,638	231,910

At 30 June 2012, 4,040,701 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 4 October 2011, the Group gained control of DKN by acquiring 100% of shares not already owned by the Group under a scheme of arrangement. The acquisition price was $0.80 per share and resulted in a total consideration payable to shareholders of $96 million.
In the period from acquisition to 30 June 2012, DKN contributed revenue of $18,424,000 and a profit of $3,871,000 to the Group's results. This excludes integration and transaction costs (refer Other Expenses in note 8) and the fair value gain on investment in DKN (refer note 7).
If the acquisition had occurred on 1 July 2011, management estimates that the consolidated revenue would have been $622,139,000 and consolidated profit for the year would have been $16,048,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2011.
The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	**Note**	**$'000**
Cash		96,119
Cash balances acquired		(9,683)
Net cash consideration		86,436
Replacement share-based payment awards	31	234
Total consideration		**86,670**

30 Acquisition of subsidiary (continued)

Replacement share-based payment awards

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

	Acquiree's awards			Replacement awards		
	Expiry Date	Exercise Price	Quantity	Vesting Date	Exercise Price	Quantity
DKN Equity Partner Options	30 Sep 11	$ 2.03	150,000	n/a	n/a	-
DKN Employee Options	14 Nov 11	$ 2.10	525,000	n/a	n/a	-
DKN Practice Options (2009)	30 Sep 13	$ 0.75	1,602,500	30 Sep 13	$ 7.50	102,850
DKN Employee Options	24 Nov 13	$ 0.75	2,925,000	30 Sep 13	$ 7.50	78,031
DKN Practice Options (2010)	10 Nov 14	$ 0.76	1,643,200	30 Sep 13	$ 7.50	107,129
DKN Employee Options	02 Dec 14	$ 0.76	3,190,000	30 Sep 13	$ 7.50	121,844
			10,035,700			**409,854**

The consideration of the business combination includes $234,000 transferred to option holders of DKN when the acquiree's awards were replaced by Group awards.
An amount of $423,000 will be recognised as a post-acquisition compensation cost. The determination of these amounts does not include an estimated rate of forfeiture. See note 31 for further details on the replacement awards.

	Acquiree's carrying amounts on acquisition $'000	Fair value adjust-ments $'000	Provisional values recognised on acquisition $'000
Identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	9,683	-	9,683
Receivables	3,055	-	3,055
Other assets	199	-	199
Property and equipment	741	-	741
Computer software	572	-	572
Intangible assets	-	46,300	46,300
Investments in equity-accounted investees	12,751	-	12,751
Payables	(9,599)	-	(9,599)
Current tax payable	(11,503)	-	(11,503)
Other financial liabilities	(828)	-	(828)
Provisions	(2,173)	-	(2,173)
Deferred tax assets/(liabilities)	1,938	(13,739)	(11,801)
Other liabilities	(49)	-	(49)
Total net identifiable assets	**4,787**	**32,561**	**37,348**

The fair values of intangible assets (customer relationships and brand name) have been determined by an independent valuer.

30 Acquisition of subsidiary (continued)

Goodwill

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

	$'000
Total consideration transferred	86,670
Fair value of existing holding in the acquiree	21,334
Fair value of identifiable assets	(37,348)
Cash balances acquired	9,683
Goodwill acquired	**80,339**

The Group's existing interest in the acquiree was as a component of the acquisition of Australian Wealth Management Ltd at 30 April 2009 at $12,001,000. The remeasurement of the existing holding to fair value resulted in a gain of $9,587,000, which has been recognised in profit or loss (refer note 7).
The goodwill is attributable mainly to the skilled workforce and the synergies expected to be achieved from integrating DKN into the Group.

Acquisition-related costs

The Group incurred acquisition costs of $3,119,000 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 Group operates a number of employee share and option schemes under the IOOF Executive Share Option Plan, the IOOF Executive Performance Share Plan and the Non-Executive Director Deferred Share Purchase Plan and the IOOF Deferred Share Plan for the Managing Director.

IOOF Executive Share Option Plan

The Group has an ownership-based compensation scheme for executives and senior employees of the Group. 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 IOOF 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 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 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 Group.
Performance rights granted under the plan carry no dividend or voting rights. All plans are equity-settled.

31 Share-based payments (continued)

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.

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 Options	7.50	30-Sep-13	30-Sep-13	30-Sep-14	Nil
2010-5 Managing Director	6.93	23-Nov-13	23-Nov-13	23-Nov-16	Earnings per share & return on equity
2010-4 Senior Management	6.14	1-Jul-13	1-Jul-13	30-Jun-15	Nil
2010-3 Senior Management	7.01	4-May-13	4-May-13	4-May-16	Nil
2010-2 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
2008-08 Senior Management	3.15	31-Jul-08	2-Aug-11	2-Aug-12	FUM target & earnings per share [1]
Legacy options series					
2009-15 Former CEO	9.89	27-Nov-09	27-Nov-09	27-Nov-11	Nil
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 Senior Management	9.36	30-Apr-09	30-Apr-09	30-Jun-13	Nil
2009-04 Senior Management	5.52	30-Apr-09	30-Apr-09	30-Nov-11	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 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.

31 Share-based payments (continued)

The following share-based payment arrangements were in existence during the current reporting period:

Performance Rights Series - Recipient	Exercise price	Earliest vesting date	Exercise period		Performance related vesting conditions
			Commence	Expires	
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
2010-6 Managing Director	nil	23-Nov-13	23-Nov-13	23-Nov-16	TSR & RoE
2010-1 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]
2007-05 Senior Management	nil	31-Jul-09	31-Jul-09	31-Jul-13	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	Nil
2008-06 Other Key Stakeholders	nil	30-Jun-11	30-Jun-11	30-Jun-11	Nil
2008-02 Senior Management	nil	30-Jun-10	30-Jun-10	30-Jun-13	FUM target & earnings per share [1]
2008-01 Senior Management	nil	01-Dec-11	01-Dec-11	01-Dec-13	Nil [2]

(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 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) Prior to the acquisition of AWM, the performance hurdles for vesting of the performance rights was on the Group's achievement of pre-determined Total Shareholder Return (TSR) (60%), cash EPS (20%) and return on equity (RoE) (20%). As a consequence of the acquisition, in accordance with the terms of the Share Plan, the Remuneration Committee exercised its discretion to waive the performance hurdles in respect of unvested performance rights as it is now impractical to measure performance against the hurdles on the basis established prior to the acquisition. As a result, the remaining performance hurdle is ongoing service only.

	Options		Performance Rights	Deferred Shares	Total
	Weighted average exercise price $	Number of options No.	Number of rights No.	Number of shares No.	Number of options, rights & shares No.
Opening balance at 1 July 2011	$ 7.00	4,816,770	616,214	79,932	5,512,916
Forfeited or lapsed during the period	$ 9.85	(692,322)	(24,973)	-	(717,295)
Exercised during the period	$ 4.44	(246,548)	(153,181)	(24,119)	(423,848)
Granted during the period	$ 7.21	709,854	521,250	35,977	1,267,081
Outstanding at 30 June 2012	$ 6.70	4,587,754	959,310	91,790	5,638,854
Exercisable at 30 June 2012	$ 8.61	546,896	91,340	-	638,236

31 Share-based payments (continued)

Disclosure of share-based payment programmes

Series - Recipient	Exercise price	Opening balance as at 1 July 2011*	Granted	Forfeited or Lapsed	Exercised	Closing balance as at 30 June 2012	Vested
Options							
2008-8 - Senior Management	3.15	112,500	-	-	(112,500)	-	-
2009-01 - Senior Management	2.98	53,619	-	-	-	53,619	53,619
2009-02 - Senior Management	3.73	26,809	-	-	-	26,809	26,809
2009-04 - Senior Management	5.52	134,048	-	-	(134,048)	-	-
2009-7 - Executives	9.36	147,452	-	-	-	147,452	147,452
2009-8 - Senior Staff	9.36	191,670	-	(6,702)	-	184,968	184,968
2009-9 - Managing Director	9.99	134,048	-	-	-	134,048	134,048
2009-15 - Former CEO	9.89	675,000	-	(675,000)	-	-	-
2009-16 - Managing Director	5.20	316,624	-	-	-	316,624	-
2009-20 - Senior Management	5.68	150,000	-	-	-	150,000	56,250
2010-02 - Senior Management	7.40	150,000	-	-	-	150,000	37,500
2010-03 - Executives	7.01	500,000	-	-	-	500,000	-
2010-04 - Executives	6.14	1,925,000	-	-	-	1,925,000	-
2010-05 - Managing Director	6.93	300,000	-	-	-	300,000	-
2012-02 - Managing Director	6.81	-	300,000	-	-	300,000	-
2012-05 - DKN Replacement	7.50	-	409,854	(10,620)	-	399,234	-
		4,816,770	709,854	(692,322)	(246,548)	4,587,754	640,646
Performance rights							
2007-5 - Senior Management	$nil	3,750	-	-	(3,750)	-	-
2008-1 - Senior Management	$nil	41,614	-	-	(41,614)	-	-
2008-2 - Senior Management	$nil	21,717	-	-	(21,717)	-	-
2008-6 - Other Key Stakeholders	$nil	83,600	-	-	(83,600)	-	-
2008-7 - Senior Management	$nil	7,500	-	-	(1,250)	6,250	-
2009-14 - Managing Director	$nil	150,000	-	-	-	150,000	-
2009-17 - Senior Management	$nil	32,970	-	-	-	32,970	-
2009-18 - Other Key Stakeholders	$nil	116,313	-	(24,973)	-	91,340	91,340
2010-01 - Senior Management	$nil	8,750	-	-	(1,250)	7,500	-
2010-06 - Managing Director	$nil	150,000	-	-	-	150,000	-
2012-01 - Managing Director	$nil	-	150,000	-	-	150,000	-
2012-04 - Executives	$nil	-	371,250	-	-	371,250	-
		616,214	521,250	(24,973)	(153,181)	959,310	91,340
Deferred shares							
2010-07 - Managing Director	$nil	48,238	-	-	(24,119)	24,119	-
2012-03 - Managing Director	$nil	31,694	-	-	-	31,694	-
2012-06 - Managing Director	$nil	-	35,977	-	-	35,977	-
		79,932	35,977	-	(24,119)	91,790	-
		5,512,916	**1,267,081**	**(717,295)**	**(423,848)**	**5,638,854**	**731,986**

* The opening balance has been adjusted for 37,500 options that were reassessed as vested during the reporting period.

The options outstanding at 30 June 2012 have an exercise price in the range of $2.98 to $9.99 and a weighted average contractual life of 2.8 years.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2012 was $5.58 (2011: $6.84).

31 Share-based payments (continued)

Inputs for measurement of grant date fair values granted during the financial year

The grant date fair value of the options granted through the employee share option plans were measured based on Monte Carlo sampling, where an external market-based performance hurdle exists. The grant date fair value of all other share-based payment plans were measured based on a binomial options pricing model. 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
2012-01 - Managing Director	2.98	-	6.58	46%	3	6%	5%
2012-02 - Managing Director	1.72	6.81	6.58	46%	3	6%	5%
2012-05 DKN Replacement Options	1.66	7.50	5.07	50%	2	6%	6%
2012-04 - Executives	4.78	-	6.20	40%	3	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	2012 $'000	2011 $'000	
Managing Director	554	952	Includes deferred STI payments over the vesting period
Senior Management	1,988	1,709	
Other Key Stakeholders	471	571	
	3,013	3,232	

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	
	2012 $	2011 $	2012 $	2011 $
Audit services				
Auditors of the Company				
KPMG Australia				
Audit and review of financial reports	2,306,265	1,978,315	465,000	304,000
Other regulatory audit services	1,091,914	535,700	-	-
	3,398,179	2,514,015	465,000	304,000
Other services				
Auditors of the Company				
KPMG Australia				
Taxation services	591,213	332,880	-	-
Due diligence services	108,656	-	108,656	-
Other services	129,592	87,292	-	-
	829,461	420,172	108,656	-
	4,227,640	2,934,187	573,656	304,000

All amounts payable to the Auditors of the Company were paid by a Group subsidiary.

33 Key management personnel

The key management personnel compensation comprised:

	Consolidated		Parent	
	2012	2011	2012	2011
	$	$	$	$
Short-term employee benefits	5,072,243	4,500,277	-	-
Post-employment benefits	184,926	162,226	-	-
Other long term benefits	-	-	-	-
Share-based payments	2,078,064	1,867,224	-	-
	7,335,233	6,529,727	-	-

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. Apart from the details disclosed in this note, 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	**2012**	**2,286,717**	**2,286,717**	**-**	**2,286,717**
	2011	2,286,717	2,286,717	-	2,286,717
Interest bearing loans					
Perennial Value Management Ltd	**2012**	**6,267,109**	**6,207,185**	**342,260**	**6,351,428**
	2011	6,317,959	6,267,109	422,866	6,355,000
Perennial Growth Management Pty Ltd	**2012**	**1,608,070**	**1,574,548**	**93,156**	**1,617,200**
	2011	1,128,172	1,608,070	93,369	1,625,607
Perennial Fixed Interest Partners Pty Ltd	**2012**	**121,057**	**120,529**	**7,896**	**124,870**
	2011	120,975	121,057	7,819	124,218

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 $7,996,236 were made on commercial terms and conditions and loans totalling $2,286,717 are unsecured interest free loans.

34 Related party transactions (continued)

(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						
S Abley	**2012**	**16,244**	-	-	-	**16,244**
	2011	16,244	-	-	-	16,244
M Carter	**2012**	**26,938**	**-**	**-**	**-**	**26,938**
	2011	26,938	134,048	-	(134,048)	26,938
D Coulter	**2012**	**238**	-	-	-	**238**
	2011	238	-	-	-	238
C Kelaher	**2012**	**4,244,818**	**-**	**-**	**-**	**4,244,818**
	2011	4,244,818	-	-	-	4,244,818
S Merlicek	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
R Mota	**2012**	**36,776**	**-**	**30,496**	**-**	**67,272**
	2011	19,794	-	14,657	2,325	36,776
G Riordan	**2012**	**-**	-	-	-	**-**
	2011	-	53,619	-	(53,619)	-

(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 2012 and 2011 financial years.

34 Related party transactions (continued)

(d) Transactions with other related parties

Other related parties of the Group include associates listed in Note 15.

	Consolidated		Parent	
	2012 $	2011 $	2012 $	2011 $
Receipt of service charge revenue from associates	2,222,000	2,302,000	-	-
Payment of management fees to associates	11,829,681	13,922,647	-	-

35 Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Not later than one year	12,046	9,820	-	-
Later than one year, not later than five years	29,689	35,417	-	-
Later than five years	8,232	12,042	-	-
	49,967	57,279	-	-

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 Group has not entered into any non-cancellable capital expenditure commitments not already recognised or provided for.

37 Contingencies

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Contingent liabilities				
Rental bond guarantees	5,380	4,596	-	-
ASX settlement bond guarantee	500	500	-	-
ASIC bond guarantees	80	60	-	-
Other guarantees	2,000	-	-	-
	7,960	5,156	-	-

37 Contingencies (continued)

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 $2,719,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the Group would be potentially liable for less than $275,000 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 $211,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the Group would be potentially liable for less than $211,000 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 $164,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the Group would be potentially liable for less than $98,000 of these claims.

SMF Wealth Management 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 $226,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the Group would be potentially liable for less than $125,000 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 $1,264,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the Group would be potentially liable for $550,000 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 $2,759,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the Group would be potentially liable for less than $190,000 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 $2,850,000. Professional indemnity insurance cover is held to meet any professional liabilities that may arise for individual claims above the applicable excess, the Group would be potentially liable for less than $278,000 of these claims.

37 Contingencies (continued)

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 2012, 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 $1.6m.

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 2012, Consultum Financial Advisers Pty Ltd has not received any requests from planners that satisfy the specific requirements to exercise its obligation.

Other

Litigation is in process against two of the company’s subsidiaries relating to a change of control clause wherein the counterparty is seeking relief, including damages. The information usually required by AASB 137 is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The directors are of the opinion that the claim can be successfully defended by the Company.

Other contingent liabilities exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where appropriate. The Group does not consider that the outcome of any 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

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(a) Cash and cash equivalents				
Bank balances	113,344	152,999	1,912	45,959

(b) Reconciliation of cash flows from operating activities

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Profit for the period	19,699	100,779	93,445	131,328
Net profit contribution of insurance business	-	11	-	-
Net depreciation on property and equipment	4,386	3,733	-	-
Net amortisation of intangible assets	20,352	17,980	-	-
(Profit)/loss on disposal of assets	(9,445)	(492)	-	-
Expired interest on asset purchase loans	(26)	-	-	-
Interest received and receivable	(6,975)	(8,836)	(2,454)	(2,502)
Dividends and distributions received and receivable	(1,378)	(1,960)	(87,177)	(129,911)
Impairment	9,174	-	-	-
Dividends received from associates	9,416	9,378	-	-
Share of profits of associates accounted for using the equity method	(8,181)	(9,201)	-	-
Share-based payments expense	3,013	3,232	-	-
Acquisition costs of DKN	3,119	-	-	-
Changes in net operating assets and liabilities:				
(Increase)/decrease in receivables	10,874	(5,175)	-	-
(Increase)/decrease in other assets	(549)	(1,927)	(163)	-
(Increase)/decrease in other financial assets	6,668	44	6,631	-
(Increase)/decrease in deferred acquisition costs	4,487	4,775	-	-
Increase/(decrease) in payables	1,655	2,265	39	68
Increase/(decrease) in deferred revenue liabilities	(4,044)	(4,084)	-	-
Increase/(decrease) in provisions	(1,420)	(5,131)	-	175
Increase/(decrease) in income tax payable	(4,069)	9,015	(3,527)	(26,790)
Increase/(decrease) in other financial liabilities	-	(5,474)	-	-
Increase/(decrease) in other liabilities	49	403	-	-
Increase/(decrease) in deferred taxes	46,149	12,862	(13,619)	13,890
Net cash provided by operating activities	102,954	122,197	(6,825)	(13,742)

39 Group entities

	Note	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Parent entity				
IOOF Holdings Ltd		Australia		
Subsidiaries				
AB Hurstville Pty Ltd		Australia	100.0	-
Accountplan Pty Ltd		Australia	100.0	100.0
Accountplan Taxation Services Pty Ltd		Australia	49.0	49.0
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
Australian Wealth Management Service Co. Pty Ltd		Australia	100.0	100.0
Austselect Pty Ltd		Australia	100.0	100.0
B D Shepparton Pty Ltd		Australia	75.0	75.0
Bagot's Executor & Trustee Company Ltd		Australia	100.0	100.0
Bridges Financial Planning Pty Ltd (formerly Executive Wealth Management 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
Consultum Financial Advisers Pty Ltd		Australia	100.0	100.0
CU Financial Advisory Services Pty Ltd	*(b)*	Australia	100.0	100.0
Deakin Financial Services Investments Pty Ltd		Australia	100.0	-
Deakin Financial Services Pty Ltd		Australia	100.0	-
Deakin Financial Services Smartplan Pty Ltd		Australia	100.0	-
DD Charlestown Pty Ltd		Australia	100.0	100.0
DKN Distribution Services Pty Ltd		Australia	100.0	-
DKN Financial Group Ltd		Australia	100.0	-
DKN Management Pty Ltd		Australia	100.0	-
DKN Services Pty Ltd		Australia	100.0	-
DKN Stakeholders Pty Ltd		Australia	100.0	-
Executive Wealth Management Financial Services Pty Ltd		Australia	100.0	100.0
Executor Trustee Australia Ltd		Australia	100.0	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

39 Group entities (continued)

	Note	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Group Investments Nominee Pty Ltd		Australia	100.0	100.0
Holiday Coast Wealth Management Pty Ltd		Australia	100.0	100.0
IOOF Global One 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 Services Pty Ltd		Australia	100.0	100.0
IOOF Transition 2 Pty Ltd		Australia	100.0	100.0
IOOF Transition 3 Pty Ltd		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	-
NS Singleton Pty Ltd		Australia	100.0	100.0
NT Homebush Pty Ltd		Australia	70.0	70.0
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 Ltd		Australia	94.9	94.9
Perennial Investment Partners Ltd		Australia	100.0	100.0
Perennial Real Estate Investments Pty Ltd		Australia	71.3	50.0
Questor Financial Services Ltd		Australia	100.0	100.0
Security Management Services Pty Ltd		Australia	100.0	100.0
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 Ltd		Australia	100.0	100.0
SMF Investment Managers (Super & Pension Fund) Pty Ltd	*(b)*	Australia	100.0	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		Australia	100.0	-
Super Choice Pty Ltd	*(b)*	Australia	100.0	100.0
Tower Austrust Building Pty Ltd		Australia	100.0	100.0
United Funds Management Ltd		Australia	100.0	100.0
Wealth Managers Pty Ltd		Australia	100.0	100.0
Wrap Account Pty Ltd		Australia	100.0	-

39 Group entities (continued)

	Note	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Ord Minnett Holdings Pty Ltd		Australia	70.0	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% (2011: 70.2%) shareholding in this entity and through IOOF Holdings Ltd which directly holds a 4.5% (2011: 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.

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 2012 $'000	Statutory 2011 $'000
Cash at bank	5,428	6,269
Receivables	10,333	13,836
Certificates of deposit and bank bills	-	46,672
Debt securities	43	180,084
Shares in listed companies	15,400	18,815
Unlisted unit trusts	737,740	680,841
Derivatives	8	35
Loans to policyholders	9,456	9,530
Mortgages	38	117
Margin accounts	1,489	1,771
Deferred tax assets	18,823	10,047
Investments backing policyholder liabilities designated at fair value through profit or loss	798,758	968,017

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.

40 Statutory Funds (continued)

(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	
	2012 $'000	2011 $'000
Payables	9,750	19,476
Contract policy liabilities - investment contracts with DPF	417,907	427,323
Investment contract liabilities	367,306	411,737
Non-controlling interests in controlled trusts	3,795	109,481
	798,758	968,017

(c) Reconciliation of movements in Policy liabilities

	Statutory	
	2012 $'000	2011 $'000
Contract policy liabilities		
Insurance contract liabilities at beginning of the year	427,323	447,048
Net increase in life insurance contract policy liabilities	10,739	15,974
Life insurance contract contributions	20,193	13,563
Life insurance contract withdrawals	(40,348)	(49,262)
Insurance contract liabilities at end of the year	417,907	427,323

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

	Statutory	
	2012 $'000	2011 $'000
Revenue		
Interest income	1,535	1,009
Dividends and distributions received	30,192	34,396
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	(29,582)	24,342
Net gains(losses) on foreign exchange	2,099	-
Contributions received - investment contracts with DPF	20,193	13,563
DPF policy holder liability increase	9,416	19,725
Non - DPF policyholder liability decrease	14,588	(13,021)
Other fee revenue	4,087	5,246
	52,528	**85,260**

40 Statutory Funds (continued)

	Statutory 2012 $'000	Statutory 2011 $'000
(e) Expenses		
Service and marketing fees expense	13,026	14,751
Life insurance operating expenses	52	127
Investment contracts with DPF:		
Benefits and withdrawals paid	40,133	49,017
Termination bonuses	216	245
Distribution to policyholders	2,096	7,146
Interest	309	363
	55,832	**71,649**

(f) Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2012. The actuarial report for IOOF Ltd was prepared by Mr Andrew Mead, FIAA, and was dated 15 August 2012. 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.

Solvency requirements
Solvency reserves are required to meet the prudential standards determined in accordance with Prudential Standard LPS 2.04 "Solvency Standard" issued by the Australian Prudential Regulatory Authority under Section 65 of the Life Insurance Act 1995. Solvency reserves provide additional protection to policy holders against the impact of fluctuations and unexpected adverse circumstances on the Company.

40 Statutory Funds (continued)

(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 solvency, 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.

(h) Solvency requirements

Solvency reserves are required to meet the prudential standards determined in accordance with Prudential Standard LPS 2.04 "Solvency Standard" issued by the Australian Prudential Regulatory Authority under Section 65 of the Life Insurance Act 1995. Solvency 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 solvency reserve.

		2012 $'000	2011 $'000
Solvency requirement	**A**	792,037	851,622
Represented by:			
Minimum Termination Value [1]		783,096	837,194
Other Liabilities		6,754	12,338
Solvency Reserve	**B**	2,187	2,090
		792,037	851,622
Assets Available for Solvency	**C**	**9,272**	**9,023**
Comprised of:			
Excess of Net Policy Liability over Minimum Termination Value		2,118	1,870
Net Assets		7,153	7,153
		9,272	**9,023**
Solvency Reserve % (B / (A - B)) x 100		0.28%	0.25%
Coverage of Solvency Reserve C/ B		4.24	4.32

For detailed solvency information on a statutory fund basis, users of this annual report should refer to the financial statements prepared by the life insurer.

(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

On 13 July 2012, the Company announced that the Company and Plan B Group Holdings Limited (Plan B) had entered into a Bid Implementation Deed under which the Company, through a wholly owned subsidiary, proposes to acquire all of the ordinary shares in Plan B. Under the terms of the Bid Implementation Deed, the Company has agreed to pay $0.60 cash per Plan B share. The deed is subject to Plan B shareholder approval and as a result, no amounts have been recognised in the profit or loss or financial position of the Group at balance date. If accepted, the total consideration payable to shareholders is estimated at $49.1 million.

IOOF will seek to enter into a Debt Facility with a suitable financial institution before or during the Offer Period. A suitable financial institution is one which has a suitable credit rating and significant experience in provision of credit to Australian corporate entities.
Under the intended Debt Facility, IOOF will seek funding up to $50 million for the purpose of funding the acquisition of Plan B Shares pursuant to the terms of the Offer, as well as all related transaction costs.
If such a facility is entered into, IOOF intends to draw down from that facility all amounts as are required to satisfy IOOF's obligations to pay the Offer Amount together with amounts required to cover all transaction costs associated with the Offer.

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.