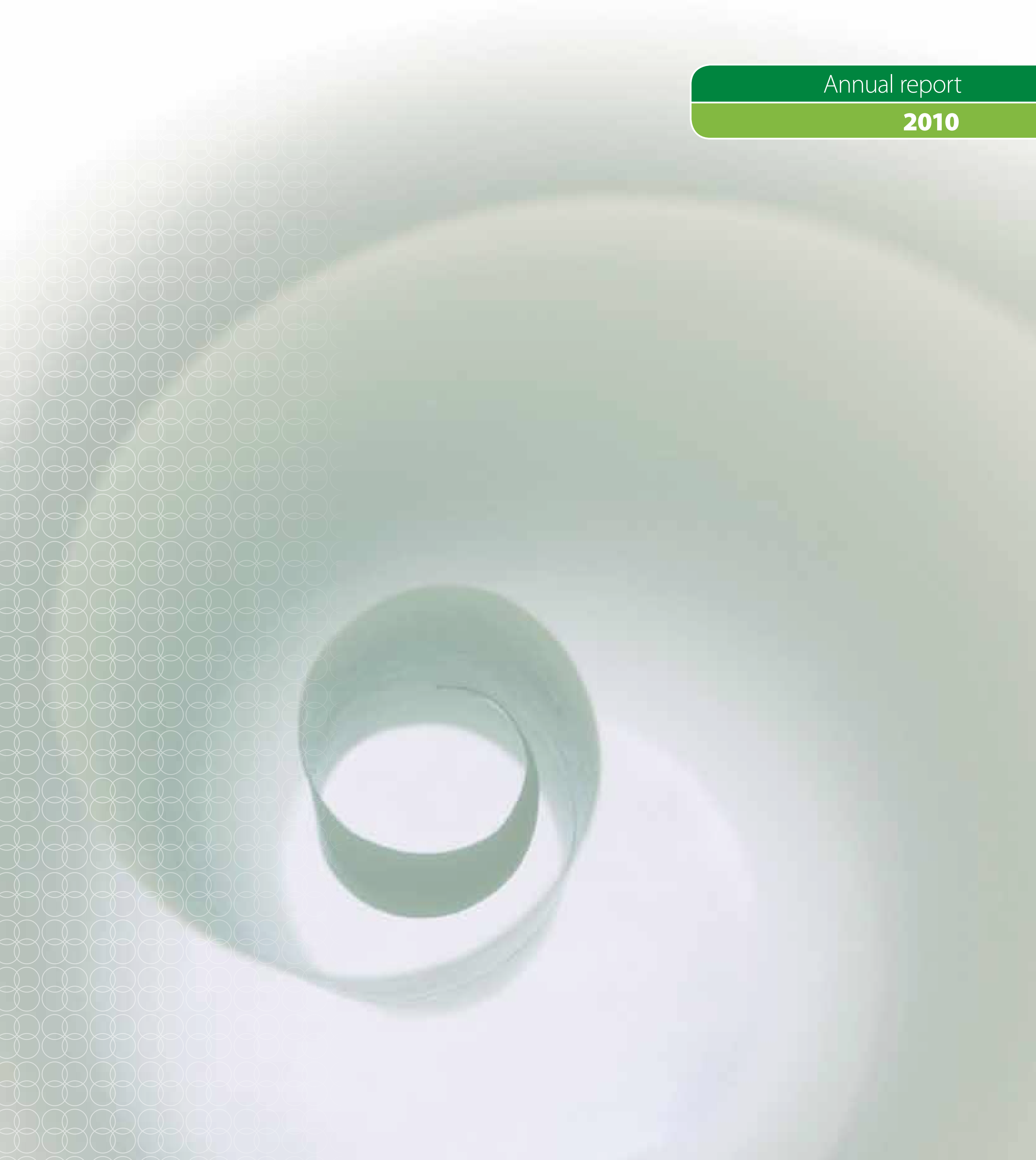
IOOF

Annual report 2010



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financial advice makes a difference

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IOOF MULTIMIX

PERENNIAL
INVESTMENT
PARTNERS
We are Perennial

wealth|builder

Trustee

Australian Executor Trustees

About IOOF

For over 160 years, IOOF has accompanied Australians' journey towards a secure and rewarding financial future.

At 30 June 2010, IOOF Holdings Limited (IOOF) had $99.1 billion in Funds Under Management, Administration, Advice and Supervision.

The Group's products and services are designed to accompany the lives of around 700,000 Australians from wealth accumulation into retirement and across to the next generation.

IOOF is a fully integrated financial services company offering:

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

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

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

Trustee services including Estate Planning and Corporate Trust services. Australian Executor Trustees (AET) team of estate planning lawyers, prepare estate plans, Wills, powers of attorney and manage deceased estates on behalf of their clients. AET is also a specialist in the provision of personal trusts.

The AET Corporate Trust team act as custodian for managed investment schemes, trustee or security trustee for securitisation and structured finance transactions, and trustee for note and other debt issues.

IOOF operates in every state of Australia under four divisions:

Wealth Management			Trustee
Financial advice and distribution	Platform management and administration	Investment management Perennial Investment Partners MultiMix United Funds Management	Corporate Trust Private Client

We operate multiple well-known brands such as Bridges Financial Services, Consultum Financial Advisers, Perennial Investment Partners, Australian Executor Trustees, Spectrum Super, Pursuit and Ord Minnett.

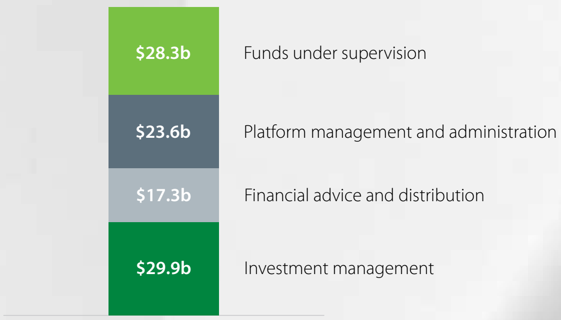
IOOF's long term focus on customer service throughout its business has been rewarded this year, with its flagship platform, Pursuit, being awarded the highest placed platform in the 2010 Wealth Insights Service Level Report.

Ensuring the business is efficient through cost control presents another way to deliver shareholder value.

IOOF will continue to strengthen its operations to consolidate its position as one of Australia's largest independent wealth managers.

Our financial performance

Funds by segment



FUMAS by segment

Understanding the data behind our performance

The key driver affecting the financial performance for the financial year ended 30 June 2010 was the significant increase in management fee revenue when compared to the prior year. This increase was a result of the acquisitions of IOOF Global One and Australian Wealth Management (AWM) during the year ended 30 June 2009. Contributions from these acquisitions had an impact on the profitability of the group for two months of 2009 in the case of AWM, and approximately 4 months of 2009 for IOOF Global One. Conversely, a full year's contribution from each acquisition is accounted for in 2010.

The acquisitions resulted in an additional $65.0 billion in Funds Under Management, Administration, Advice and Supervision ('FUMAS') as measured at the respective acquisition dates.

Beyond the impact of acquisitions, additional profitability resulted from increases in the market value of the assets underpinning FUMAS, positive net flows to the group's actively marketed products and substantial gains in cost efficiency achieved through the additional scale of business activity and concerted cost reduction programs.

The consolidated net profit after tax for the year has also been affected by the inclusion of amortisation of intangible assets, several revaluation adjustments, the recognition of a profit on disposal of available for sale assets and corporate restructuring costs implemented during the year.

Underlying profit differs from the statutory profit in the financial statements contained in this report, in that underlying profit reverses out the impact of items which are not reflective of underlying operations or which are unlikely to be realised. For a detailed reconciliation please refer to appendices of the investor presentation which is on our website at www.ioof.com.au

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

Influences on the growth of FUMAS include:

Market performance

The performance of the markets in which IOOF FUMAS was invested, in particular equities, fixed interest and property, were the largest contributing driver to FUMAS performance. IOOF revenue will grow or reduce with the positive or negative impact of market valuations on average FUMAS for the current reporting period relative to the average FUMAS from the prior period.

Number of investors

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

Number of advisers

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

Investment performance

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

Shareholder value

Shareholder value can be measured by:

Total shareholder return

Total shareholder return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. IOOF's TSR for the year to 30 June 2010 was 56.6% which is top quartile performance when measured against financial services peers and relevant ASX indices.

Earnings per share

Basic earnings per share were 29.8 cents per share compared to 14.6 cents per share for last year. Diluted earnings per share were 29.6 cents per share compared to 14.4 cents per share for last year.

On an underlying earnings basis, where the impact of certain non operational and/or accounting adjustments is removed, basic earnings per share were 34.5 cents per share compared to 21.2 cents per share for last year. This reflected increased underlying earnings and a reasonably stable number of issued shares.

Franking credits

The balance of the franking account at 30 June 2010 of $39.0 million will support the payment of fully franked dividends as recommended by Directors. It is expected that the IOOF Group will continue to make future tax payments and this will increase the availability of franking credits.

Chairman's statement

Ian Blair

When I wrote to you last year, IOOF was embarking upon an exciting new phase of its history. Having merged with Australian Wealth Management in April 2009, plans were being formed to integrate the two businesses, along with the assets acquired from Australian Skandia.

Twelve months on, I am pleased to report that IOOF's integration project is largely completed and the company has begun rationalising a number of duplicated assets it owns. The Managing Director reports on the progress of this project in his overview.

IOOF reported a record result of $97.2 million

I am pleased to report that IOOF reported a record Underlying Net Profit after Tax and pre-amortisation result of $97.2 million. This is a large increase on last year's result of $59.9 million, however it is important to remember that the 2008/2009 result included 12 months of IOOF, 4 months of Australian Skandia – and only 2 months of AWM. This year's result shows the true power of the merged entity.

This result is a credit to the management team and employees of IOOF who have experienced a lot of change this year, particularly at a time when the global economy has been so uncertain. I want to pay particular tribute to our Managing Director Chris Kelaher and all of the IOOF team for the extraordinary and successful efforts they put in last year.

Global market conditions remain uncertain with gains from the partial recovery earlier in the year falling away in the second half. Nonetheless IOOF benefited from market growth during the year, with the money it manages on behalf of its clients increasing $2.5 billion to almost $100 billion, with FUMAS as at 30 June 2010 reaching $99.1 billion.

Corporate governance and regulatory changes

As Directors, we take our role in overseeing IOOF seriously. We are managing the future wealth of so many Australians, and as a result, the industry in which IOOF operates is highly regulated.

Over the last year, our industry has been the subject of three major regulatory change events. We have had the Federal Parliamentary committee enquiry looking at independent financial planners, we have had the Henry Report into taxation changes, and we have had the Cooper Review of Superannuation. All of these reviews have produced recommendations for change in our industry. Our management team and Board have followed these changes carefully, and we are confident we can cope with the pace of expected change and come through it in a way that will see the company continue to grow and prosper.

Governance is not just a matter for the Board; in fact at IOOF we believe that a risk management culture should permeate the entire company.

One of the focuses for the Board this year was to review and approve a large percentage of the company's policies following the merger. IOOF took the opportunity to review all policies and made improvements where a need was identified. To this end, your directors met on 30 occasions during the year, preferring to meet specially to complete this important work.

Final dividend of 18 cents per share paid in October

During the year, the Directors were pleased to declare an interim dividend of 17 cents and a final dividend of 18c. This takes the total dividend paid to shareholders, to 35 cents per share, fully franked.

These dividends are at the top end of our stated dividend policy of 60-90% of Underlying Net Profit After Tax.

IOOF's business is not capital intensive, instead it is a cash rich, people based business. A review of the level of regulatory cash we are required to hold for our various licences is driving efficiencies in cash management and allowing IOOF to pay higher dividends.

Although the outlook for the 2011 financial year is still somewhat uncertain because of the external environment, I am confident that IOOF will continue to perform strongly as we continue on our path towards a bigger and better IOOF.

Finally, I would like to thank my fellow directors for their hard work, dedication and support over the past 12 months.

Ian Blair
Chairman

Managing Director's overview


Christopher Kelaher

In last year's annual report shareholders could see the growth in IOOF's services and money we manage on behalf of others following the merger with Australian Wealth Management and acquisition of Australian Skandia. This year, the full financial benefit of that merger and acquisition activity is evident with IOOF reporting a record profit of $97.2 million.

Record result in a time of rationalisation and market volatility

Having come through a difficult period in the markets this year, this impressive result underscores the strength and competitiveness of IOOF, and demonstrates that we are able to grow the business even when markets are volatile.

This year, the company increased the transparency of its financial reporting and simplified its structure to four business segments. The four segments reflect the entire wealth management value chain, which is one of the most attractive features of the group.

Division →	Financial advice and distribution	Platform management and administration	Investment management	Trustee

A detailed overview of the activities in each division is covered later in this report.

Integration

- Reduce duplication
- Indentify cost savings
- Decisive restructuring
- Fewer business applications

Simplification

- Platform rationalisation
- Reduce property footprint
- Divest non-core assets (Macarthur Cook and Intech)
- Improved transparency

Future growth

- Focus on flagship products
- Drive organic growth across value chain
- Remain vigilant for aquisition opportunities

Actual cost savings ahead of expectations as costs continue to fall

In November 2008, IOOF declared that it would achieve $20 million in cost savings, or synergies, associated with the merger between IOOF and AWM. I am pleased to report that total annualised, after tax synergies were finalised at $22 million, at the end of the financial year.

In addition to the synergies associated with the IOOF and AWM merger, the company saved more than $19 million, also after tax and annualised, relating to the acquisition of Australian Skandia in March 2009.

While IOOF will maintain its focus on cost control, it will no longer report the synergy benefits associated with the IOOF and AWM merger, or the acquisition of Australian Skandia. While I am confident there are more opportunities to reduce costs, any future savings identified will instead be reported as general business improvements.

This year, the strong focus on costs has seen an impressive 11% fall in IOOF's cost base. While the decrease is pleasing, management expectations are that this downward trend will continue.

FUMAS increases to $99.1 billion

As at 30 June 2010, IOOF had Funds Under Management, Administration, Advice and Supervision of $99.1 billion, a $2.5 billion improvement since 30 June 2009.

Excluding Funds under Supervision relating to IOOF's corporate trust business, IOOF's FUMA, which is more closely aligned to IOOF's core wealth management business increased $7.2 billion to $70.8 billion.

IOOF's flagship products have shown strong 8% organic growth with net inflows of $739 million in the past 12 months which was largely adviser driven.

Business Simplification Program producing results

Combining two businesses, let alone three, often means that there will be a surplus of assets. To streamline the business of IOOF in 2009/2010, much time has been spent re-organising the 'shared services' of the group – marketing, IT, legal and compliance and operations. Standardising technology choices, suppliers and improving our processes are just some of the benefits that have been identified in this process.

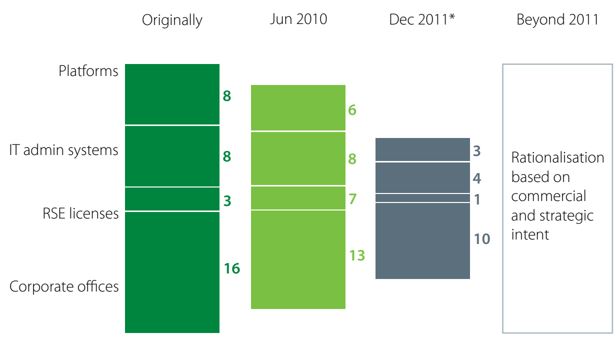
This financial year, IOOF embarked on a business simplification program, which would see the number of platforms, systems and offerings consolidated as well as its overall property footprint reduced by the end of December 2011.

Achievements in its first year of the program include:

- A reduction of its platform administration systems from eight to six, with IOOF Global One and Life Track transitions completed by financial year end strengthening the group's product offerings
- The consolidation of IOOF's two multi manager offerings is largely completed, with a single investment team structure and consistent underlying managers now featuring in both offerings
- Property footprint reduction – vacating several floors in Sydney and Melbourne and a property move in Melbourne scheduled for the end of calendar 2010
- Fewer business applications and administration systems

IOOF will emerge well from the business simplification program. One of the benefits of this project is that more clients and advisers have begun to experience the benefits of IOOF's award winning service and more contemporary group platforms.

Business Simplification Program



* Indicative timetable subject to change

Awarding winning service

This year, IOOF received a prestigious award for one of its flagship platforms, Pursuit. In June, advisers from top dealer groups across Australia named Pursuit as the best platform in the Wealth Insights' 2010 Service Level Report for Platforms. Key factors in the win were Pursuit's personalised service and competitive pricing, particularly regarding its tiered fee structure and family account aggregation.

To receive this award at a time when IOOF was bringing together three businesses is particularly pleasing and a credit to our employees.

Recently, Pursuit was also named a 5 star superannuation fund by Canstar Cannex, in its inaugural superannuation star ratings report. Another IOOF fund, Austchoice Super Personal also received a 5 star rating.

While we have always prided ourselves on our service levels and offerings internally, external acknowledgement from financial advisers is evidence that they see IOOF as a leader in this space.

Subsequent to the end of the year, IOOF announced that it would acquire the North online platform business from AXA Asia Pacific, if the Australian Competition and Consumer Commission approved the merger between the National Australia Bank and AXA Asia Pacific. Unfortunately, in early September, the ACCC blocked the bid, which meant that IOOF would no longer acquire the platform.

For IOOF, acquiring the North platform was considered opportunistic rather than strategically important. While it is disappointing that we weren't able to acquire the North platform, IOOF remains firmly focussed on its existing strategy of business simplification, cost control and adviser driven growth into IOOF's flagship platforms.

What can't be ignored from this experience is the important role the investment platform plays in the wealth management industry for advisers and their clients. A strong administration system, combined with superior service standards is vital for success.

Well positioned for any changes in the regulatory environment

The financial services industry has been subject to a variety of formal reviews in recent times, and while these have now been completed, we are yet to see the regulations governing the changes. The largest of these changes is how we may charge for our services. Regardless of the decision, IOOF is well positioned to react to any changes that are introduced as part of these reviews, with half of our business already operating under a fee for service regime.

One thing is clear despite the mooted regulatory changes to our industry the need for Australians to seek financial advice will only increase. That is why our future is focussed on adviser driven growth.

Future focus on adviser driven growth

IOOF has a clear strategy for growth underpinned by our significant strength and depth of distribution, including approximately 640 aligned advisers and almost double that number of independent financial advisers who actively utilise IOOF's platforms to achieve their clients' investment and retirement goals.

Following another record year, IOOF remains well positioned to pursue both the organic and acquisition growth opportunities we have identified in each of our four divisions.

Outlook for IOOF in 2010/2011

While the prevailing market conditions remain unpredictable, it is difficult to accurately forecast a future result. However, IOOF should report an improvement in profitability for the first half of the 2010/2011 financial year.

Chris Kelaher
Managing Director

Divisional update

Financial Advice and Distribution

$'m	2009/2010	2008/2009*	Change on prior year (%)
Revenue	113.6	109.1	4%
UNPAT pre amortisation	7.8	0.3	large
Average FUA ($'b)	16.5	14.8	11.48%

About the division

Financial Advice and distribution is represented by well known brands Bridges Financial Services, Wealth Managers, Ord Minnett Stockbrokers and Consultum Financial Advisers.

More than 640 advisers and associated stockbrokers provide advice to retail and institutional clients on retirement planning, wealth accumulation and investment strategies.

Activities

- Appointment of Tim Gunning as Managing Director of Ord Minnett. His knowledge of financial planning and experience in stockbroking were key reasons for his appointment.
- Recent bolt on acquisitions in the Bridges network are complimenting strong organic growth.
- Strong client growth in all brands
- Consultum's Business Leadership Program which educates and implements effective business planning strategies into planner's businesses has been well received

Platform Administration

$'m	2009/2010	2008/2009*	Change on prior year (%)
Revenue	351.5	335.6	5%
UNPAT pre amortisation	67.8	47.9	42%
Average FUA ($'b)	24.3	23.2	4.74%

About the division

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

Activities

- Reduced platform administration systems from eight to six under the business simplification program
- Completed Global One and Life Track transitions by financial year end strengthening the group's product offerings
- More clients and advisers have begun to experience the benefits of IOOF's award winning service and more contemporary group platforms.
- IOOF's Pursuit platform was named best platform in the Wealth Insights' 2010 Service Level Report for Platforms, as voted by advisers from top dealer groups across Australia.
- Two of our platforms, Pursuit and Austchoice achieved a 5 star superannuation fund rating by Canstar Cannex, in its inaugural superannuation star ratings report

Investment Management

$'m	2009/2010	2008/2009*	Change on prior year (%)
Revenue	149.5	131.9	13%
UNPAT pre amortisation	37.9	29.7	27%
Average FUA ($'b)	29.6	26.6	11.28%

About the Division

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

Activities

Multi-manager

- Appointment of Steve Merlicek as Chief Investment Officer, formerly Chief Investment Officer of Telstra Super.
- A New multi-manager team and investment committee created, rationalising the two existing groups.
- Sector/asset sector specialist approach adopted, providing individual portfolio managers with greater accountability

Perennial Investment Partners Limited

- Perennial received a number of awards this year. Most notably:
  - Morningstar Fund Manager of the Year 2009
  - Morningstar Australian Equity Fund Manager of the Year 2009
  - Golden Bull Fund Manager of the Year 2009
  - Winner of the Golden Bull Fixed Interest category 2009
- Each of Perennial's boutiques had pleasing years, with research house ratings affirming this to our clients and peers
- A brand refresh was undertaken, helping to demonstrate Perennial as a forward thinking, innovative fund manager

Trustee

$'m	2009/2010	2008/2009*	Change on prior year (%)
Revenue	20.4	19.4	5%
UNPAT pre amortisation	4.7	3.6	31%
Average FUA ($'b)	30.2	25.9	16.6%

About the Division

The Trustee division includes Estate Planning and corporate trust services, operating under the brand, Australian Executor Trustees. The team of estate planning lawyers, prepare estate plans, Wills, powers of attorney and manage deceased estates on behalf of their clients. AET is also a specialist in the provision of personal trusts.

The Corporate Trust team act as custodian for managed investment schemes, trustee or security trustee for securitisation and structured finance transactions, and trustee for note and other debt issues.

Activities

- Growing market awareness of the Australian Executor Trustees brand
- Experienced strong growth in fiduciary appointments
- 87 new appointments in the Corporate Trust division
- Maintained business growth during difficult market conditions

* 2008/09 numbers include a full twelve months of operations from the entities acquired during that period, irrespective of acquisition date, to allow a direct comparison with 2009/10.

Directors

Ian Blair

OAM, MMgt, FCA

Chairman – Independent Non-Executive Director

Ian has been a Non-Executive Director of IOOF Holdings Ltd since 2002 and Chairman since 2005.

He has extensive experience in the fields of finance, accounting, audit and taxation with accounting firm Deloitte Touche Tohmatsu, including five years as Managing Partner and CEO between 1989 and 1997.

Other current directorships

SAS Trustee Corporation (NSW State Superannuation Fund) (Director since 1998)

Capral Aluminium Ltd (Director since 2006)

Bisley & Company Pty Ltd (Chairman since 1 January 2008)

Special responsibilities

- Group Chairman of IOOF Holdings Ltd
- Chairman of the Remuneration and Nominations Committee
- Ex officio member of all Board Committees

Dr Roger Sexton B.Ec. (Hons), M.Ec.

Ph.D (Econ), FAICD, FAIM. S.FFin, C. P Mgr, C.Univ

Deputy Chairman – Non-Executive Director

Roger has been a Non-Executive Director of IOOF Holdings Ltd since 2002.

Roger has over twenty 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.

Other current directorships

Chairman of Beston Pacific Asset Management Pty Ltd (Director since 2003)

Chairman of KeyInvest Limited (Director since 2007)

Chairman of Thomas Bryson International Limited (Director since 2008)

IBIS World Pty Ltd (Director since 1989

TWT Limited (Director since 2008)

Special responsibilities

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

Christopher Kelaher

B.Ec, LL.B, F Fin

Managing Director

Chris was appointed as Managing Director of IOOF Holdings Ltd following the merger of IOOF and Australian Wealth Management Limited, having previously served as Managing Director of antecedent companies Australian Wealth Management Ltd and Select Managed Funds Ltd since 1997.

Chris has more than 20 years experience in investment management and business development.

During his time at Citicorp, Mr Kelaher was responsible for business management, strategic marketing and sales growth in Australia. He also performed an important role in the establishment of Citicorp Investment Management/Global Asset Management in Australia and establishing its New Zealand business.

Other current directorships

DKN Financial Group Ltd
(Director since 2004)

Special responsibilities

- Managing Director of IOOF

Ian Griffiths

C.Acc, DipAll, MIIA

Non-Executive Director

Ian was appointed a Non-Executive Director of IOOF Holdings Ltd upon the merger with Australian Wealth Management in April 2009.

Ian has more than 30 years experience in the financial and superannuation industries, having commenced his career in superannuation administration and business consulting 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

Jane Harvey

B.Com, MBA, FCA, FAICD

Independent Non-Executive Director

Jane has been a Non-Executive Director of IOOF Holdings Ltd since 2005.

She has more than 30 years experience in financial and advisory services, governance and risk management.

Jane was formerly a Partner at PricewaterhouseCoopers.

Other current directorships

Royal Flying Doctor Service (Nat and Vic)
(Director since 2002)

Telecommunications Industry Ombudsman (Director since 2002)

Colonial Foundation Trust
(Director since 2007)

Medibank Private Limited
(Director since 2007)

Special responsibilities

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

James Pfeiffer

BA, LLB

Independent Non-Executive Director

James has been a Non-Executive Director of IOOF Holdings Ltd since 2005.

He has experience in both corporate governance and risk management. A former Partner of Freehills for 25 years, James practised in the areas of corporate and commercial law.

Other current Directorships

Chairman of Wesley Mission Melbourne Ltd since 2003 (Director since 2001)

Special responsibilities

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

George Venardos

BComm, FCA, FCIS, FAICD, FTIA

Independent Non-Executive Director

George was appointed as a Non-Executive Director of IOOF Holdings Ltd in April 2009, following the merger with Australian Wealth Management Limited.

He has more than thirty years experience in financial services with senior executive experience in finance, IT, funds management, reinsurance and corporate services.

George's 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

Guild Group Holdings Ltd
(Director from 2008)

Bluglass Ltd
(Non-executive Chairman from 2008)

Sunnyfield Association Ltd
(Director from 2008)

Ardent Leisure Ltd (Director from 2009)

Mielyn Offshore Express Ltd
(Director from 2010)

Special responsibilities

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

IOOF's future is focussed on adviser driven growth...

Corporate Governance

The Board of Directors and Management of IOOF recognise the importance of good corporate governance and are committed to maintaining high governance standards within the Group. This is an organisational priority since IOOF is both a listed company and an entity operating within the highly regulated financial services sector, overseen by APRA, ASIC, the ASX and AUSTRAC.

The Board is responsible to its shareholders for the performance of the Company. The Board's focus is to enhance the interests of shareholders and key stakeholders (eg employees, regulators, etc).

A summary of the Company's policies and procedures in relation to governance is available in the corporate governance section of the Company's website: www.ioof.com.au The Company's corporate governance policies and practices are reviewed at least annually and will continue to develop and improve through benchmarking against best practice corporate governance.

Principle 1: Lay solid foundations for Management and over sight

The Board is constituted and empowered under its constitution and the requirements of the Corporations Act 2001. The Board has delegated some of their powers to Board Committees and Management including:

- overseeing strategic objectives and direction of the company
- setting and monitoring annual operating plans
- monitoring financial objectives
- ongoing assessment and monitoring of performance
- determining group financial strategy and policies
- managing and monitoring risk and compliance, internal compliance and control
- reviewing the Company's code of conduct and overall corporate governance to ensure effective and timely disclosure of policies, procedures and other relevant data to the market, shareholders and customers.

Delegation to Managing Director

The Board delegates to the Managing Director responsibility for implementing the Company's strategy and managing day to day operations. Clear lines of communication have been established between the Chairman and the Managing Director to ensure these responsibilities are understood.

Appointment of Directors

All Directors receive an induction pack on appointment which sets out the Board's responsibilities, the Director's duties and the role of the Committees.

Principle 2: Structure the board to add value

Board Independence

A Director of IOOF will be considered independent where the Director is independent of Management (ie a Non-Executive Director), does not hold a substantial interest in the company and is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of independent judgement. The Board has made its own assessment to determine the independence of each Director and notes that at the date of this report five of the seven Directors are considered independent. The Board notes the requirement for a majority of independent Directors.

Composition of Board

At the date of this report the Board comprises six Non-Executive Directors, five of which are independent and one Executive Director (Christopher Kelaher). Mr Ian Griffiths is not considered independent as he was previously an executive with the Australian Wealth Management business within the past three year period.

A profile of each Director is set out in the Director's report. The Chairman is selected by the Board and is an independent Director. The Chairman and Managing Director have separate roles. The Chairman provides leadership to the Board and is responsible for the efficient Management of the business of the Board. The Chairman is either a member or an ex-officio member of each Board Committee. The independent Non-Executive Directors are Messrs Blair, Pfeiffer, Venardos, Dr Sexton and Ms Harvey.

As at the date of this report, both the Board and its committees had conducted a performance evaluation by way of a self assessment survey for the period.

Remuneration and Nominations Committee

The Board has established a Group Remuneration and Nominations Committee. Terms of Reference have been formalised which include responsibility for nominating and, recommending Independent Directors and the CEO. The Committee ensures that the Managing Director's and Senior Management remuneration arrangements are performance based, correspond to the prevailing market levels and are consistent with the principles for sound compensation practices including Management succession planning and the approval of all short term and long term plans across the Group.

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

Principle 3: Promote ethical and responsible decision making

The Board has developed a Code of Conduct which is designed to ensure a high standard of corporate and individual behaviour. Each employee is to read and accept the Code of Conduct as part of their induction and provide annual affirmation thereafter.

Directors, executives and all employees are aware of their responsibilities under the terms of their appointment or contract of employment. The Code provides that Directors and executives must act honestly, in good faith and in the best interests of the company; use due care, skill and diligence in fulfilling their duties; use the power of their position; not allow personal interests, or those of associates, to conflict with interests of the company; exercise independent judgement and maintain confidentiality. A copy of this policy is available on the company's website.

Directors, officers and employees are subject to the Corporations Act 2001 in relation to restrictions applying to the acquisition or disposal of securities of the Company if they are in possession of insider information. Directors, officers and employees are restricted from trading in the Company's securities during certain blackout periods. In addition, Directors have entered into an agreement with the Company which requires approval before trading in the company's securities and on-going disclosure to the company of any change in the Director's interest in securities within three business days of the change occurring.

Principle 4: Safeguard Integrity in financial reporting

The Board of IOOF receives regular reports about the financial condition and operational performance of IOOF and its controlled entities. The Managing Director and Chief Financial Officer report in writing to the Board that the consolidated financial statements of IOOF for each half year and full year present a true and fair view, in all material respects, of the Group's financial condition and are in accordance with accounting standards.

In addition, they report on the company's risk management system (financial; strategic and operational) and its effectiveness. The Board has established an Audit Committee to provide assistance to the Board in accordance with established Terms of Reference.

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

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

Principle 5: Make timely and balanced disclosure

The Board is committed to keeping its shareholders and the market fully informed of major developments that may have an impact on the Company. Procedures are in place to identify matters that are likely to have a material affect on the price of the company's securities and to ensure those matters are notified to the Australian Securities Exchange (ASX) in accordance with Listing Rule disclosure requirements.

The company has a continuous disclosure policy which is circulated to all employees. The IOOF Continuous Disclosure Policy is designed to meet best practice, ensuring all interested parties have an equal opportunity to obtain information which is issued by the Company. The Company Secretary is responsible for maintaining a register of information referred to her or the Managing Director that a Director, executive or employee has identified as a potential item for disclosure.

All disclosure is actioned as soon as advised.

The Company Secretary is responsible for all communications with the ASX. A copy of this policy is available on the company's website.

Principle 6: Respect rights of shareholders

IOOF recognises the right of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in the company. IOOF communicates shareholder information and news about the company through the annual report, disclosures to the ASX, ASIC and via the company's website.

The Board encourages active participation by shareholders at any company meetings. IOOF ensures that the Company's auditor attends the annual general meeting or other meetings of the Company and shareholders are afforded the opportunity of asking the Company's auditor questions regarding the conduct and content of the audit. A shareholder may submit a question to the auditor prior to the meeting by emailing the Company Secretary.

Principle 7: Recognise and manage risk

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

In addition to the Audit Committee, the Board has established a Risk and Compliance Committee (RCC), which is responsible for reviewing all aspects of risk and compliance on behalf of the Board. In addition, this Committee ensures all correspondence and action plans required by the Company as a result of reviews by the Company's regulators are completed in a timely manner. The committee comprises three independent non executive Directors, members from the legal, compliance and internal audit and risk management team of the business and a representative from each operating business within the Group. At this committee the Group Head of Risk reports to the Committee on the monitoring of risk through the business and risk reporting through the enterprise-wide framework including where appropriate, positive assurance. This Committee meets at least quarterly and reports to the Board and provides minutes of the Committee meeting and relevant reports to the Audit Committee to ensure all committees are fully informed.

The Managing Director and the Chief Financial Officer report in writing to the Board that to the best of their knowledge and belief, the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which is operating efficiently and effectively in all material respects in so far as they relate to financial, strategic and operational risks. This report confirms that the system which implements the policies adopted by the Board either directly or through delegation to Management and that the Company's risk management and internal compliance is operating effectively in all material respects as at the date of the report, based on the risk management model adopted by the Board. The statements provide a reasonable, but not absolute, level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future. In addition, the report sets out that risk management and internal compliance and internal control systems are subject to periodic declarations by process owners and review through the Company's audit process and by regulators.

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

Principle 8: Remunerate fairly and responsibly

The remuneration policy objective of IOOF is to ensure that employee emoluments properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest quality and standard.

The level of remuneration of Directors and Executives is set out in the Director's report and Notes to the Financial Report. The Board has established a Group Remuneration and Nominations Committee which reviews compensation arrangements for the Managing Director and Executives including an assessment of an individual's performance, a review of market rates for similar positions and the results of the Company during the period.

The Board has an agreed procedure when sourcing external assistance or independent advice at the expense of the company.

This statement is dated 6 October 2010.

Working at IOOF

Workplace profile

With representation in every state of Australia, IOOF has 983 employees. Approximately 95 per cent of employees are located in our Melbourne, Sydney, Hobart and Adelaide offices.

The total number of female employees in IOOF continues to exceed the total number of male employees. Company records show the number of female employees exceeded the male employees by 15 in 2006, 29 in 2007, 180 in 2008 and 45 in 2009. As at 30 March 2010, female employees exceed male employees by 44.

There are two female employees at an Executive level.

Diversity in the Workplace

The Company strives to be an Employer of Choice by encouraging workplace diversity, work/life balance and a satisfying learning environment to achieve personal and professional growth.

Commitment to balance

As the Chairman identified in his statement, IOOF is a people based business. To assist our people in reaching an appropriate balance between work and family we offer a range of programs and services to all employees. Policies include Purchased Leave (48/52), flexible working hours, part-time employment, community leave, the workplace giving program, and 8 weeks paid parental leave.

The IOOF iHealth program continues to receive a positive response and a high level of attendance by staff. The program is fully funded by the company and includes flu vaccinations, skin cancer checks, health heart checks, cholesterol checks and fitness challenges. Each program is conducted in the office during office hours. Therefore, there is no requirement for staff to take personal leave or erode their family time to otherwise attend to a particular program outside of work hours.

Employee Focus Groups encourage the communication of ideas by staff to assist in the overall improvement of the company. The results of the 'Focus Group' data has provided IOOF with a guideline to develop and implement HR initiatives that will further improve our level of engagement and add to the retention and attraction strategy of the company.

Ensuring the safety and welfare of our employees is a commitment we follow through with Occupational Health and Safety initiatives and a confidential employee assistance program.

Development of our people

Equipping our people with the tools, knowledge and skills to stay competitive is an easy investment in our future success. Promoting career development and self-learning benefits the company through increased productivity and retention of staff. Investment in this area adds to the value proposition of working at IOOF.

All staff are encouraged to set personal development plans with their managers and to undertake training that is appropriate for their role and future career. A key focus since merging has been on standardising employee benefits company-wide.

IOOF and the environment

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

In 2010, all IOOF offices continued their participation in Earth Hour, which calls on businesses and individuals to switch off unnecessary lights. IOOF continued to focus on lowering energy and paper usage.

Reducing the amount of office space we require to operate has the added benefit of lowering IOOF's total carbon footprint and energy use.

Clients seeking responsible investment options are well served with IOOF. We offer clients the opportunity to invest in a range of socially responsible investment options through our flagship platforms.

Perennial Investment Partners Limited manages the Socially Responsive Shares Trust offering a portfolio of companies which enact some demonstrable social benefits. IOOF also holds a 19.8% investment stake in Australian Ethical Investments Limited.

IOOF supporting the community

Established as a not for profit organisation in June 2002, at the time of IOOF's demutualisation, the IOOF Foundation recognises the historical origins of IOOF and the important role it has played in the Australian community since 1846.

In keeping with the nature of the support IOOF has historically offered the community, the areas the IOOF Foundation supports are:

- disadvantaged children and youth
- disadvantaged families; and
- aged care.

The IOOF Foundation has built up tremendous momentum over the past eight years, having now gifted over $5m to more than 60 organisations committed to helping those in need.

2011 will see the completion of IOOF Foundation's flagship grant to RecLink. RecLink is a not-for-profit charitable organisation dedicated to improving access to sporting and recreational opportunities for disadvantaged people; and helping those people to achieve improved community connectedness, health and well being. The three year partnership with RecLink assisted the organisation to extend their networks throughout Australia, most notably their community choir and football league programs in the Northern Territory, Queensland and Western Australia.

The Foundation will continue to offer support to RecLink through volunteers and smaller grants now that RecLink's national network has been established.

Additionally, during 2009-10 the IOOF Foundation made grants to support the activities of a number of very worthy Australian organisations. These included:

- WhiteLion
- Song Room
- Good Shepherd Youth and Community Services
- Pathways Foundation
- Urban Seed

The IOOF Foundation Board of Trustees will continue to meet regularly to review applications, approve further rounds of grants and to ensure that the Foundation's critical community work is continued into the future.

For more information on the IOOF Foundation visit their website www.iooffoundation.com.au

Financial report for the year ended 30 June 2010

Contents

Directors' report

The Directors present their report together with the financial report of IOOF Holdings Ltd (the Company) and of the Group, being the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2010 and the auditor's report thereon.

Directors

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

Name

Mr Ian Blair (Chairman)

Mr Christopher Kelaher (Managing Director)

Mr Ian Griffiths

Ms Jane Harvey

Mr James Pfeiffer

Dr Roger Sexton

Mr George Venardos

All Directors held office during and since the end of the financial year.

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 IOOF Ltd friendly society benefit funds are included in the consolidated results of the corporate entities of the Group. The following table provides an analysis of the consolidated profit for the period attributable to shareholders, with the results of the benefit funds excluded.

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

	2010 $'000	2009 $'000
Revenue	648,101	282,728
Expenses	(554,859)	(269,779)
Share of profits of associates accounted for using the equity method	7,588	5,071
Finance costs	(1,096)	(269)
Profit before income tax expense	99,734	17,751
Income tax expense	(28,259)	(3,039)
Profit for the period	71,475	14,712
Attributable to non-controlling interests	(3,243)	(1,004)
	68,232	13,708
Profit contribution of the IOOF Life Ltd Statutory Fund	171	142
Attributable to equity holders of the Company	**68,403**	**13,850**

The Group's Funds Under Management, Administration, Advice and Supervision (FUMAS) were $99.1 billion as at 30 June 2010, an increase of $2.5 billion, from $96.6 billion at 30 June 2009. This movement is primarily a result of increases in the market value of the assets underpinning FUMAS and positive flows to the Group's actively marketed products.

Basic earnings per share increased from 14.6 cents per share in the year to 30 June 2009 to 29.8 cents per share for the year to 30 June 2010.

The share of equity profits recognised by the Group increased by 49.6% compared to last year largely due to an increase in profitability experienced by Perennial Value Management Limited, the results of which are equity accounted.

During the financial year, revaluation adjustments were made in respect of commitments contained in shareholder agreements with executives of Perennial subsidiaries. A liability exists under AASB 132 in relation to the Group's commitment to provide liquidity, under certain circumstances, in the vested shares held by the non-controlling interests in three Perennial subsidiaries (Perennial Fixed Interest Partners Pty Ltd, Perennial Real Estate Investments Pty Ltd and Perennial Growth Management Pty Ltd). Accordingly, the Group has derecognised part of the non-controlling interests in these companies.

At balance date, and as additional shares vest, the Group is required to recognise movements in this liability. This liability has increased based on a 30 June 2010 valuation of the underlying subsidiaries, resulting in a net revaluation increase of $9,139,000 (2009: revaluation decrease of $6,803,000.)

Dividends

In respect of the financial year ended 30 June 2010, 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 13 October 2010. The dividend will be paid to all shareholders recorded on the Register of members on 7 September 2010.

The Directors declared the payment of an interim dividend of 17.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares paid on 24 March 2010.

In respect of the financial year ended 30 June 2009, a final dividend of 4.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 16 October 2009.

A special dividend of 13.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 31 July 2009.

Future developments

The Directors are continuing to examine further growth strategies to maximise shareholder wealth. The Directors believe, on reasonable grounds, that to include further information, other than as disclosed below in events occurring after balance sheet date, and the expected results of those operations in subsequent financial years would be likely to result in unreasonable prejudice to the Group. Accordingly, no further information has been included in this report.

Events occurring after balance sheet date

On 9 August 2010, the company agreed terms to acquire the North investment platform business ('North') from AXA Asia Pacific Holdings Limited ('AXA APH') if a proposed acquisition of AXA APH by National Australia Bank Ltd ('NAB') proceeds. The acquisition of North is contingent on Australian Competition and Consumer Commission ('ACCC') acceptance of draft enforceable undertakings lodged by AXA APH and NAB. The outcome of the ACCC's deliberations in this matter is not known at the date of this report.

An agreement with Tower Australia Ltd has been signed for the transfer of all IOOF Life Ltd insurance policies to be transferred on 1 September 2010.

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 2010.

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 2010 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.

Environmental regulation

The Group is not subject to significant environmental regulation.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 36 to the financial statements.

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 Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 47 of the Annual Report and forms part of the Directors' Report for the financial year ended 30 June 2010.

Directors' report (cont'd)

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

Mr I Blair OAM, MMgt, FCA

Chairman – Non-Executive Director. Age 63

Experience and expertise

- Non-Executive Director of IOOF Holdings Ltd since 2002.
- Extensive experience in the fields of finance, accounting, audit and taxation with accounting firm Deloitte Touche Tohmatsu. 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 Aluminium Ltd (Director since 2006).
- Bisley & Company Pty Ltd (Chairman since 1 January 2008).

Special responsibilities

- Group Chairman of IOOF Holdings Ltd since 2005.
- Ex officio status of all Board Committees.
- Member of the Remuneration and Nominations Committee.

Shares in IOOF Holdings Ltd

- 9,677 ordinary shares held directly.
- 20,800 ordinary shares held indirectly.

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

Deputy Chairman – Non-Executive Director. Age 60

Experience and expertise

- Non-Executive Director of IOOF Holdings Ltd since 2002.
- Over twenty 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.

Other current Directorships

- Chairman of Beston Pacific Asset Management Pty Ltd (Director since 2003).
- Chairman of KeyInvest Limited (Director since 2007).
- Chairman of Thomas Bryson International Limited (Director since 2008).
- IBIS World Pty Ltd (Director since 1989).
- TWT Limited (Director since 2008).

Former Directorships in the last 3 years

- Motor Accident Board (SA) (Chairman from 1998 to 2007).
- Venture Capital Board in South Australia (Chairman from 2003 to 2007).

Special responsibilities

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

Shares in IOOF Holdings Ltd

- 22,313 ordinary shares held directly.
- 16,235 ordinary shares held indirectly.

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

Managing Director. Age 55

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 20 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.

Other current Directorships

- DKN Financial Group Ltd (Director since 2004).

Former Directorships in the last 3 years

- Australian Wealth Management Limited (Managing Director from 2006 to 2009).

Special responsibilities

- Managing Director of the IOOF Group from 30 April 2009.

Shares in IOOF Holdings Ltd

- 4,244,818 ordinary shares held directly.

Mr I Griffiths C.Acc, DipAll, MIIA

Non-Executive Director. Age 56

Experience and expertise

- Non-Executive Director of IOOF Holdings Ltd since April 2009.
- More than 30 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.

Former Directorships in last 3 years

- Australian Wealth Management Limited (Director from 2006 to 2009).

Special responsibilities

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

Shares in IOOF Holdings Ltd

- 3,387,519 ordinary shares held directly.
- 892,761 ordinary shares held indirectly.

Ms J Harvey B.Com, MBA, FCA, FAICD

Independent Non-Executive Director. Age 55

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. She was formerly a Partner at PricewaterhouseCoopers.

Other current Directorships

- Royal Flying Doctor Service (Nat and Vic) (Director since 2002).
- Telecommunications Industry Ombudsman (Director since 2002).
- Colonial Foundation Trust (Director since 2007).
- Medibank Private Limited (Director since 2007).

Former Directorships in last 3yrs

- Boom Logistics Limited (Director from 2005 to 2009).

Special responsibilities

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

Shares in IOOF Holdings Ltd

- 8,722 ordinary shares held indirectly.

Mr J Pfeiffer BA, LLB

Independent Non-Executive Director. Age 63

Experience and expertise

- Non-Executive Director of IOOF Holdings Ltd since 2005.
- Experience in both corporate governance and risk management. Former Partner of Freehills for 25 years practising in the areas of corporate/commercial law.

Other current Directorships

- Chairman of Wesley Mission Melbourne Ltd since 2003 (Director since 2001).

Former Directorships in last 3yrs

- Director of Haileybury Ltd (Director from 1982 to 2009).

Special responsibilities

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

Shares in IOOF Holdings Ltd

- 26,855 ordinary shares held indirectly.

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

Independent Non-Executive Director. Age 52

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

- Guild Group Holdings Ltd (Director from 2008).
- Bluglass Ltd (Non-executive Chairman from 2008).
- Sunnyfield Association Ltd (Director from 2008).
- Ardent Leisure Ltd (Director from 2009).
- Mielyn Offshore Express Ltd (Director from 2010).

Directors' report (cont'd)

Former Directorships in last 3yrs

- Director of Australian Wealth Management Limited (from 2008 to April 2009).
- Director of IAG Finance (New Zealand) Ltd (from 2004 to 2008).

Special responsibilities

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

Shares in IOOF Holdings Ltd

- 20,013 ordinary shares held directly.

Company secretary

Ms Danielle Corcoran was appointed to the position of Company Secretary on 14 May 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.

Unexercised options over shares

At the date of this report unexercised options over shares of the Company under option are:

Expiry date	Exercise price per option $	Number of options
27 November 2010	9.89	675,000
31 December 2010	3.15	280,000
09 January 2011	9.18	254,690
17 January 2011	5.52	214,476
29 March 2011	9.70	79,069
01 July 2011	6.34	1,286,852
02 August 2012	3.15	150,000
22 November 2012	9.99	134,047
30 June 2013	9.36	465,125
02 August 2013	5.68	150,000
15 February 2014	2.98	160,857
16 June 2014	3.73	26,809
30 June 2015	6.14	2,000,000
27 November 2015	5.20	316,624
4 May 2016	7.01	500,000
Total		6,693,549

Unvested performance rights

At the date of this report unissued ordinary shares of the Company under performance rights are:

Vesting date	Number of rights
30 June 2010	81,357
31 July 2010	2,500
1 December 2010	20,181
30 June 2011	135,233
31 July 2011	2,500
1 December 2011	41,614
30 June 2012	121,313
31 July 2012	1,250
27 November 2012	75,000
1 December 2012	32,970
27 November 2013	37,500
27 November 2014	37,500
Total	588,918

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	15	14	4	4	n/a	n/a	4	3
R Sexton	15	15	4	3	7	6	n/a	n/a
I Griffiths	15	13	4	4	7	7	n/a	n/a
J Harvey	15	13	n/a	n/a	7	7	4	4
C Kelaher	15	14	n/a	n/a	n/a	n/a	n/a	n/a
J Pfeiffer	15	11	n/a	n/a	7	7	4	3
G Venardos	15	15	4	4	n/a	n/a	4	3

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 IOOF Group paid insurance premiums to insure against amounts that the IOOF Group may be liable to pay the Directors, and Secretary pursuant to Rule 84. The insurance policy also insures the Directors and Secretary of the Company and its controlled entities, and the general officers of each of the companies in the Group. Details of the amount of the premium paid in respect of the insurance contract have not been disclosed as such disclosure is prohibited under the terms of the contract.

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

Proceedings on behalf of the Company

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

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

Remuneration report

Remuneration and Nominations Committee Chairman's Introduction

Dear Shareholder

I would like to make a few comments about IOOF's Remuneration Report for the year ended 30 June 2010.

This year, the focus for the Remuneration and Nominations Committee has been to align and simplify the remuneration process for the group, following the acquisition of Australian Wealth Management (AWM) in May 2009 and the acquisition of Skandia in March 2009.

Previously, the remuneration policies and practices of IOOF and AWM and Skandia differed in a number of respects.

In aligning the remuneration process, consideration has been given to feedback from various stakeholders, the recent taxation law changes and compliance with the APRA remuneration guidelines, which were released during the year.

It is important to remember when reading many of the tables in this year's report, that a direct comparison between a person's remuneration cannot always be made between the 2008/2009 and 2009/2010 financial years. The timing of the acquisition of AWM in 2009 meant that in last year's remuneration report, the remuneration of employees who joined from AWM, or who were appointed during the period, was reported on a pro-rata basis.

Given the importance of, and interest in the Managing Director's remuneration, we have included a separate section dealing with this matter in this year's report.

As a general rule, remuneration did not increase dramatically across the group unless an individual's role changed. This arose from the Company's response to the effects of the Global Financial Crisis and the resulting difficult business conditions.

IOOF is committed to providing its shareholders with a clear and concise remuneration report. In order to achieve this, we will continue to listen to the feedback from our shareholders and wherever possible incorporate governance best practice.

Ian Blair
Chairman, Remuneration and Nominations Committee
26 August 2010

Remuneration and Nominations Committee

Committee members

Mr Ian Blair (Chairman)
Mr Ian Griffiths
Mr George Venardos
Dr Roger Sexton

Role of the Committee

The role of the Remuneration and Nominations Committee is to ensure that a coherent reward framework is in place within the Company. This framework considers the adequacy of remuneration policy and practices and includes:

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

Key management personnel

The purpose of the remuneration report is to set out the remuneration arrangements for Key Management Personnel and the five most highly paid senior executives of the Group in accordance with AASB 124 Related Party Disclosures and section 300A of the Corporations Act 2001.

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001 unless otherwise stated.

Name	Position
Non-Executive Directors	
Mr Ian Blair	Chairman
Mr Ian Griffiths	Non-Executive Director
Ms Jane Harvey	Non-Executive Director
Mr James Pfeiffer	Non-Executive Director
Dr Roger Sexton	Non-Executive Director
Mr George Venardos	Non-Executive Director
Executive Director	
Mr Christopher Kelaher	Managing Director
Senior Executives	
Mr Stuart Abley	Head of Consultum Financial Services
Mr Michael Carter	Head of Wealth Management Division
Mr David Coulter	Chief Financial Officer
Mr Stephen Merlicek	Chief Investment Officer, appointed 1 October 2009
Mr Renato Mota	General Manager Distribution
Mr Gary Riordan	Group General Counsel
Other Senior Executives (1)	
Mr Anthony Hodges	Former Chief Investment Officer, employment ceased 31 December 2009
Mr Anthony Patterson	Managing Director – Perennial Investment Partners Ltd
Mr Brian Thomas	Head of Retail Funds Management – Perennial Investment Partners Ltd

(1) Remuneration report disclosures includes key management personnel and the five most highly remunerated executives. Other senior executives, as set out in the table above, are not considered key management personnel. Accordingly these employees have not been included in key management personnel disclosures in Note 37 of the financial report.

Remuneration report (cont'd)

Remuneration policies

The objective of these policies is to attract and retain high calibre talent and to provide both 'fixed' and 'at risk' remuneration arrangements that take into consideration market benchmarks and the pay environment, under the direction of the Remuneration and Nominations Committee, or in the case of Ord Minnett and Perennial, the separately constituted boards of these companies.

The Board engages external and 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 Senior Executives to ensure that the Company remains 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 and options over ordinary shares. Each of these forms of remuneration is described in detail below.

Total fixed remuneration

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

Short term incentive opportunity

The STI is a cash-based incentive forming part of the executive's Total Incentive Compensation opportunity, the value of which is tied to the successful achievement of a set of performance scorecard objectives (including financial and strategic objectives) for the annual performance period. Select individuals also had a deferred component to their STI incentive (detailed further below). STI opportunities vary for each individual. For the Managing Director, the maximum STI is around 70% of base salary whilst the other executives' maximum STI opportunity ranges from 25% to 50%.

Deferred short term incentives

The deferred element of Managing Director's Chris Kelaher's remuneration is described in detail in the next section of this report.

Long term incentives

The Board considers a long-term performance-related incentive component to be an important element of the executive reward framework. IOOF utilises equity based incentives in the form of deferred shares, performance rights and options over ordinary shares. 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 when measured against a range of factors, including internal and external measures and measures against peers.

The LTI element of Managing Director's Chris Kelaher's remuneration is described in detail in the next section of this report.

Hedging of unvested securities

The IOOF 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.

Managing Director's remuneration

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.

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.

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 2010, Mr Kelaher received a remuneration package comprising fixed remuneration of $950,000 including Director's fees paid directly by DKN Financial Group Limited as a result of his Directorship of that Company. Mr Kelaher was entitled to a total STI opportunity of up to a maximum of $660,000 based on achievement of superior performance against set targets determined by the Remuneration and Nominations Committee. In July 2010 the Remuneration and Nominations Committee assessed Mr Kelaher's performance against those targets and determined an STI amount of $594,000.

In terms of his remuneration arrangements, the STI opportunity was settled 50% by cash and 50% 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 30 June 2010, which was $6.16. The number of deferred shares to be issued accordingly is 48,238 (capped at 75,000 annually) and there is no consideration payable for the grant of the deferred shares.

Of the deferred shares, 50% are to vest in July 2011 and the remaining 50% are to vest in July 2012.

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 Company performance in June 2011 and assess whether any significant unexpected or unintended consequences have occurred that were not foreseen by the Remuneration & Nominations committee when it made its decision in July 2010, and whether it is still appropriate to award the deferred shares.

Performance rights and share options

As approved at the Annual General Meeting (AGM) of shareholders on 27 November 2009, Mr Kelaher is entitled to participate in an LTI program offering a maximum reward opportunity of $1,000,000 in respect of the 2009/10 financial year.

This LTI opportunity comprises:

- 50% in performance rights (up to a maximum number of 150,000 rights) with a grant value of up to $500,000; and
- 50% in share options (up to a maximum number of 550,000 rights) with a grant value of up to $500,000.

Following shareholder approval, 150,000 performance share rights and 316,624 share options were granted to Mr Kelaher on 27 November 2009. The number of performance rights and share options were calculated by dividing the grant value of the award by the 'fair value' of each performance right or share option (as determined by an options pricing model), and were subject to the above mentioned maximums.

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.

Remuneration report (cont'd)

Performance rights – performance hurdles

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

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

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

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

Share options – performance hurdles

The options issued to Mr Kelaher have an exercise price of $5.20, calculated as the three month Volume Weighted Average Share Price up to and including the date of grant, being 27 November 2009.

The Board has determined that this element of the plan will not activate unless a minimum average ROE of 5.5% per annum over the performance period has been achieved. The performance hurdle 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 2010-11 and 2011-12 (from a base point of the final actual EPS figure for financial year 2009-10) and for financial year 2009-10, a minimum of 26 cents per share must be achieved.

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

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

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

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 the proportion (if any) of unvested LTIs that will vest
Termination of employment by IOOF for cause or resignation by Mr Kelaher	Unvested performance rights and share options are forfeited
Dismissal for serious misconduct (eg fraud)	Unvested performance rights and share options are forfeited

Remuneration for the Year Ended 30 June 2011

The Board, on the advice of the Remuneration and Nominations Committee has increased the Managing Director's fixed annual remuneration by 3%, from $950,000 to $980,000 for the year to 30 June 2011. The Managing Director's Short Term Incentive (STI) opportunity for the year to 30 June 2011 has also been increased by 3% from $660,000 to $680,000. The STI terms will be the same as for the 2009/10 year, with specific performance hurdles. The STI deferment arrangements will differ however. Two thirds of the STI award will 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 2012 after a 'look back' review in June 2012.

With regard to Long Term Incentive (LTI) arrangements, the Board has decided to ask shareholders to approve a two year award program for the Managing Director.

In line with the potential LTI award component of his 2009/10 remuneration the Board is proposing to grant 150,000 performance share rights and 300,000 share options in each of the two financial years ending on 30 June 2012. The performance hurdles and vesting dates will be on the same basis as for the 2010 year with each performance period being three years ending on 30 June 2013 and 30 June 2014. The exercise price of the options will be $6.43 which was the three month Volume Weighted Average Share Price to 30 June 2010. Full details of the proposed LTI are set out in the separate Notice of Meeting for the Company's Annual General Meeting.

Employment contracts

Remuneration and other terms of employment for the Managing Director, Executive Directors, and Senior Executives 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 2010
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) with 6 months written notice. Mr Carter may terminate his employment with 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.
A. Hodges	Terminated	On 31 December 2009, Mr Hodges accepted a redundancy from the Company. The terms of the redundancy payment were determined by the Board of the Company.
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.
A. Patterson	Ongoing	The Company may terminate Mr Patterson's employment (except in the event of misconduct) by giving 6 months written notice. Mr. Patterson will also be paid accrued monies or benefits to which Mr. Patterson is entitled on the termination date and statutory entitlements.
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.
B. Thomas	Ongoing	The Company may terminate Mr Thomas' employment (except in the event of misconduct) by giving 3 months written notice. Mr Thomas may terminate his employment by providing 12 weeks written notice.

Remuneration tables

The following table sets out the remuneration received by Executive Directors, other KMP and named Senior Executives for the financial year ended 30 June 2010 and the comparative year.

		Short term employee benefits			Post-employment benefits	Termination Benefits	Other Long-term Benefits[3]	Share based payment[4]		Total
		Salary & fees	Bonus[1]	Non-monetary[2]	Super-annuation			Options	Shares	
		$	$	$	$	$	$	$	$	$
Executive director										
C Kelaher[5]	2010	885,539	594,000	6,803	14,461	–	–	150,476	62,178	1,713,457
	2009	120,000	28,333	–	10,000	–	–	285,093	–	443,426
I Griffiths[8]	2009	41,667	–	–	–	–	–	–	9,008	50,675
Other key management personnel										
S Abley	2010	297,100	66,852	6,206	14,491	–	–	–	17,884	402,533
	2009	261,209	38,773	3,745	26,212	–	–	–	70,312	400,251
M Carter[5]	2010	280,852	60,179	10,664	9,148	–	–	33,653	–	394,496
	2009	41,667	5,000	1,586	4,167	–	–	7,721	–	60,141
D Coulter	2010	286,777	50,000	–	13,223	–	–	12,014	–	362,014
(from 29 May 2009)	2009	21,557	814	–	1,767	–	–	–	–	24,138
S Merlicek (from 1 Oct 09)	2010	247,949	70,000	5,360	10,512	–	–	–	–	333,821
R Mota	2010	298,150	63,784	806	14,350	–	–	–	97,388	474,478
	2009	293,167	28,716	–	29,758	–	–	–	77,757	429,398
G Riordan	2010	346,095	90,000	–	13,905	–	–	36,737	–	486,737
Specified executives										
A Patterson	2010	621,837	200,000	10,664	14,460	–	–	–	–	846,961
	2009	569,644	501,443	8,910	49,997	–	231,159	–	–	1,361,153
A Hodges[6]	2010	139,989	128,625	–	21,690	2,273,598	–	–	301,130	2,865,032
	2009	273,225	41,232	2,811	20,230	–	22,657	–	272,162	632,317
B Thomas	2010	386,255	200,000	–	13,745	–	–	197,229	16,497	813,726

		Short term employee benefits			Post-employment benefits	Termination benefits	Other Long-term Benefits[3]	Share based payment[4]		Total
		Salary & fees	Bonus[1]	Non-monetary[2]	Super-annuation			Options	Shares	
		$	$	$	$	$	$	$	$	$
Key management personnel and named senior executives who ceased being a KMP or departed the Group during the comparative year:										
J Jodlowski[5]	2009	33,639	2,500	–	3,028	–	–	16,292	–	55,459
A McLachlan[5]	2009	39,029	–	–	4,305	–	–	16,292	–	59,626
J Billington	2009	413,211	72,187	106,403	13,746	–	–	273,886	545,711	1,425,144
A Bisogni	2009	256,879	84,423	–	21,975	525,071	(29,062)	–	690,300	1,549,586
M Blackburn	2009	313,885	121,481	–	99,941	585,024	–	–	1,005,766	2,126,097
M Crivelli (to 30 Apr 09)	2009	152,905	–	3,860	13,761	–	9,309	–	–	179,835
M Coe	2009	156,833	6,825	–	22,993	110,320	–	–	–	296,971
B Linehan	2009	168,921	5,000	–	13,182	–	–	–	–	187,103
A Robinson[7]	**2010**	**–**	**–**	**–**	**–**	**–**	**–**	**207,225**	**–**	**207,225**
	2009	462,811	975,000	9,017	50,000	500,000	–	(521,813)	528,000	2,003,015
P Wallbridge	2009	233,691	79,202	22,221	28,403	608,613	–	–	190,222	1,162,352
G Wood	2009	168,468	10,000	–	13,172	107,844	–	–	–	299,484
Total	**2010**	**3,790,543**	**1,523,440**	**40,503**	**139,985**	**2,273,598**	**–**	**637,334**	**495,077**	**8,900,480**
	2009	4,022,408	2,000,929	158,553	426,637	2,436,872	234,063	77,471	3,389,238	12,746,171

(1) The bonus reflects amounts provided under the short-term incentive program in relation to the financial year with the exception of Mr Mota and Mr Abley. Mr Mota's and Mr Abley's bonus includes an amount of $23,784 and $26,852 respectively, that relates to 2008/09. The bonus for Mr Mota and Mr Abley in relation to the 2009/10 financial year is $40,000 each. This incentive payment amount for 2009/10 has been communicated to all participants with the exception of Mr Patterson and Mr Thomas which will be finalised at the September board meeting of Perennial Investment Partners Ltd. 50% of the bonus awarded to Mr Kelaher has been deferred into shares which will vest in July 2011 and July 2012. 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) Other long-term benefits includes long-term incentives of $nil for the current year (2009: $231,159) accruing to Mr Patterson. The total accrued balance for the long-term incentives awarded to Mr Patterson was $702,900 at 30 June 2009 which was paid on the vesting date of 1 July 2009.

(4) Equity compensation 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.

(5) Key management personnel who joined the Group upon acquisition of AWM, effective 30 April 2009. The 2009 comparative includes the two months remuneration earned since acquisition to 30 June 2009.

(6) Mr Hodges was a Director in the 2009 financial year up until 30 April 2009. On 31 December 2009 Mr Hodges accepted a redundancy on terms approved by the Board. The ETP component of the termination benefits was $1,833,094. This sum represented Mr Hodges' legal entitlements under the now discontinued Company redundancy policy which applied in relation to his 23 years of service.

(7) Mr Robinson's remuneration in relation to share options amounting to $521,813 in 2008 had been reversed in 2009 upon the forfeiture of those options, on the basis that the non-market based performance hurdles had not been met. Shareholders approved the replacement of these options at the 27 November 2009 AGM. The share-based payments expense associated with the granting of these options is $207,225.

(8) Mr Griffiths became a Non-Executive Director effective 1 July 2009. Mr Griffiths voluntarily forfeited his entitlement to all options allocated to him on that date.

Remuneration report (cont'd)

Remuneration components as a percentage of total remuneration

Name	Remuneration components (based on annualised amounts)					
	Fixed		Total Incentive Compensation Award		Total Remuneration	
	%		%		%	
	2010	2009	2010	2009	2010	2009
C Kelaher	**53**	45	**47**	55	**100**	100
S Abley	**79**	75	**21**	25	**100**	100
M Carter	**76**	77	**24**	23	**100**	100
D Coulter	**83**	95	**17**	5	**100**	100
A Hodges[1]	**27**	53	**73**	47	**100**	100
S Merlicek	**83**	n/a	**17**	n/a	**100**	n/a
R Mota	**66**	69	**34**	31	**100**	100
A Patterson	**87**	41	**13**	59	**100**	100
G Riordan	**74**	n/a	**26**	n/a	**100**	n/a
B Thomas	**49**	41	**51**	59	**100**	100

(1) Mr Hodges incentive compensation includes accelerated vesting of performance rights due to his redundancy on 31 December 2009.

Share option 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
	%	%	$	$	%	%	
	2010	2009	2010	2009	2010	2010	
S Abley	**4**	18	**43,628**	n/a	-	-	2013
M Carter	**9**	9	**231,000**	n/a	-	-	2013
D Coulter	**3**	n/a	**231,000**	n/a	-	-	2013
C Kelaher	**12**	64	**874,276**	735,754	-	-	n/a
G Riordan	**8**	n/a	**231,000**	n/a	-	-	2013
R Mota	**21**	18	**70,199**	96,672	-	-	2012
B Thomas	**24**	n/a	**157,370**	355,665	**12.5**	-	12.5% 2011 12.5% 2012 62.5% 2013

(1) The percentage of the value of remuneration consisting of options, based on the value of the options expensed during the current 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.

Options and performance rights over equity instruments granted as compensation

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

Name	Number of options granted during 2010	Grant date	Fair value per option at grant date $	Exercise price per option $	Exercise period	Number of options vested during 2010
M Carter[2]	100,000	4 May 2010	2.31	7.01	4 May 2013 to 4 May 2016	nil
D Coulter[2]	100,000	4 May 2010	2.31	7.01	4 May 2013 to 4 May 2016	nil
C Kelaher[1]	316,624	27 Nov 2009	1.58	5.20	27 Nov 2012 to 27 Nov 2014	nil
G Riordan[2]	100,000	4 May 2010	2.31	7.01	4 May 2013 to 4 May 2016	nil
A Robinson[3]	675,000	27 Nov 2009	0.31	9.89	27 Nov 2009 to 27 Nov 2011	675,000

[1] The granting of an offer of options to Mr Kelaher were approved by shareholders at the 27 November 2009 AGM and the offer was accepted by Mr Kelaher on 20 August 2010.

[2] The performance hurdles for these options include continued service to the Group and assessment by the Board of successful rationalisation and integration of AWM and Skandia into IOOF.

[3] Shareholders approved the issue of 675,000 options to Mr Robinson in replacement of options issued in 2007 at the 27 November 2009 AGM. As these were replacement options for historical performance periods, these options were issued with no performance hurdles.

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

Name	Number of rights granted during 2010	Grant date	Fair value per right at grant date $	Vesting dates	Number of rights vested during 2010	Performance hurdles
S Abley	11,557	1 Dec 2009	3.78	1 Dec 2012	nil	40% – service condition 30% – achievement of 10% growth in annual EPS 30% – Group TSR[1]
C Kelaher	150,000	27 Nov 2009	2.50	50% – 27 Nov 2012 25% – 27 Nov 2013 25% – 27 Nov 2014	nil	TSR and ROE[2]
R Mota	18,596	1 Dec 2009	3.78	1 Dec 2012	nil	40% – service condition 30% – achievement of 10% growth in annual EPS 30% – Group TSR[1]

[1] The performance hurdles for this performance rights issue include 40% vesting on continued service to the Group, 30% each vest on satisfaction of pre-determined EPS and TSR hurdles.

[2] The Board has determined that this element of the plan will not activate unless a minimum average Return on Equity (ROE) of 5.5% per annum over the performance period has been achieved. The performance hurdle of the performance rights will be based on the Company's Total Shareholder Return (TSR) relative to a comparator group comprising the ASX200 index companies per annum over the performance period. TSR measures the return to the shareholder over the performance period in terms of changes in the market value of the shares plus the value of the dividends paid on the shares. The granting of an offer of performance rights to Mr Kelaher were approved by shareholders at the 27 November 2009 AGM and the offer was accepted by Mr Kelaher on 20 August 2010.

Remuneration report (cont'd)

Options granted since the end of the financial year

As part of the Company's Long Term Incentive program, senior staff members can, from time to time, be issued with share options as part of their remuneration arrangements. In accordance with the Company's remuneration policy such option grants intend to provide incentives to the staff member and to align their financial interest with those of the Company's shareholders.
The following share options were granted to key management personnel since the end of the financial year. These options were provided at no cost to the recipients.

Name	Arrangement	Number of options granted	Grant date	Exercise price $	Exercise period
S Abley	Options	200,000	1 Jul 2010	6.14	1 Jul 2013 to 30 Jun 2015
M Carter	Options	250,000	1 Jul 2010	6.14	1 Jul 2013 to 30 Jun 2015
D Coulter	Options	200,000	1 Jul 2010	6.14	1 Jul 2013 to 30 Jun 2015
S Merlicek	Options	200,000	1 Jul 2010	6.14	1 Jul 2013 to 30 Jun 2015
R Mota	Options	200,000	1 Jul 2010	6.14	1 Jul 2013 to 30 Jun 2015
G Riordan	Options	250,000	1 Jul 2010	6.14	1 Jul 2013 to 30 Jun 2015

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable 3 years from grant date. The ability to exercise options is conditional on continued employment service with the Group.

Exercise of performance rights and options granted as compensation

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

Name	Series	Grant date	Number of shares issued	Amount paid per options/shares $
C Kelaher(1)	2009-10	30 Apr 2009	334,584	4.99
S Abley(2)	2006-01	1 Dec 2006	6,409	nil
R Mota(2)	2005-01	1 Dec 2005	3,640	nil
	2006-01	1 Dec 2006	6,210	nil

(1) As disclosed in the Scheme Booklet for the acquisition of AWM, options over AWM shares held by former AWM employees were converted into Company options of economic equivalence. These options were originally granted 1 July 2008 by AWM.

(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 TSR (30%), cash EPS (30%) and continued employment with the Group (40%). As a consequence of the acquisition, in accordance with the terms of the Share Plan, the Remuneration and Nominations 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 vesting conditions were replaced with continued employment with the Group over the performance period.

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2010 financial year.

Short Term Incentive and Long Term Incentive equity allocations

The following table sets out the STI and LTI equity allocation awarded or forfeited in respect of the financial year. Executives (other than the Managing Director) no longer have a fixed component of STIs or LTIs due to the discretionary nature of payments and equity allocations. Accordingly there can be no measure of amounts forfeited.

Name	Cash		LTI	
	Paid %	Forfeited %	Paid %	Forfeited %
C Kelaher	90	10	n/a	n/a

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

Analysis of movements in options

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows. The options held at 1 July 2009 include options granted on acquisition of AWM on 30 April 2009.

Name	Grant date	Vesting date	Exercise Period	Performance hurdles	Exercise price $	Options held at 1 Jul 2009	Granted	Forfeited or lapsed	Exercised	Options held at 30 Jun 2010	Vested during the year	Options unvested at 30 Jun 2010	Vested and exercisable at 30 Jun 2010
Key management personnel													
M Carter	Apr-09	30-Apr-09	Apr 09 – Mar 11	Service(1)	9.70	6,702	–	–	–	6,702	–	–	6,702
	Apr-09	30-Apr-09	Apr 09 – Jun 13	Service(1)	9.36	5,362	–	–	–	5,362	–	–	5,362
	Apr-09	05-Sep-09	Sep 09 – Jun 13	Service(2)	9.36	4,021	–	–	–	4,021	4,021	–	4,021
	Apr-09	05-Sep-10	Sep 10 – Jun 13	Service(2)	9.36	4,021	–	–	–	4,021	–	4,021	–
	Apr-09	30-Jun-09	Jun 09 – Jul 11	Service(2)	6.34	67,024	–	–	–	67,024	–	–	67,024
	Apr-09	30-Jun-10	Jun 10 – Jul 11	Service(2)	6.34	67,024	–	–	–	67,024	67,024	–	67,024
	May-10	04-May-13	May 13 – May 16	Service	7.01	–	100,000	–	–	100,000	–	100,000	–
D Coulter	May-10	04-May-13	May 13 – May 16	Service	7.01	–	100,000	–	–	100,000	–	100,000	–
I Griffiths	Apr-09	30-Apr-09	Apr 09 – Nov 12	Service(2)	9.99	22,341	–	(22,341)	–	–	–	–	–
	Apr-09	22-Nov-09	Nov 09 – Nov 12	Service(2)	9.99	22,342	–	(22,342)	–	–	–	–	–
	Apr-09	22-Nov-10	Nov 10 – Nov 12	Service(2)	9.99	22,342	–	(22,342)	–	–	–	–	–
C Kelaher	Apr-09	30-Apr-09	Apr 09 – Nov 12	Service(3)	9.99	44,682	–	–	–	44,682	–	–	44,682
	Apr-09	22-Nov-09	Nov 09 – Nov 12	Service(3)	9.99	44,683	–	–	–	44,683	44,683	–	44,683
	Apr-09	22-Nov-10	Nov 10 – Nov 12	Service(3)	9.99	44,683	–	–	–	44,683	–	44,683	–
	Apr-09	30-Jun-09	Jul 09 – Aug 12	Service(1)	4.99	334,584	–	–	(334,584)	–	–	–	–
	Nov-09	27-Nov-12	Nov 12 – Nov 15	TSR and ROE	5.20	–	158,312	–	–	158,312	–	158,312	–
	Nov-09	27-Nov-13	Nov 13 – Nov 15	TSR and ROE	5.20	–	79,156	–	–	79,156	–	79,156	–
	Nov-09	27-Nov-14	Nov 14 – Nov 15	TSR and ROE	5.20	–	79,156	–	–	79,156	–	79,156	–
G Riordan	Apr-09	30-Apr-09	Apr 09 – Mar 11	Service(1)	9.18	40,214	–	–	–	40,214	–	–	40,214
	Apr-09	30-Apr-09	Apr 09 – Jun 13	Service(1)	9.36	21,447	–	–	–	21,447	–	–	21,447
	Apr-09	05-Sep-09	Sep 09 – Jun 13	Service(2)	9.36	16,086	–	–	–	16,086	–	–	16,086
	Apr-09	05-Sep-10	Sep 10 – Jun 13	Service(2)	9.36	16,086	–	–	–	16,086	–	–	16,086
	Apr-09	30-Jun-09	Jun 09 – Jul 11	Service(2)	6.34	26,809	–	–	–	26,809	–	–	26,809
	Apr-09	30-Jun-10	Jun 10 – Jul 11	Service(2)	6.34	26,810	–	–	–	26,810	26,810	–	26,810
	May-10	04-May-13	May 13 – May 16	Service	7.01	–	100,000	–	–	100,000	–	100,000	–

Remuneration report (cont'd)

Name	Grant date	Vesting date	Exercise Period	Performance hurdles	Exercise price $	Options held at 1 Jul 2009	Granted	Options held at 30 Jun 10	Vested during the year	Options unvested at 30 Jun 2010	Vested and exercisable at 30 Jun 2010
Key management personnel and named senior executives who have departed during the financial year											
J Billington	Jan-08	Apr-09	Apr 09 – 31 Dec 10	Accelerated vesting[(4)]	3.15	80,000	–	80,000	–	–	80,000
	Jul-08	Apr-09	Apr 09 – 31 Dec 10	Accelerated vesting[(4)]	3.15	100,000	–	100,000	–	–	100,000
	Apr-09	Apr-09	Apr 09 – 31 Dec 10	Accelerated vesting[(4)]	3.15	100,000	–	100,000	–	–	100,000
A Robinson	Nov-09	Nov-09	Nov 09 – Nov 11	Service[(5)]	9.89	–	675,000	675,000	675,000	–	675,000

(1) Prior to the acquisition of AWM, these options had fully vested. As disclosed in the Scheme Booklet for the acquisition, options over AWM shares held by AWM employees have been converted into IOOF options of economic equivalence.

(2) As disclosed in the Scheme Booklet for the acquisition of AWM, options over AWM shares held by AWM employees have been converted into IOOF options of economic equivalence. The remaining options vest progressively over a service period.

(3) Prior to the acquisition of AWM, the performance hurdle for vesting of AWM options was 50% on the Group's achievement of the approved budget for that financial year and the remaining 50% if the Company's Total Shareholder Return (TSR) is positive, and in the top quartile relative to the TSR of a comparator group of ASX listed companies selected by the Board. As a consequence of the acquisition, in accordance with the terms of the Share Option Plan, the Remuneration and Nominations Committee exercised its discretion to waive the performance hurdle in respect of unvested options as it is now impractical to measure performance against the hurdle on the basis established prior to the acquisition. The vesting of the options is conditional on continuing employment with the Group.

(4) Prior to the acquisition of AWM the performance hurdle for vesting of the IOOF options was 40% on the Group's achievement of compounding earnings per share in excess of 10% over the vesting period, 30% on the Company's achievement of TSR above a pre-determined benchmark and the remaining 30% on continued employment with the Group. As a consequence of the acquisition, in accordance with the terms of the Share Option Plan, the Remuneration and Nominations Committee exercised its discretion to waive the performance hurdles in respect of unvested options as it is now impractical to measure performance against the hurdle on the basis established prior to the acquisition. As a result, options were deemed to have vested effective 30 April 2009.

(5) At the AGM held 27 November 2009, shareholders approved the allocation of options to Mr Robinson, former Chief Executive Officer, to replace options that had lapsed due to an unintentional misinterpretation of performance hurdles. Had the original options (approved by shareholders at the 2007 AGM) been issued on the correct terms, the options would have vested upon implementation of the acquisition of AWM. This is because the IOOF Board exercised its discretion, in accordance with Mr Robinson's employment contract, to vest all unvested long term incentives. The options vested immediately on receiving shareholder approval. Mr Robinson ceased employment with the Group on 30 April 2009.

Analysis of movements in performance rights

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

Name	Grant date	Vesting date	Performance hurdles	Exercise price $	Rights held at 1 Jul 2009	Granted	Vested and transferred	Rights held at 30 Jun 10	Vested during the year	Rights unvested at 30 Jun 2010
S Abley	Nov-06	01-Oct-09	Service(1)	nil	6,409	–	(6,409)	–	6,409	–
	Dec-09	01-Dec-12	Service	nil	–	4,623	–	4,623	–	4,623
	Dec-09	01-Dec-12	Cash EPS(2)	nil	–	3,467	–	3,467	–	3,467
	Dec-09	01-Dec-12	TSR(3)	nil	–	3,467	–	3,467	–	3,467
C Kelaher	Nov-09	27-Nov-12	TSR and ROE	nil	–	75,000	–	75,000	–	75,000
	Nov-09	27-Nov-13	TSR and ROE	nil	–	37,500	–	37,500	–	37,500
	Nov-09	27-Nov-14	TSR and ROE	nil	–	37,500	–	37,500	–	37,500
R Mota	Dec-05	01-Dec-08	Service(1)	nil	3,640	–	(3,640)	–	–	–
	Dec-06	01-Dec-09	Service(1)	nil	6,210	–	(6,210)	–	–	–
	Dec-07	01-Dec-10	Service(1)	nil	14,657	–	–	14,657	–	14,657
	Dec-08	01-Dec-11	Service(1)	nil	30,497	–	–	30,497	–	30,497
	Dec-09	01-Dec-12	Service	nil	–	7,438	–	7,438	–	7,438
	Dec-09	01-Dec-12	Cash EPS(2)	nil	–	5,579	–	5,579	–	5,579
	Dec-09	01-Dec-12	TSR(3)	nil	–	5,579	–	5,579	–	5,579
Key management personnel and named senior executives who ceased being a KMP during the financial year										
A Hodges	Dec-04	30-Apr-09	Accelerated vesting(1)	nil	3,982	–	(3,982)	–	3,982	–
	Dec-05	30-Apr-09	Accelerated vesting(1)	nil	20,626	–	(20,626)	–	20,626	–
	Dec-06	30-Apr-09	Accelerated vesting(1)	nil	26,085	–	(26,085)	–	26,085	–
	Dec-07	30-Apr-09	Accelerated vesting(1)	nil	34,130	–	(34,130)	–	34,130	–
	Dec-08	30-Apr-09	Accelerated vesting(1)	nil	47,651	–	(47,651)	–	47,651	–

(1) Prior to the acquisition of AWM, the performance hurdles for vesting of the performance rights was on the Group's achievement of pre-determined TSR (60%), cash EPS (20%) and return on capital (20%). As a consequence of the acquisition, in accordance with the terms of the Share Plan, the Remuneration and Nominations 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 performance rights were deemed to have vested effective 30 April 2009.

(2) The performance rights will vest subject to the achievement of Group shareholder cash EPS in excess of 10% each year over the performance period.

(3) The performance rights will vest subject to the achievement of a pre-determined level of Company TSR relative to a comparator group comprising the ASX200 index companies.

Remuneration report (cont'd)

Non-executive Directors' remuneration

Approval of funding for the remuneration

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 $850,000 per annum was approved by shareholders at the 2005 Annual General Meeting.

The Board is seeking at its upcoming AGM to be held on 23 November to increase the ceiling to $1,000,000.

Objectives

The primary objective of the policy for Non-Executive Directors 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 Senior Executives.

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 Senior Executives.

Equity participation

The Company established a Deferred Share Purchase Plan for Non-Executive Directors to enable them, on an optional 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.

The following table sets out the number of shares acquired by the participating Directors as at 30 June 2010 and the range of prices at which shares were acquired during the financial year ended 30 June 2010.

Name	Shares Acquired	Share price range at acquisition date	Total value
	Number	$	$
I Blair	5,320	4.13 – 6.89	29,768
J Harvey	2,420	4.13 – 6.89	13,104
J Pfeiffer	7,668	4.13 – 6.89	41,540
R Sexton	3,867	4.13 – 6.89	20,957

Retirement benefits

The Board has withdrawn this 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 NED	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 Mr Blair and Dr Sexton (being the only two remaining participants) for the year ending 30 June 2011.

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

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.

Remuneration table

Key management personnel		Short-term benefits			Post-employment benefits	Total	Post-employment benefits	Total
		Directors fees[1]	Shares[2]	Non-monetary	Super-annuation	Shareholder approved remuneration[3]	Retirement benefits[4]	
		$	$	$	$	$	$	$
Non-executive Directors								
I Blair	**2010**	**150,363**	**29,769**	**3,281**	**13,368**	**196,781**	**–**	**196,781**
	2009	153,890	26,160	–	15,495	195,545	21,037	216,582
J Harvey	**2010**	**105,397**	**11,908**	**349**	**9,395**	**127,049**	**–**	**127,049**
	2009	105,240	12,000	–	9,468	126,708	–	126,708
J Pfeiffer	**2010**	**85,166**	**41,534**	**–**	**–**	**126,700**	**–**	**126,700**
	2009	84,852	41,856	–	–	126,708	–	126,708
R Sexton	**2010**	**97,822**	**22,148**	**–**	**8,804**	**128,774**	**–**	**128,774**
	2009	98,580	22,320	–	10,881	131,781	9,868	141,649
G Venardos	**2010**	**116,319**	**–**	**–**	**10,381**	**126,700**	**–**	**126,700**
(from 30 April 2009)	2009	16,209	–	–	–	16,209	–	16,209
I Griffiths	**2010**	**112,239**	**–**	**–**	**14,461**	**126,700**	**–**	**126,700**
Non-executive Directors who retired during the previous financial year								
R Harper (to 30 April 09)	2009	106,568	–	–	9,591	116,159	–	116,159
K Spargo (to 30 April 09)	2009	87,580	9,300	–	8,719	105,599	12,487	118,086
Total	**2010**	**667,306**	**105,359**	**3,630**	**56,409**	**832,704**	**–**	**832,704**
Total	2009	652,919	111,636	–	54,154	818,709	43,392	862,101

(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 $832,704 and was within the shareholder approved limit of $850,000 per annum.

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

Remuneration structure for the financial year ended 30 June 2011

Non-Executive Directors receive a base fee, inclusive of superannuation to compensate them for all elements of their duty to the Board and relevant Board committees.

Subject to shareholder approval of an increase in the approved limit to total Directors' fees, the Remuneration and Nominations Committee has determined that the current levels of fees offered to Company Non-Executive Directors should be increased for the year ending 30 June 2011. This increase takes account of the increased complexity and regulatory responsibility within the enlarged Group and follows a period of six years since Directors' fees were last increased. Accordingly the following fee structure is proposed in relation to the financial year ending 30 June 2011, being:

Chairman	$205,000
Non-Executive Director	$135,000

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:

Ian Blair
Chairman
26 August 2010

Director's declaration

For the year ended 30 June 2010

1 In the opinion of the Directors of the Company:

a the consolidated financial statements and notes set out on pages 50 to 120, and the Remuneration report in the Directors' report, set out on pages 30 to 45 are in accordance with the Corporations Act 2001 including:

i. giving a true and fair view of the Group's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date; and

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

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 2010.

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.

This report is made with a resolution of the Directors:

Ian Blair
Chairman
Melbourne
26 August 2010

Independence declaration

For the year ended 30 June 2010

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

To: the directors of IOOF Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 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
26 August 2010

Independent auditor's report

For the year ended 30 June 2010

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

Report on the financial report

We have audited the accompanying financial report of the Group comprising IOOF Holdings Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 46 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2a, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statement*s, that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its 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 the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included on pages 31 to 45 of the directors' report for the year ended 30 June 2010. 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 Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Michelle Hinchliffe

Partner

Melbourne

26 August 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member fims affiliated with KPMG International, a Swiss cooperative.

Statement of comprehensive income

For the year ended 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009* $'000
Revenue	8	741,112	277,588
Expenses	9	(651,009)	(259,341)
Share of profits of associates accounted for using the equity method (net of income tax)		7,588	5,071
Finance costs	10	(1,096)	(269)
Profit before income tax expense		**96,595**	**23,049**
Income tax expense	11	(24,949)	(8,195)
Profit for the period		**71,646**	**14,854**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	30	2,953	755
Income tax on other comprehensive income	11	(1,643)	–
Other comprehensive income for the period, net of income tax		**1,310**	**755**
Total comprehensive income for the period		**72,956**	**15,609**
Profit attributable to:			
Owners of the Company		**68,403**	**13,850**
Non-controlling interest		3,243	1,004
Profit for the period		**71,646**	**14,854**
Total comprehensive income attributable to:			
Owners of the Company		69,713	14,605
Non-controlling interest		3,243	1,004
Total comprehensive income for the period		**72,956**	**15,609**
Earnings per share:			
Basic earnings per share (cents per share)	33	29.8	14.6
Diluted earnings per share (cents per share)	33	29.6	14.4

Notes to the consolidated financial statements are included on pages 55 to 120.

* 30 June 2009 comparatives do not include a full year's results of Old Mutual Australia Limited and Old Mutual Australia Holdings Pty Ltd (now referred to as IOOF Global One) which were acquired 6 March 2009 and Australian Wealth Management Limited which was acquired 30 April 2009. Where appropriate, comparatives have been reclassified between revenues and expenses including the reclassification of net fair value gains/ (losses) from expenses to revenue, to present amounts on a basis consistent with the current year. 2009 comparatives have also been revised to reflect the finalised accounting for business combinations.

Statement of financial position

As at 30 June 2010

		Consolidated	
		2010	2009*
	Note	$'000	$'000
Assets			
Cash and cash equivalents	12	618,171	586,699
Receivables	13	91,446	119,821
Current tax asset		–	1,961
Other financial assets	14	542,667	527,973
Other assets	15	27,808	31,298
Investments accounted for using the equity method	16	12,891	10,317
Property and equipment	17	8,165	12,621
Goodwill	18	491,856	479,455
Other intangible assets	19	276,694	290,445
Deferred tax assets	20	25,292	23,285
Total assets		**2,094,990**	**2,083,875**
Liabilities			
Payables	21	59,605	104,985
Borrowings	22	14,628	30,714
Current tax liabilities		23,093	–
Other financial liabilities	23	37,357	18,085
Provisions	24	45,588	48,057
Other liabilities	25	20,998	24,688
Insurance contract liabilities	26	447,370	466,527
Investment contract liabilities	27	403,100	359,479
Non-controlling interests in controlled trusts	28	156,297	143,703
Total liabilities		**1,208,036**	**1,196,238**
Net assets		**886,954**	**887,637**
Equity			
Share capital	29	858,178	849,609
Reserves	30	5,800	6,171
Retained earnings	31	6,459	14,403
Total equity attributable to equity holders of the Company		**870,437**	**870,183**
Non-controlling interest		16,517	17,454
Total equity		**886,954**	**887,637**

Notes to the consolidated financial statements are included on pages 55 to 120.

* Where appropriate, comparatives have been revised to reflect the finalised accounting for business combinations and have also been reclassified to present them on a basis consistent with the current year.

Statement of changes in equity

For the year ended 30 June 2010

	Note	Attributable to equity holders of the Company										
		Ordinary shares	Treasury shares	Convertible preference shares	Available-for-sale reserve	Asset revaluation reserve	Business combinations reserve	Share-based payment reserve	Retained earnings	Total	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2009	29,30,31	855,106	(5,497)	–	441	1,072	–	4,658	14,403	870,183	17,454	887,637
Total comprehensive income for the period												
Profit for the period		–	–	–	–	–	–	–	68,403	68,403	3,243	71,646
Other comprehensive income												
Net change in fair value of available-for-sale financial assets, net of tax		–	–	–	1,310	–	–	–	–	1,310	–	1,310
Total other comprehensive income		–	–	–	1,310	–	–	–	–	1,310	–	1,310
Total comprehensive income for the period		**–**	**–**	**–**	**1,310**	**–**	**–**	**–**	**68,403**	**69,713**	**3,243**	**72,956**
Transactions with owners, recorded directly in equity												
Contributions by and (distributions to) owners												
Dividends to equity holders		–	–	–	–	–	–	–	(77,841)	(77,841)	(3,632)	(81,473)
Share-based payment expense		–	–	–	–	–	–	2,027	–	2,027	–	2,027
Issue of shares on exercise of options under executive and employee share option plan		1,670	–	–	–	–	–	–	–	1,670	–	1,670
Transfer from employee equity-settled benefits reserve on exercise of options		120	–	–	–	–	–	(120)	–	–	–	–
Employee performance rights vested during the year		3,053	–	–	–	–	–	(3,053)	–	–	–	–
Adviser performance rights vested during the year		234	–	–	–	–	–	(234)	–	–	–	–
Treasury shares sold on-market		–	3,492	–	–	–	–	–	1,494	4,986	–	4,986
Treasury shares transferred to employees during the year		(2,002)	2,002	–	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners		3,075	5,494	–	–	–	–	(1,380)	(76,347)	(69,158)	(3,632)	(72,790)
Changes in ownership interests in subsidiaries that do not result in a loss of control												
Acquisition of non-controlling interest*		–	–	–	–	–	(301)	–	–	(301)	533	232
Derecognition of non-controlling interest subject to buy-back		–	–	–	–	–	–	–	–	–	(1,081)	(1,081)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	(301)	–	–	(301)	(548)	(849)
Total transactions with owners		3,075	5,494	–	–	–	(301)	(1,380)	(76,347)	(69,459)	(4,180)	(73,639)
Balance at 30 June 2010	**29,30,31**	**858,181**	**(3)**	**–**	**1,751**	**1,072**	**(301)**	**3,278**	**6,459**	**870,437**	**16,517**	**886,954**

Notes to the consolidated financial statements are included on pages 55 to 120.

* The Group has applied AASB 127 (2008) for the acquisition of non-controlling interests. Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions, movements are instead recorded in reserves.

Statement of changes in equity

For the year ended 30 June 2009

	Note	Ordinary shares	Treasury shares	Convertible preference shares	Available-for-sale reserve	Asset revaluation reserve	Business combinations reserve	Share-based payment reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company										
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2008*	29,30,31	218,636	(4,701)	1,400	(314)	1,072	–	4,714	10,688	231,495	725	232,220
Total comprehensive income for the period												
Profit for the period		–	–	–	–	–	–	–	13,850	13,850	1,004	14,854
Other comprehensive income												
Net change in fair value of available-for-sale financial assets, net of tax		–	–	–	755	–	–	–	–	755	–	755
Total other comprehensive income		–	–	–	755	–	–	–	–	755	–	755
Total comprehensive income for the period		–	–	–	755	–	–	–	13,850	14,605	1,004	15,609
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Dividends to equity holders		–	–	–	–	–	–	–	(10,272)	(10,272)	(500)	(10,772)
Shares issued to equity holders via scheme of arrangement		634,885	–	–	–	–	–	–	–	634,885	–	634,885
Shares issued to general staff share plan		322	–	–	–	–	–	–	–	322	–	322
Converted redeemable preference shares to ordinary shares		1,263	–	(1,263)	–	–	–	–	–	–	–	–
Forfeiture of redeemable converting preference shares during the year		–	–	(137)	–	–	–	–	137	–	–	–
Share-based payment expense		–	–	–	–	–	–	4,917	–	4,917	–	4,917
Employee performance rights vested during the year		–	4,973	–	–	–	–	(4,973)	–	–	–	–
Shares held by subsidiary upon acquisition		–	(5,769)	–	–	–	–	–	–	(5,769)	–	(5,769)
Total contributions by and distributions to owners		636,470	(796)	(1,400)	–	–	–	(56)	(10,135)	624,083	(500)	623,583
Changes in ownership interests in subsidiaries that do not result in a loss of control												
Acquisition of non-controlling interest through business combinations		–	–	–	–	–	–	–	–	–	16,225	16,225
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	–	16,225	16,225
Total transactions with owners		636,470	(796)	(1,400)	–	–	–	(56)	(10,135)	624,083	15,725	639,808
Balance at 30 June 2009	29,30,31	855,106	(5,497)	–	441	1,072	–	4,658	14,403	870,183	17,454	887,637

Notes to the consolidated financial statements are included on pages 55 to 120

* 30 June 2009 comparatives do not include a full year's results of Old Mutual Australia Limited and Old Mutual Australia Holdings Pty Ltd (now referred to as IOOF Global One) which were acquired 6 March 2009 and Australian Wealth Management Limited which was acquired 30 April 2009. Where appropriate, comparatives have been reclassified to present them on a basis consistent with the current year..

Statement of cash flows

For the year ended 30 June 2010

	Notes	Consolidated	
		2010	2009*
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		676,742	318,842
Payments to suppliers and employees		(547,902)	(306,655)
Interest and other costs of finance paid		(1,058)	(269)
Net stockbroking purchases		3,346	–
Dividends and distributions received – statutory		23,004	62,460
Interest received – statutory		15,902	17,866
Proceeds from contributions to benefit funds		45,448	44,830
Payments for withdrawal from benefit funds		(91,468)	(137,906)
Distributions to policyholders – statutory		2,507	–
Net proceeds/(payments) from sales or purchases of financial assets – statutory		28,096	(24,475)
Goods and services tax paid		(32,715)	(9,667)
Other income received		–	12,418
Income taxes paid		(4,604)	(14,971)
Net cash provided by/(used in) operating activities	42(b)	117,298	(37,527)
Cash flows from investing activities			
Interest received – shareholder		5,493	3,078
Dividends and distributions received – shareholder		8,323	183
Net cash inflow from acquisition of Australian Wealth Management Ltd		–	68,012
Net cash outflow on acquisition of Skandia and Intech businesses		–	(16,995)
Net cash inflow on disposal of Intech business		451	8
Net proceeds/(payments) from sales or purchases of financial assets – shareholder		1,708	20
Payments for property, plant and equipment		(1,162)	(922)
Proceeds on disposal of property, plant and equipment		44	41
Amounts advanced by other entities		714	–
Payment for purchase of shares in controlled entities		–	(1,831)
Payments for intangible assets		(5,334)	(338)
Payment for investments		(2,782)	–
Additional interest acquired in associates and non-controlling interests		(1,642)	–
Net cash provided by/(used in) investing activities		5,813	51,256
Cash flows from financing activities			
Repayment of borrowings		(16,086)	–
Loans made to policyholders – statutory		–	(1,623)
Proceeds from/(advances to) loans made to policyholders – statutory		(153)	3,134
Proceeds on disposal of treasury shares		6,048	–
Proceeds from issues of equity securities on exercise of options		1,675	–
Dividends paid:		–	–
- members of the parent entity		(77,841)	(10,272)
- non-controlling members of subsidiary entities		(3,632)	(500)
- shareholders entitled to contractual share buy-back		(1,650)	(1,213)
Net cash provided by/(used in) financing activities		(91,639)	(10,474)
Net increase/(decrease) in cash and cash equivalents		31,472	3,255
Cash and cash equivalents at the beginning of the financial year		586,699	583,444
Cash and cash equivalents at the end of the financial year		**618,171**	**586,699**

Notes to the consolidated financial statements are included on pages 55 to 120.

* 30 June 2009 comparatives do not include a full year's results of Old Mutual Australia Limited and Old Mutual Australia Holdings Pty Ltd (now referred to as IOOF Global One) which were acquired 6 March 2009 and Australian Wealth Management Limited which was acquired 30 April 2009. Where appropriate, comparatives have been reclassified to present them on a basis consistent with the current year.

Notes to the financial statements

For the year ended 30 June 2010

1 Reporting entity

IOOF Holdings Ltd (the 'Company') is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates. The Group primarily is involved in the provision of wealth management services.

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

Registered office
Level 12
303 Collins Street
MELBOURNE VIC 3000

Principal place of business
Level 12
303 Collins Street
MELBOURNE VIC 3000

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 26 August 2010.

(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 Group'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.

Refer to Note 4 Significant estimates and judgements for further information on signficant estimates and judgements.

(e) Changes in accounting policies

Starting as of 1 July 2009, the Group has changed its accounting policies in accordance with amendments made to the AASBs in the following areas:

- accounting for business combinations;
- accounting for acquisitions of non-controlling interests;
- accounting for borrowing costs;
- determination and presentation of operating segments; and
- presentation of financial statements.

3 Significant accounting policies

The principal 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, unless otherwise stated.

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 2010 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.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

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.

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

(i) Business combinations

Change in accounting policy

The Group has adopted revised AASB *3 Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

The Group has applied the acquisition method for the business combinations executed from 1 July 2009. These acquisitions have not had a significant impact on the consolidated statement of financial position and accordingly have not been disclosed. The change in accounting policy is applied prospectively and had no impact on earnings per share.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

Goodwill is the excess of the aggregate value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest over the acquisition date net assets acquired.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Share-based payment awards

When share-based payment awards which are exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If the payment of these awards requires future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as a post-combination compensation cost.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) Accounting for acquisitions of non-controlling interests

The Group has adopted AASB 3 *Business Combinations* (2008) and AASB 127 *Consolidated and Separate Financial Statements* (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 July 2009.

The Group has applied AASB 127 (2008) for the acquisition of non-controlling interests. Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions, nor is any gain or loss recognised in profit or loss.

Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(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. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. All intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

(iv) Employee Share Trust

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

(v) Investments accounted for using the equity method

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.

The Group's investments in its associates are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, 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.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction.

Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date when the fair value was determined.

Foreign currency gains and losses are reported on a net basis and recognised in profit or loss in the period in which they arise.

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

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

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

(ii) Financial assets backing policy liabilities

The Group has determined that all financial assets held within its reported statutory funds (including the benefit funds which are treated as statutory funds) represent the assets backing policy liabilities and are measured at fair value through profit or loss. Other than loans and receivables and available for sale financial assets 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 trade 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 and borrowings and payables.

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 rate method.

(iv) Other financial liabilities

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

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

Repurchase 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 transferred to/from retained earnings.

(vi) Preference share capital

Preference shares that are mandatory redeemable or that attach a contractual obligation to pay a regular, cumulative, fixed-rate dividend are classified as liabilities. The dividends on these preference shares classified as liabilities are recognised in profit or loss as finance costs.

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the Directors.

(e) 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 dependant on both the probability of an insured event and the magnitude of its potential effect.

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

(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.

(f) Property and equipment

(i) Recognition and measurement

Property and equipment are measured at historical cost less any accumulated depreciation and any accumulated impairment losses. Historical cost includes all expenditure directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of the asset. These are included in profit or loss.

(ii) Depreciation

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements over the unexpired period of the lease if shorter, as follows:

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

Asset useful lives and residual values are reviewed at each balance sheet date, with the effect of any changes recognised on a prospective basis.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is not separately recognised but is included in investments in associates.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by the Group's investment in each business reporting segment (Note 7 Operating segments).

Change in accounting policy

As from 1 July 2009, the Group has adopted the revised AASB 3 *Business Combinations* (2008) and the amended AASB 127 *Consolidated and Separate Financial Statements* (2008). Revised AASB 3 and amended AASB 127 have been applied prospectively to business combinations with an acquisition date on or after 1 July 2009.

The change in accounting policy had no material impact on earnings per share.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions nor is any gain or loss recognised in profit or loss.

(ii) Other intangible assets

Intangible assets acquired separately or in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Finite life other intangible assets

Finite life intangible assets acquired separately or in a business combination are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Indefinite life other intangible assets

Indefinite life intangible assets acquired separately or in a business combination are not amortised. They are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

Indefinite life intangible assets are carried at cost less impairment losses. Refer to Note 19 Other intangible assets.

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or an other amount substituted for cost, less its residual value.

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, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

- adviser relationships 5-10 years
- computer software 2.5-4 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 financial year-end and adjusted if appropriate.

(h) Leased assets

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

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

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

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight-line basis over the period of the incentive except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

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

(i) Impairment

(i) Financial assets

At each balance date, management assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. For available-for-sale financial assets, a significant or prolonged decline in the fair value of a security below its carrying value is considered in determining whether it is impaired. If it is assessed as impaired, the cumulative loss (being the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss.

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 original effective interest rate. The loss is recognised in profit or loss.

(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.

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.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. 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.

(j) 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.

(ii) Short-term 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 under short-term cash bonus or profit-sharing plans 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.

(iii) Short-term incentive plans

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

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

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

(iv) Long-term 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.

(v) Share-based payment transactions

Equity-settled compensation benefits are provided to employees via various employee share and option arrangements. The grant date fair value of shares and options granted to employees is recognised as an expense, with a corresponding increase in the share-based payments reserve, over the period that the employees become unconditionally entitled to the shares or options.

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

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 remain held by the IOOF Executive Performance Share Plan Trust (the 'Trust') as at balance 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 equity. 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 or incentives provided, no additional expense is recorded by the Group.

(vi) Termination payments and redundancy costs

Termination benefits or redundancy costs are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(vii) Retirement benefit obligations

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

(k) 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.

(l) Revenue

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

(i) Management fees

The Group provide management services to unit trusts and funds operated by the Group at normal commercial rates. Management 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.

(ii) Commission income

Commission income from the provision of financial advisory services together with revenue from the rendering of services are recognised at the time the service is provided.

(iii) 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.

(iv) Upfront commissions

Upfront commissions 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 commissions are recorded as a deferred revenue liability within other liabilities in the consolidated statement of financial position.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

(v) 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) 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, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in 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, dividend on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. 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 rate method.

(n) 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 substantially 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. Segregated superannuation and rollover fund business of the IOOF Ltd benefit funds attracts income tax at the rate of 15% (2009: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2009: 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.

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 11 to the financial statements.

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

(ii) Uncertain Tax Position

Tax Laws Amendment (2010 Measures No. 1) Bill 2010, received Royal Assent on 3 June 2010 . The Act contains a number of amendments to the tax consolidation regime that deal with the recognition of tax cost setting amounts in the income tax law. A new section (s 716-405) may provide a specific tax deduction for the tax cost setting amount on assets that qualify as rights to future income assets acquired upon an entity joining a tax consolidated group. The Company is currently analysing customer related intangibles, acquired as part of the AWM acquisition in 2009, with a view to applying the new provisions if available. Given the uncertainty of how these new provisions may apply, the Company is seeking a private ruling to confirm its entitlement to these tax deductions. Until completion of this analysis and receipt of the private ruling, the tax effect is considered uncertain.

(iii) Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 ('TOFA legislation')

The TOFA legislation was enacted during the prior year. The TOFA legislation provides a framework for the taxation of financial arrangements, potentially providing closer alignment between tax and accounting requirements.

TOFA is mandatory for the Company for tax years beginning on or after 1 July 2010. There are specific transitional provisions in relation to the taxation of existing financial arrangements outstanding at the transition date (ie there is a choice to bring pre-commencement financial arrangements into the new regime subject to a balancing adjustment being calculated on transition to be returned over the next succeeding four tax years).

The Company has no pre-commencement financial arrangements under the regime at 1 July 2010.

(o) Goods and service tax (GST)

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

(p) Deferred acquisition costs

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

Deferred acquisition costs 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.

(q) 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.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

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.

(r) 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.

(s) 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.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(u) Segment reporting

Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

(v) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(w) New standards and interpretations not yet adopted

- The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.
- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 – Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issue [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impacts on the financial statements.

4 Significant estimates and judgements

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Goodwill impairment testing

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Refer to Note 18 Goodwill for further details.

(ii) Impairment and useful life of intangibles assets (excluding goodwill)

The Group tests intangibles assets for any impairment, in accordance with the accounting policy. Refer to Note 3(i) Impairment for details regarding the accounting policy.

In determining the useful life of intangibles assets with a finite life, with due consideration of historical trends, an attempt has been made to estimate the period of time over which the asset will provide a future economic benefit to the Group.

Refer to Note 19 Other intangible assets for further details.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

(iii) Life insurance contract liabilities

Life insurance contract liabilities are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life business written. Deferred policy acquisition costs are connected with the measurement basis of the life insurance contract liabilities and are equally sensitive to the factors that are considered in the liability measurement.

Refer to Note 45 Life insurance business for further details on actuarial assumptions and methods.

The key factors that affect the estimation of these liabilities and related assets are:

- the cost of providing benefits and administering these insurance contracts;
- mortality and morbidity experience on the life insurance products, including enhancements to policyholder benefits;
- discontinuance experience, which affects the Group's ability to recover the cost of acquiring new business over the lives of the contracts; and
- the amounts credited to policyholders' accounts compared to the returns on invested assets through asset-liability management and strategic and tactical asset allocation.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities. In some contracts, the Group shares experience on mortality, morbidity, persistency and investment results with its customers, which can offset the impact of these factors on profitability from those products.

(iv) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Group may not receive amounts due to it and amounts can be reliably measured.

(v) Deferred acquisition costs

Deferred acquisition costs which are carried as an other asset in the statement of financial position are progressively amortised in the profit or loss by a systematic allocation of the period of time over which future economic benefits are expected to be received. Uncertainty in relation to the period over which future economic benefits are expected has resulted in management using estimates.

(vi) IOOF Executive Performance Share Plan Trust

In determining the amount that should be recognised between grant date and vesting date, probability factors are applied to the calculation. The probability is a matter of the best estimate based on achievement of the hurdles and assessment of the likelihood of the employee remaining with the organisation.

(vii) Liability to buy back vested shares

A liability pursuant to shareholder agreements has been recognised. Determination of the amount of the liability has required assumptions concerning future growth, discount rates and fund flows.

Refer to Note 23 Other financial liabilities for further details.

(viii) Share-based payment transactions

The fair value of the employee performance rights are measured using a Binomial options-pricing model. The fair value of employee share options is measured using Monte Carlo sampling where there is a market-based performance conditions, and a Binomial options-pricing model is used for valuing non-market based performance conditions. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general options holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds) with similar maturity profiles. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5 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 commission 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. The following table shows the value of financial instruments held directly and actively managed by the corporate entities within the Group ('Shareholder Group') in relation to its shareholder interests. It shows the Shareholder 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 Shareholder Group.

	2010	2009
	Shareholder	Shareholder
	$'000	$'000
Financial assets		
Cash and cash equivalents	132,780	132,123
Receivables	67,668	105,614
Loans and other receivables	18,096	9,337
Financial assets at fair value through profit or loss	6,479	10,513
Available-for-sale financial assets	23,179	20,715
	248,202	**278,302**
Financial liabilities		
Payables	48,399	112,546
Borrowings	14,628	30,714
Deferred purchase consideration	–	1,699
Share buy-back liabilities	37,357	16,386
	100,384	**161,345**

The Shareholder 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, 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 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 Shareholder 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 Shareholder 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.

Group sensitivity

At 30 June 2010 had the price of the units/shares held by the Shareholder Group in unlisted unit trusts/shares in other entities increased/decreased by 1% (2009: 1%) with all other variables held constant, post-tax profit for the year would increase/decrease by $17,000 (2009: $24,000) as a result of gains/losses recorded through profit or loss and available-for-sale reserves would increase/decrease by $162,000.

At 30 June 2010, had the value of the underlying equity in relation to the share buy-back liabilities increased/decreased by 1% (2009: 1%) with all other variables held constant, post-tax profit for the year and group equity would decrease/increase by $374,000 (2009: $115,000).

(ii) 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 Shareholder 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.

Group sensitivity

At 30 June 2010, if interest rates had changed by +/–100 basis points from the year-end rates with all other variables held constant, post tax profit for the year would have been $860,000 higher/lower (2009: change of +/–100 basis points; $789,000 higher/lower), mainly as a result of higher/ lower interest income from cash and cash equivalents, loans, and seed capital contributed to Trusts, but diminished by higher/ lower interest expense on bank borrowings. Equity would have been higher/lower by the same amounts.

(iii) Foreign exchange risk

The Shareholder Group was not exposed to significant foreign exchange risk in relation to financial instruments held at year end (2009: nil).

(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 Shareholder Group from cash and cash equivalents, receivables, loans and other receivables.

The Shareholder 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, commission 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 Shareholder 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 Shareholder Group.

The Shareholder 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 2010, receivables of the Group with a nominal value of $30,000 (2009: $187,000) were impaired. The amount of the impairment provision was $30,000 (2009: $187,000). The individually impaired receivables mainly relate to amounts receivable from clients.

The ageing of these impaired receivables is as follows:

	Consolidated	
	2010	2009
	$'000	$'000
0 to 180 days	–	–
181 to 360 days	–	34
1 to 3 years	–	–
Greater than 3 years	30	153
	30	**187**

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Balance at beginning of the year	187	153
Addition on acquisition of subsidiary	–	34
Provision for impairment recognised	12	–
Receivables written off as uncollectible	(162)	–
Release of provision	(7)	–
Balance at end of the year	**30**	**187**

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.

(c) Liquidity risk

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

The Shareholder 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 Shareholder Group had access to un-drawn bank borrowing facilities at the balance date, on the terms described and disclosed in Note 22 Borrowings.

The Shareholder Group is additionally required to comply with certain solvency requirements under Section 65 of the Life Insurance Act 1995 in relation to the policyholders of IOOF Life Ltd, as a regulated insurer. The level of Solvency Reserves and capital adequacy in relation to this business is continuously monitored by management in accordance with the relevant actuarial standards.

In addition, the liquidity requirements for licensed entities in the Shareholder Group are regularly reviewed and carefully monitored in accordance with those licence requirements.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

Maturities of financial liabilities

The tables below analyse the Shareholder 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.

	Shareholder					
2010	<3 months	3 to 6 months	6 months or more	No stated maturity	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Payables	48,399	–	–	–	48,399	48,399
Borrowings	14,540	40	53	–	14,633	14,628
Share buy-back liabilities (i)	–	–	–	37,357	37,357	37,357
	62,939	**40**	**53**	**37,357**	**100,389**	**100,384**

	Shareholder					
2009	<3 months	3 to 6 months	6 months or more	No stated maturity	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Payables	112,401	2	143	–	112,546	112,546
Deferred purchase consideration	1,133	–	566	–	1,699	1,699
Borrowings	30,610	4	25	–	30,639	30,714
Share buy-back liabilities (i)	–	–	–	16,386	16,386	16,386
	144,144	**6**	**734**	**16,386**	**161,270**	**161,345**

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

(d) Life insurance risk

The Group is exposed to life insurance risks through the subsidiary IOOF Life Ltd. These risks relate to pricing, acceptance and management of mortality, morbidity and longevity risks from policyholders.

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

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

Refer to Note 45 Life insurance business 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 15-16%. 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, refer to Note 14 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 14 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.

6 Financial instruments

For further information on financial instrument risk exposure, refer to Note 5 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:

		Consolidated 30 June 2010		Consolidated 30 June 2009	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	$'000	$'000	$'000	$'000
Assets carried at fair value					
Available-for-sale investments	14	23,179	23,179	20,715	20,715
Financial assets designated at fair value through profit or loss	14	500,032	500,032	495,028	495,028
		523,211	**523,211**	**515,743**	**515,743**
Assets carried at amortised cost					
Cash and cash equivalents	12	618,171	618,171	586,699	586,699
Loans and receivables	14	26,609	26,609	19,383	19,383
Receivables	13	91,446	91,446	119,821	119,821
		736,226	**736,226**	**725,903**	**725,903**
Liabilities carried at fair value					
Share buy-back liabilities	23	37,357	37,357	16,386	16,386
Investment contract liabilities	27	403,100	403,100	359,479	359,479
		440,457	**440,457**	**375,865**	**375,865**
Liabilities carried at amortised cost					
Unsecured cash advance facility	22	14,500	14,500	30,500	30,500
Finance lease liabilities	22	128	133	214	222
Payables	21	59,605	59,605	104,985	104,985
		74,233	**74,238**	**135,699**	**135,707**

The basis for determining fair values is disclosed in Note 4 Significant estimates and judgements.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

(b) Interest rates used for determining fair value

	2010	2009
Finance lease liabilities	5.3% – 9.5%	5.3% – 9.5%

(c) Fair value hierarchy

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

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 is included with Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated			
	Level 1	Level 2	Level 3	Total
30 June 2010				
Assets				
Available-for-sale investments	23,179	–	–	23,179
Financial assets designated at fair value through profit or loss	3,246	496,786	–	500,032
	26,425	496,786	–	523,211
Liabilities				
Share buy-back liabilities	–	–	37,357	37,357
Investment contract liabilities	–	403,100	–	403,100
	–	403,100	37,357	440,457

Reconciliation of movements in level 3 financial liabilities

	Share buy-back liabilities
	$'000
Opening balance as at 1 July 2009	16,386
Revaluation of shareholder liabilities	9,139
Derecognition of non-controlling interests vested and subject to buy-back during the period	13,482
Dividends paid to shareholders entitled to contractual share buy-back	(1,650)
	37,357

For further information on valuation methods for Level 3 financial instruments refer to Note 5(e) fair valuation estimation.

7 Operating segments

The Group has five reportable segments, as described below, four of which are the Group's strategic business units. 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, which was previously disclosed by management as a separate segment.

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 and private client

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

Other, Corporate and Unallocated

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

Statutory

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.

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.

Comparative segment information has been represented in conformity with the requirements of AASB 8 *Operating Segments*. Where appropriate, reclassification of prior year segment information is made to reflect current year presentation.

Segment revenues

2010	Platform management and administration	Financial advice and distribution	Investment management	Trustee and private client	Corporate and unallocated	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External fee and commission revenue	342,518	53,839	139,841	18,298	11	1	554,508
Other external revenue	9,056	61,252	3,287	2,129	3,708	85,428	164,860
Inter-segment revenue (i)	–	58,010	9,026	–	2,009	–	69,045
Interest revenue	258	1,240	1,018	132	2,487	16,609	21,744
Total revenue	351,832	174,341	153,172	20,559	8,215	102,038	810,157
Share of net profits of associates	–	24	7,564	–	–	–	7,588
Total segment revenue	351,832	174,365	160,736	20,559	8,215	102,038	817,745
Operating expenditure	(98,782)	(53,221)	(39,176)	(14,098)	(29,539)	(94,767)	(329,583)
Fee & commission expense	(107,609)	(106,593)	(70,759)	82	(1,152)	(1,384)	(287,415)
Revaluation of shareholder liabilities	–	–	(9,139)	–	–	–	(9,139)
Share-based payments expense	(564)	(596)	(667)	(72)	(128)	–	(2,027)
Interest expense	(4)	(7)	–	–	(1,085)	–	(1,096)
Depreciation and amortisation	(13,382)	(5,212)	(2,806)	(144)	(1,301)	–	(22,845)
Inter-segment expenses (i)	(57,419)	–	(2,058)	(121)	(422)	(9,025)	(69,045)
Total expense	(277,760)	(165,629)	(124,605)	(14,353)	(33,627)	(105,176)	(721,150)
Reportable segment profit before income tax	**74,072**	**8,736**	**36,131**	**6,206**	**(25,412)**	**(3,138)**	**96,595**
Reportable segment assets	249,636	27,808	123,995	8,087	666,171	1,019,293	2,094,990
Reportable segment liabilities	4,465	26,903	59,214	116	99,717	1,017,621	1,208,036
Investment in associates	–	3,159	9,732	–	–	–	12,891

2009	Platform management and administration	Financial advice and distribution	Investment Management	Trustee and private client	Corporate and unallocated	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External fee and commission revenue	131,708	34,739	88,385	2,926	–	3,672	261,430
Other external revenue	109	14,072	280	388	–	–	14,849
Inter-segment revenue (i)	–	–	–	–	–	8,593	8,593
Interest revenue	120	202	987	–	–	–	1,309
Total revenue	131,937	49,013	89,652	3,314	–	12,265	286,181
Share of net profits of associates	–	(1)	5,072	–	–	–	5,071
Total segment revenue	131,937	49,012	94,724	3,314	–	12,265	291,252
Operating expenditure	(59,559)	(15,237)	(38,334)	(3,429)	(10,011)	16,020	(110,550)
Fee & commission expense	(58,407)	(34,841)	(35,030)	(302)	(819)	(14,230)	(143,629)
Revaluation of shareholder liabilities	–	–	6,803	–	–	–	6,803
Share-based payments expense	–	(400)	(486)	–	(4,031)	–	(4,917)
Interest expense	–	–	–	–	(269)	–	(269)
Depreciation and amortisation	(263)	(264)	(75)	(296)	(6,150)	–	(7,048)
Inter-segment expenses (i)	–	–	(8,593)	–	–	–	(8,593)
Total expenses	(118,229)	(50,742)	(75,715)	(4,027)	(21,280)	1,790	(268,203)
Reportable segment profit before income tax	**13,708**	**(1,730)**	**19,009**	**(713)**	**(21,280)**	**14,055**	**23,049**
Reportable segment assets	277,725	94,496	112,218	5,639	631,997	961,800	2,083,875
Reportable segment liabilities	6,979	96,676	37,723	83	92,977	961,800	1,196,238
Investment in associates	–	1,796	8,521	–	–	–	10,317

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

Reconciliation of reportable segment revenues and expenses

	Consolidated	
	2010	2009
	$'000	$'000
Revenues		
Total revenue for reportable segments	810,157	286,181
Elimination of inter-segment revenue	(69,045)	(8,593)
Consolidated revenue	741,112	277,588
Expenses		
Total expenses for reportable segments	721,150	268,203
Elimination of inter-segment expenses	(69,045)	(8,593)
Consolidated expenses and finance costs	652,105	259,610

Geographical segments

The Group operates in the one geographical segment of Australia.

8 Revenue

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Fee and commission revenue	562,990	–	562,990	255,363	4,366	259,729
Life insurance revenue						
Direct insurance premiums	–	696	696	–	699	699
Insurance claims recovered	–	–	–	–	643	643
Decrease in policyholder liabilities	–	–	–	–	13	13
	–	696	696	–	1,355	1,355
Stockbroking revenue	57,959	–	57,959	10,440	–	10,440
Other fee revenue	14,477	–	14,477	11,504	–	11,504
Finance income						
Interest income on loans to Directors of controlled and associated entities	523	–	523	606	–	606
Interest income from non-related entities	5,148	16,612	21,760	2,472	18,094	20,566
Dividends and distributions received	1,772	22,286	24,058	183	26,689	26,872
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	478	48,656	49,134	(945)	(74,729)	(75,674)
Profit on sale of financial assets	1,416	–	1,416	150	–	150
	9,337	87,554	96,891	2,466	(29,946)	(27,480)
Other revenue						
Contributions received – investment contracts with DPF	–	13,788	13,788	–	27,897	27,897
Service revenue charged to related parties	2,277	–	2,277	1,890	–	1,890
Other	1,061	–	1,061	1,065	–	1,065
	3,338	13,788	17,126	2,955	27,897	30,852
Total revenue before eliminations	**648,101**	**102,038**	**750,139**	**282,728**	**3,672**	**286,400**
Elimination of management fee revenue received by corporate entities from consolidated statutory funds			(8,482)			(8,562)
Elimination of interest revenue received from consolidated statutory funds			(539)			(164)
Elimination of distributions received from consolidated statutory funds			(6)			(86)
Total revenue			741,112			277,588

9 Expenses

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Commissions and other direct costs						
Commission expense	276,594	9,822	286,416	119,655	14,230	133,885
Fund related expenditure	9,481	–	9,481	4,023	–	4,023
	286,075	9,822	295,897	123,678	14,230	137,908
Operating expenditure						
Salaries and related employee expenses	129,619	–	129,619	76,070	–	76,070
Employee defined contribution plan expense	9,144	–	9,144	5,802	–	5,802
Information technology costs	27,304	–	27,304	8,762	–	8,762
Professional fees	5,358	–	5,358	5,997	–	5,997
Marketing	5,919	–	5,919	4,094	–	4,094
Office support and administration	17,096	–	17,096	8,608	43	8,651
Occupancy related expenses	14,424	–	14,424	7,885	–	7,885
Travel and entertainment	4,763	–	4,763	4,014	–	4,014
Other	143	–	143	2	–	2
	213,770	–	213,770	121,234	43	121,277
Life insurance operating expenses						
Outward reinsurance expense	–	402	402	–	403	403
Policy payments/claims	–	–	–	–	701	701
Operating expenses	–	43	43	–	89	89
	–	445	445	–	1,193	1,193
Other expenses						
Share-based payments expense	2,027	–	2,027	4,917	–	4,917
Termination payments	7,874	–	7,874	9,552	–	9,552
Retention incentive payments	945	–	945	–	–	–
Depreciation of property and equipment	4,940	–	4,940	2,474	–	2,474
Amortisation of intangible assets	17,905	–	17,905	4,574	–	4,574
Available-for-sale financial asset impairment	–	–	–	3,485	–	3,485
Impairment loss – property and equipment	–	–	–	946	–	946
Loss on disposal of non-current assets	666	–	666	1	–	1
Onerous lease contract expense	3,082	–	3,082	–	–	–
Revaluation of shareholder liabilities	9,139	–	9,139	(6,803)	–	(6,803)
Amortisation of deferred acquisition costs	8,436	–	8,436	5,721	–	5,721
Investment contracts with DPF:						
Benefits and withdrawals paid	–	52,191	52,191	–	69,212	69,212
DPF policyholder liability decrease	–	(19,151)	(19,151)	–	(28,837)	(28,837)
Termination bonuses – benefit funds	–	223	223	–	233	233
Distribution to policyholders	–	61,108	61,108	–	(57,864)	(57,864)
	55,014	94,371	149,385	24,867	(17,256)	7,611
Elimination of management fee revenue received by corporate entities from consolidated statutory funds			(8,482)			(8,562)
Elimination of distributions paid from consolidated statutory funds			(6)			(86)
Total expenses before finance costs	**554,859**	**104,638**	**651,009**	**269,779**	**(1,790)**	**259,341**

10 Finance costs

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Interest	1,096	539	1,635	269	164	433
	1,096	539	1,635	269	164	433
Elimination of interest received from consolidated statutory funds			(539)			(164)
			1,096			269

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

11 Income tax expense

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Current tax expense/(benefit)						
Current period	31,122	4,724	35,846	5,994	(2,766)	3,228
Adjustment for prior periods	(128)	68	(60)	(51)	243	192
	30,994	4,792	35,786	5,943	(2,523)	3,420
Deferred tax expense						
Origination and reversal of temporary differences	(2,558)	(8,102)	(10,660)	(3,253)	7,679	4,426
Adjustments recognised in the current year in relation to the deferred tax of prior years	2	–	2	184	–	184
Recognition tax losses and deferred tax balances	(179)	–	(179)	165	–	165
	(2,735)	(8,102)	(10,837)	(2,904)	7,679	4,775
Total income tax expense from continuing operations	**28,259**	**(3,310)**	**24,949**	**3,039**	**5,156**	**8,195**
Income tax recognised directly in equity						
Disposal of treasury shares						
Before tax	2,555	–	2,555	–	–	–
Tax (expense)/benefit	(1,061)	–	(1,061)	–	–	–
Net of tax	1,494	–	1,494	–	–	–
Income tax recognised in other comprehensive income						
Available-for-sale financial assets						
Before tax	2,953	–	2,953	755	–	755
Tax (expense)/benefit	(1,643)	–	(1,643)	–	–	–
Net of tax	1,310	–	1,310	755	–	755
Numerical reconciliation between tax expense and pre-tax accounting profit						
Profit before income tax	99,734	(3,139)	96,595	17,751	5,298	23,049
Income tax at the Australian tax rate of 30%	29,920	(942)	28,978	5,325	1,589	6,914
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:						
Share of tax credits – statutory	2,260	(2,246)	14	2,035	(2,086)	(51)
Recognition of deferred tax balances	(179)	–	(179)	165	–	165
Tax on distribution to policyholders	–	(352)	(352)	–	5,410	5,410
Internal interest charge	(162)	162	–	–	–	–
(Non assessable income)/Non-deductible expenses	793	–	793	(206)	–	(206)
Amortisation of deferred tax liability recorded on intangible assets	(3,966)	–	(3,966)	(720)	–	(720)
Share of net profits of associates	(2,276)	–	(2,276)	(1,521)	–	(1,521)
Assessable associate and subsidiary dividends	4,774	–	4,774	1,974	–	1,974
Tax losses not recognised	(347)	–	(347)	13	–	13
Imputation credits	(5,234)	–	(5,234)	(2,018)	–	(2,018)
Shareholder liability revaluation	2,742	–	2,742	(2,041)	–	(2,041)
Other	62	–	62	84	–	84
Under/(over) provided in prior periods	(128)	68	(60)	(51)	243	192
	28,259	**(3,310)**	**24,949**	**3,039**	**5,156**	**8,195**

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 each month.

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

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

12 Cash and cash equivalents

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Bank balances	132,780	12,902	145,682	131,947	6,660	138,607
Unlisted unit trusts	–	472,489	472,489	176	448,092	448,268
	132,780	485,391	618,171	132,123	454,752	586,875
Elimination of investments in consolidated statutory funds			–			(176)
			618,171			**586,699**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 5 Risk management.

13 Receivables

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Receivables	35,623	10,321	45,944	24,535	7	24,542
Provision for impairment of receivables	(30)	–	(30)	(187)	–	(187)
Policies ceded under reinsurance	–	252	252	–	252	252
Interest receivable – related parties	186	–	186	138	–	138
Dividends and distributions receivable	–	11,498	11,498	–	12,222	12,222
Security bond	5,000	–	5,000	–	–	–
Insurance contract asset	–	7	7	–	14	14
Other debtors	936	–	936	818	–	818
Stockbroking debtors (i)	3,245	–	3,245	61,591	–	61,591
Accrued income	22,708	1,739	24,447	18,719	1,532	20,251
	67,668	23,817	91,485	105,614	14,027	119,641
Elimination of benefit fund receivables from corporate entities			(39)			180
			91,446			**119,821**

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 5 Risk management.

(i) During the financial year Ord Minnett Ltd, a subsidiary of the Company, entered into a contract with a third party provider for stockbroking clearing and settlement facilities. In accordance with the terms of this arrangement, all settlements are now the responsibility of the third party, and accordingly client receivables, client payables and market settlements are no longer reflected in the statement of financial position.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

14 Other financial assets

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Fair value through profit or loss (i)						
Certificates of deposit and bank bills	2,708	169,970	172,678	68	150,690	150,758
Debt securities	–	176,938	176,938	–	200,802	200,802
Shares in listed companies	143	3,246	3,389	–	2,780	2,780
Unlisted unit trusts	3,628	143,399	147,027	10,445	130,243	140,688
	6,479	493,553	500,032	10,513	484,515	495,028
Available-for-sale investments	23,179	–	23,179	20,715	–	20,715
Loans and other receivables						
Loans to Directors and executives (ii)	9,165	–	9,165	9,014	–	9,014
Loans to policyholders	–	9,994	9,994	–	9,694	9,694
Seed capital receivable	7,153	–	7,153			
Mortgages	–	268	268	–	414	414
Receivables from statutory benefit funds and other related parties	1,723	–	1,723	206	9,409	9,615
Other	55	–	55	117	–	117
	18,096	10,262	28,358	9,337	19,517	28,854
Elimination of shareholder seed capital investment in consolidated statutory benefit funds			(7,153)			(7,153)
Elimination of amounts payable to/receivable from statutory benefit funds			(1,749)			(9,471)
	47,754	**503,815**	**542,667**	**40,565**	**504,032**	**527,973**

(i) Financial assets at fair value through profit and loss

The benefit funds of IOOF Ltd have holdings in the above financial assets that are held for trading and are accounted for at fair value through profit or loss. These assets are required to be reflected in the above consolidated disclosures. The market risks associated with these financial assets held by the benefit funds will be borne by the members of those benefit funds, and hence movements in the valuations are reflected in the carrying value of Investment contract liabilities and Insurance contract liabilities. Consequently the impact of movements in fair value is not reflected in the profit for the period and the equity of the Group in respect of these investments.

(ii) Loans to Directors and executives

Loans to Directors of controlled entities

The loans referred to above relate to amounts advanced to the Directors of controlled entities, Mr A Patterson, Mr A Mulcahy, Mr L Mickelburough and Mr R MacDougall.

The amounts were advanced by Perennial Investment Partners Ltd to Directors for the specific purpose of assisting them to acquire an equity interest in subsidiaries of IOOF or in the case of Mr A Patterson another related party, Perennial Value Management Ltd.

The parties to the loans are permitted to discharge the loans by transferring the shares acquired in the respective entities to the lender. The unsecured interest bearing loans were made on commercial terms and conditions.

Loans to Directors of associates

The Director of an associate entity who received the loans referred to above was Mr J Murray. The amounts were advanced by Perennial Investment Partners Ltd and IOOF Investment Management Ltd for the specific purpose of assisting him to acquire an equity interest in another related party, Perennial Value Management Ltd. The parties to the loans are permitted to discharge the loans by transferring the shares to the lender. The unsecured interest bearing loans were made on commercial terms and conditions.

15 Other assets

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Prepayments	7,442	–	7,442	6,212	–	6,212
Deferred acquisition costs	20,366	–	20,366	25,086	–	25,086
	27,808	**–**	**27,808**	**31,298**	**–**	**31,298**

16 Investments accounted for using the equity method

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Investment in associated companies	12,891	–	12,891	10,317	–	10,317
	12,891	**–**	**12,891**	**10,317**	**–**	**10,317**

Name of entity	Principal activity	Country of incorporation		Ownership interest	
				2010	2009
				%	%
Associates					
Perennial Value Management Ltd	Investment management	Australia	(i)	52.4	52.4
Police & Nurses Financial Planning Pty Ltd	Financial planning	Australia		35.0	35.0
Northern Inland Investment Services Pty Ltd	Financial planning	Australia		42.2	40.0
J C Private Clients Pty Ltd	Financial planning	Australia		20.0	20.0
Allords Financial Services Pty Ltd	Financial planning	Australia		40.0	0.0
Police Credit Union Ltd	Financial planning	Australia		40.0	0.0

(i) At 30 June 2010, Perennial Investment Partners Ltd had a 52.4% (30 June 2009: 52.4%) shareholding interest in Perennial Value Management Ltd with a 42.4% (30 June 2009: 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.

The Group's share of profit in its equity accounted investees for the year was $7,588,000 (2009: $5,071,000). 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	Liabilities	Revenues	Group's Share of Profit/(Loss)
	$'000	$'000	$'000	$'000
30 June 2010				
Investment in associated companies	20,843	5,144	32,771	7,588
	20,843	**5,144**	**32,771**	**7,588**
30 June 2009				
Investment in associated companies	14,822	3,696	23,867	5,071
	14,822	**3,696**	**23,867**	**5,071**

Dividends received from associates

During the year, the Group received dividends of $6,411,000 (2009: $3,835,000) from its associates.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

17 Property and equipment

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or deemed cost	34,378	–	34,378	36,146	–	36,146
Accumulated depreciation	(26,213)	–	(26,213)	(23,525)	–	(23,525)
	8,165	**–**	**8,165**	**12,621**	**–**	**12,621**

	Consolidated			
	Office equipment	Leasehold improvements	Equipment under finance lease	Total
	$'000	$'000	$'000	$'000
Cost or deemed cost				
Balance at 1 July 2008	15,710	8,408	295	24,413
Acquisitions through business combinations	5,104	5,543	206	10,853
Additions	612	309	–	921
Disposals	(41)	–	–	(41)
Balance at 30 June 2009	21,385	14,260	501	36,146
Balance at 1 July 2009	21,385	14,260	501	36,146
Acquisitions through business combinations	26	–	–	26
Additions	716	370	51	1,137
Disposals	(1,248)	(1,683)	–	(2,931)
Balance at 30 June 2010	20,879	12,947	552	34,378
Depreciation/amortisation and impairment losses				
Balance at 1 July 2008	12,962	6,848	295	20,105
Depreciation/amortisation	1,592	880	2	2,474
Impairment	587	359	–	946
Balance at 30 June 2009	15,141	8,087	297	23,525
Balance at 1 July 2009	15,141	8,087	297	23,525
Depreciation/amortisation	2,636	2,174	130	4,940
Disposals	(1,140)	(1,112)	–	(2,252)
Balance at 30 June 2010	16,637	9,149	427	26,213
Carrying amounts				
at 1 July 2008	2,748	1,560	–	4,308
at 30 June 2009	**6,244**	**6,173**	**204**	**12,621**
at 1 July 2009	6,244	6,173	204	12,621
at 30 June 2010	**4,242**	**3,798**	**125**	**8,165**

18 Goodwill

	Consolidated 2010			Consolidated 2009 (Revised)		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost	496,464	–	496,464	484,063	–	484,063
Accumulated impairment	(4,608)	–	(4,608)	(4,608)	–	(4,608)
	491,856	**–**	**491,856**	**479,455**	**–**	**479,455**

Revised 30 June 2009 provisional balances

As disclosed in the Half-Year financial report for the six months ended 31 December 2009, the acquisition accounting of IOOF Global One and Australian Wealth Management has been finalised and comparative amounts have been restated in accordance with AASB 3 *Business combinations*.

	Consolidated	
	2010	2009
	$'000	$'000
Cost		
Balance at 1 July	484,063	168,454
Acquisitions through business combinations	–	308,257
Disposals	–	(1,500)
Additions	–	1,110
Derecognition of non-controlling interests subject to buy-back (i)	12,401	–
Recognition of deferred tax liability on identified intangible assets	–	7,742
Balance at 30 June	**496,464**	**484,063**
Accumulated impairment		
Balance at 1 July	4,608	4,608
Balance at 30 June	**4,608**	**4,608**

(i) The derecognition of non-controlling interests subject to buy-back relates to agreements entered into prior to 1 July 2009.

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 7 operating segments.

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

	Consolidated Goodwill	
	2010	2009
	$'000	$'000
Platform management and administration	329,213	329,214
Multi manager	39,735	39,735
Perennial group	110,215	97,813
Consultum	723	723
IOOF Ltd	11,970	11,970
	491,856	**479,455**

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

The recoverable amounts for the relevant CGUs have been determined based on value-in-use calculations using first year cash flow projections from 2011 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 by each relevant CGU.

CGU	Consultum	Perennial group	Multi manager	IOOF Ltd	Platform Management & Administration
Value in Use element					
Cash inflows years 2 – 5	A	B	A	C	A
Cash outflows years 2 – 5	D	D	D	C	D
Cash flows – perpetuity	0% growth from year 5	0% growth from year 5	0% growth from year 5	C	0% growth from year 5

A Observed Australian managed funds annual compounding growth for March 2005 to March 2010

B Observed Australian equities and units in trusts annual compounding growth for March 2005 to March 2010

C Observed Australian friendly societies' annual compounding rate of decline for March 2005 to March 2010

D 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 discount rate of 15.4% 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.

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 has to acquire shares from Perennial executives under shareholder agreements. These shareholder agreements involve the executives of Perennial Fixed Interest Partners Pty Ltd, Perennial Real Estate Investments Pty Ltd and Perennial Growth Management Pty Ltd.

19 Other intangible assets

	Consolidated 2010			Consolidated 2009 (Revised)		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost	307,195	–	307,195	303,041	–	303,041
Accumulated amortisation and impairment losses	(30,501)	–	(30,501)	(12,596)	–	(12,596)
	276,694	**–**	**276,694**	**290,445**	**–**	**290,445**

Revised 30 June 2009 provisional balances

As disclosed in the Half-Year financial report for the six months ended 31 December 2009, the acquisition accounting of IOOF Global One and Australian Wealth Management has been finalised and comparative amounts have been restated in accordance with AASB 3 *Business combinations*.

	Consolidated					
	Adviser relationship	Computer software	Customer relationships	Brand names	Contract Agreements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
Balance at 1 July 2008	4,289	7,631	–	–	–	11,920
Acquisitions through business combinations	–	5,490	253,334	22,786	9,191	290,801
Additions	–	320	–	–	–	320
Balance at 30 June 2009	4,289	13,441	253,334	22,786	9,191	303,041
Balance at 1 July 2009	4,289	13,441	253,334	22,786	9,191	303,041
Additions	2,090	250	1,814	–	–	4,154
Balance at 30 June 2010	6,379	13,691	255,148	22,786	9,191	307,195
Amortisation and impairment						
Balance at 1 July 2008	1,878	6,175	–	–	–	8,053
Amortisation for the year	851	997	2,400	133	162	4,543
Balance at 30 June 2009	2,729	7,172	2,400	133	162	12,596
Balance at 1 July 2009	2,729	7,172	2,400	133	162	12,596
Amortisation for the year	961	1,503	13,669	801	971	17,905
Balance at 30 June 2010	3,690	8,675	16,069	934	1,133	30,501
Carrying amounts						
at 1 July 2008	2,411	1,456	–	–	–	3,867
at 30 June 2009	**1,560**	**6,269**	**250,934**	**22,653**	**9,029**	**290,445**
at 1 July 2009	1,560	6,269	250,934	22,653	9,029	290,445
at 30 June 2010	**2,689**	**5,016**	**239,079**	**21,852**	**8,058**	**276,694**

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 7 operating segments.

The aggregate carrying amounts of indefinite-life intangible assets allocated to each CGU are as follows:

	Consolidated	
	Indefinite life intangibles	
	2010	2009
	$'000	$'000
Ord Minnett group	**6,773**	**6,773**

The indefinite life intangible asset relates to the Ord Minnett brand name. In designating the Ord Minnett brand name as indefinite life, consideration was given to the length of time the brand name has been in existence and it was determined that there is no foreseeable limit to the period over which the brand name is expected to generate net cash inflows for the Group.

The recoverable amount for the Ord Minnet 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 15.4% used reflects the Group's pre-tax nominal weighted average cost of capital. Management's assessment of indefinite life intangible value-in-use exceeds the value of the intangible asset allocated to the CGU, therefore any reasonably possible changes to assumptions used in management's assessment will not result in impairment.

20 Deferred tax assets and liabilities

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax asset balance comprises temporary differences attributable to:						
Employee benefits	8,755	–	8,755	9,707	–	9,707
Staff incentives	2,645	–	2,645	1,271	–	1,271
Impairment of receivables	9	–	9	56	–	56
Provision for legal costs	615	–	615	1,478	–	1,478
Other provisions, accruals and creditors	3,209	40	3,249	3,285	–	3,285
Fixed assets and computer software	2,231	–	2,231	2,244	–	2,244
Unrealised investment losses	237	14,603	14,840	244	6,584	6,828
Carry forward revenue losses	606	–	606	–	–	–
Deferred fee income	4,991	–	4,991	6,042	–	6,042
Intergroup tax losses (utilised in current year)	–	–	–	7,366	–	7,366
Other	1,503	–	1,503	2,193	17	2,210
Deferred tax asset balance as at 30 June	24,801	14,643	39,444	33,886	6,601	40,487
Set-off of deferred tax liabilities pursuant to set-off provisions	(14,144)	(8)	(14,152)	(17,134)	(68)	(17,202)
Net deferred tax asset balance as at 30 June	10,657	14,635	25,292	16,752	6,533	23,285
Deferred tax liability balance comprises temporary differences attributable to:						
Unrealised gains	1,643	–	1,643	–	8	8
Deferred acquisition costs	6,109	–	6,109	7,525	–	7,525
Accrued income	3,083	8	3,091	2,565	60	2,625
Customer relationships	3,057	–	3,057	7,023	–	7,023
Prepayments	252	–	252	4	–	4
Other	–	–	–	17	–	17
	14,144	8	14,152	17,134	68	17,202
Set-off of deferred tax liabilities pursuant to set-off provisions	(14,144)	(8)	(14,152)	(17,134)	(68)	(17,202)
Net deferred tax liability balance as at 30 June	–	–	–	–	–	–
Reconciliation of movements						
Net carrying amounts at the beginning of the year	16,752	6,533	23,285	8,678	14,212	22,890
Acquisitions and disposals	179	–	179	933	–	933
Credited/(charged) to profit and loss (Note 11)	2,735	8,102	10,837	2,904	(7,679)	(4,775)
Temporary differences directly attributable to other comprehensive income	(1,643)	–	(1,643)	(63)	–	(63)
Tax losses	(7,366)	–	(7,366)	4,300	–	4,300
Carrying amount at the end of the year	**10,657**	**14,635**	**25,292**	**16,752**	**6,533**	**23,285**

Unrecognised deferred tax assets

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

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deductible temporary differences	–	–	–	–	–	–
Tax losses	1,908	–	1,908	2,834	–	2,834
	1,908	–	1,908	2,834	–	2,834
Potential tax benefit	**572**	**–**	**572**	**850**	**–**	**850**

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.

21 Payables

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Accounts payable	29,246	12,978	42,224	93,303	1,728	95,031
Income received in advance	2,439	–	2,439	2,182	–	2,182
Seed capital liability	–	7,153	7,153	–	7,153	7,153
Accrued expenses	13,141	30	13,171	13,846	26	13,872
Goods and service tax payable/ (recoverable)	3,573	(14)	3,559	3,215	(24)	3,191
	48,399	20,147	68,546	112,546	8,883	121,429
Elimination of corporate seed capital investment in statutory benefit funds			(7,153)			(7,153)
Elimination of corporate payables to benefit funds			(1,788)			(9,291)
			59,605			**104,985**

Payables are non-interest bearing and are expected to be paid within 12 months from the financial year end. The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 5 Risk management.

22 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 5 Risk management.

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash Advance & Working Capital Facility drawn – Commonwealth Bank of Australia (a)	14,500	–	14,500	30,500	–	30,500
Finance lease liabilities (b)	128	–	128	214	–	214
	14,628	**–**	**14,628**	**30,714**	**–**	**30,714**

(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	
	2010	2009
	$'000	$'000
Total facilities	44,500	45,000
Used at 30 June	14,500	30,500
Unused at 30 June	**30,000**	**14,500**

The cash advance facility and working capital facility provided by Commonwealth Bank of Australia may be drawn down on at any time following the 2 business day accommodation notice required by the lender. The facility was amended in May 2010 with a maximum draw down availability of $39.5 million provided all the terms and conditions pertaining to this facility are met. The base interest rate is the Reuters BBSY bid rate for that period on the first day of the period drawn down. The financial liability under the facility has a fair value equal to its carrying amount. An additional cash advance facility of $5 million is held with National Australia Bank.

Further information about the Group's exposure to risks arising from borrowings is provided in Note 5 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 $31 million.

(c) Finance lease liabilities

	Consolidated 2010		Consolidated 2009	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
	$'000	$'000	$'000	$'000
Finance lease liabilities of the Group are payable as follows:				
Less than one year	93	93	132	128
Between one and five years	40	35	90	86
More than five years	–	–	–	–
	133	128	222	214
Less future finance charges	(5)		(8)	
	128		**214**	

23 Other financial liabilities

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred purchase consideration	–	–	–	1,699	–	1,699
Share buy-back liability	37,357	–	37,357	16,386	–	16,386
	37,357	**–**	**37,357**	**18,085**	**–**	**18,085**

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 5 Risk management.

24 Provisions

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Provisions						
Employee entitlements	38,080	–	38,080	36,609	–	36,609
Directors' retirement	594	–	594	594	–	594
Onerous contracts	3,082	–	3,082	1,724	–	1,724
Restructuring	998	–	998	3,455	–	3,455
Other provisions	2,834	–	2,834	5,675	–	5,675
	45,588	**–**	**45,588**	**48,057**	**–**	**48,057**

	Consolidated					
	Directors' retirement	Onerous contracts	Restructuring	Employee Entitlements	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2009	594	1,724	3,455	36,609	5,675	48,057
Provisions made during the period	–	3,082	998	21,795	948	26,823
Provisions utilised during the period	–	(1,724)	(3,455)	(20,324)	(3,789)	(29,292)
Balance at 30 June 2010	**594**	**3,082**	**998**	**38,080**	**2,834**	**45,588**

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 2 years and 4 months.

Restructuring provision

The provision for restructuring represents the value of future redundancy payments to staff that the Group is presently obligated to make under communicated termination agreements. The restructuring provision is expected to be fully utilised within the next 12 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.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

25 Other liabilities

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred revenue liability	19,516	–	19,516	23,393	–	23,393
Lease incentives	1,482	–	1,482	1,295	–	1,295
	20,998	**–**	**20,998**	**24,688**	**–**	**24,688**

26 Insurance contract liabilities

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Policyholder liabilities – investment contracts with DPF	–	447,048	447,048	–	466,198	466,198
Policy liabilities ceded under reinsurance	–	322	322	–	329	329
	–	447,370	447,370	–	466,527	466,527
Reconciliation of movements						
Insurance contract liabilities at beginning of the year	–	466,527	466,527	–	495,393	495,393
Net increase in life insurance contract policy liabilities	–	19,246	19,246	–	12,449	12,449
Life insurance contract contributions	–	13,788	13,788	–	27,897	27,897
Life insurance contract withdrawals	–	(52,191)	(52,191)	–	(69,212)	(69,212)
Insurance contract liabilities at end of the year	**–**	**447,370**	**447,370**	**–**	**466,527**	**466,527**

27 Investment contract liabilities

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Investment contract liabilities at beginning of the year	–	359,479	359,479	–	471,438	471,438
Distribution to policyholders	–	51,016	51,016	–	(63,836)	(63,836)
Investment contract contributions	–	31,659	31,659	–	20,337	20,337
Investment contract withdrawals	–	(39,054)	(39,054)	–	(68,460)	(68,460)
Investment contract liabilities at end of the year	**–**	**403,100**	**403,100**	**–**	**359,479**	**359,479**

28 Non-controlling interests in controlled trusts

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Non-controlling interests in controlled trusts	–	156,297	156,297	–	143,879	143,879
	–	156,297	156,297	–	143,879	143,879
Elimination of shareholder interests in controlled trusts			–			(176)
			156,297			**143,703**

29 Share capital

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
230,156,479 fully paid ordinary shares (2009: 229,794,395)	858,178	–	858,178	849,609	–	849,609
	858,178	–	858,178	849,609	–	849,609

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.

	2010		2009	
	No. '000	$'000	No. '000	$'000
Ordinary shares				
On issue at 1 July	229,795	855,106	68,822	218,636
Shares issued to equity holders via scheme of arrangement	–	–	160,730	634,885
Issued to general staff share plan	–	–	84	322
Adviser performance rights vested during the year (note 34)	27	234	–	–
Issue of shares on exercise of options under executive and employee share option plan (note 34)	334	1,670	–	–
Employee performance rights vested during the year (note 34)	–	3,053	–	–
Transfer from employee equity-settled benefits reserve on exercise of options (note 30)	–	120	–	–
Treasury shares transferred to employees during the year	–	(2,002)	–	–
Converted redeemable preference shares to ordinary shares	–	–	159	1,263
On issue at 30 June	230,156	858,181	229,795	855,106
Treasury shares				
On issue at 1 July	(1,392)	(5,497)	(723)	(4,701)
Employee performance rights vested during the year (note 34)	507	2,002	792	4,973
Treasury shares sold on-market	884	3,492	–	–
Shares held by subsidiary upon acquisition	–	–	(1,461)	(5,769)
On issue at 30 June	(1)	(3)	(1,392)	(5,497)
Redeemable converting preference shares				
On issue at 1 July	–	–	176	1,400
Converted to ordinary shares during the year	–	–	(159)	(1,263)
Forfeiture of redeemable converting preference shares during the year	–	–	(17)	(137)
On issue at 30 June	–	–	–	–
	230,155	858,178	228,403	849,609

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

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. At 30 June 2009, treasury shares also included shares held by a subsidiary on acquisition which in accordance with s.259D of the Corporations Act, were disposed of at prevailing market value.

Redeemable converting preference shares

Part of the consideration on the purchase of Financial Partnership Pty Ltd was the issue of redeemable converting preference (RCP) shares to the vendors. The shares were issued to FP Nominees Pty Ltd as trustee of the Financial Partnership Advisers Trust and were notionally allocated to nominated advisers. The RCP shares converted to ordinary shares on 30 April 2009. Prior to conversion, the RCP shares were entitled to an amount equal to any dividend declared in respect of ordinary shares. On winding up of the company, holders of the RCP shares were entitled to a return of the redemption price before any return of capital is made to holders of ordinary shares.

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 deposits
- bank bills
- 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 2010, the Group's capital risk management strategy was unchanged from 2009.

Further information in relation to solvency requirements imposed by the Life Insurance Act is provided in Note 45(f) Life Insurance Business – Solvency Requirements.

30 Reserves

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Asset revaluation reserve	1,072	–	1,072	1,072	–	1,072
Available-for-sale investment revaluation reserve	1,751	–	1,751	441	–	441
Business combinations reserve	(301)	–	(301)	–	–	–
Share-based payments reserve	3,278	–	3,278	4,658	–	4,658
	5,800	**–**	**5,800**	**6,171**	**–**	**6,171**

Asset revaluation reserve						
Balance at 1 July	1,072	–	1,072	1,072	–	1,072
Amount recognised during the year	–	–	–	–	–	–
Balance at 30 June	**1,072**	**–**	**1,072**	**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.

Available-for-sale investment revaluation reserve						
Balance at 1 July	441	–	441	(314)	–	(314)
Valuation gain/(loss) recognised	2,953	–	2,953	755	–	755
Related income tax	(1,643)	–	(1,643)	–	–	–
Balance at 30 June	**1,751**	**–**	**1,751**	**441**	**–**	**441**

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.

Business combinations reserve						
Balance at 1 July	–	–	–	–	–	–
Acquisition of non-controlling interests	(301)	–	(301)	–	–	–
Balance at 30 June	**(301)**	**–**	**(301)**	**–**	**–**	**–**

The Group has applied AASB 127 (2008) for the acquisition of non-controlling interests. Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions, movements are instead recorded in the business combinations reserve.

Share-based payments reserve						
Balance at 1 July	4,658	–	4,658	4,714	–	4,714
Share-based payments expense recognised (note 9)	2,027	–	2,027	4,917	–	4,917
Transfer to issued capital on exercise of options (note 34)	(120)	–	(120)	–	–	–
Adviser performance rights vested during the year (note 29)	(234)	–	(234)	–	–	–
Performance rights vested during the year (note 34)	(3,053)	–	(3,053)	(4,973)	–	(4,973)
Balance at 30 June	**3,278**	**–**	**3,278**	**4,658**	**–**	**4,658**

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 34 to the financial statements.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

31 Retained earnings

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July (i)	14,227	1,643	15,870	10,054	2,101	12,155
Profit for the period	68,232	171	68,403	13,708	142	13,850
Dividends paid	(77,841)	–	(77,841)	(10,272)	–	(10,272)
Distributions paid	–	–	–	600	(600)	–
Profit on treasury shares sold on-market	1,494	–	1,494	–	–	–
Forfeiture of redeemable converting preference shares during the year	–	–	–	137	–	137
Balance at 30 June	6,112	1,814	7,926	14,227	1,643	15,870
Elimination of accumulated profit from statutory and shareholder inter-entity transactions			(1,467)			(1,467)
			6,459			**14,403**

(i) Shareholder retained earnings at 1 July 2008 of $8,977,000 has been adjusted to reflect the elimination of profit from statutory and shareholder inter-entity transactions of $1,467,000, less other adjustments of $390,000 as set out in the interim financial report for the half year ended 31 December 2009.

32 Dividends

The following dividends were declared and paid by the Group:

	Cents per share	Total amount $'000	Franked/Unfranked	Date of payment
2010				
Special dividend	13.0	29,877	Franked	31 July 2009
Final 2009 dividend	4.0	9,193	Franked	16 October 2009
Interim 2010 dividend	17.0	39,127	Franked	24 March 2010
		78,197		
2009				
Final 2008 dividend	15.0	10,350	Franked	9 October 2008
		10,350		

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 2010 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	Franked/Unfranked	Date of payment
Final 2010 dividend	18.0	41,428	Franked	13 October 2010

	Company	
	2010	2009
	$'000	$'000
Dividend franking account		
30 per cent franking credits available to shareholders of IOOF Holdings Ltd for subsequent financial years	**39,002**	**39,941**

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for: (a) franking credits that will arise from the payment of the current tax liabilities; and (b) franking credits that the entity may be prevented from distributing in subsequent years. The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends declared after the balance date but not recognised as a liability is to reduce it by $17,755,000 (2009: $16,744,000).

33 Earnings per share

	Consolidated	
	2010	2009
	cents	cents
Basic earnings per share	29.8	14.6
Diluted earnings per share	29.6	14.4

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	68,403	13,850
Earnings used in the calculation of basic EPS	**68,403**	**13,850**

Weighted average number of ordinary shares	No. '000	No. '000
Weighted average number of ordinary shares (basic)	229,922	95,151
Unvested shares held in executive performance share plan trust	–	381
Treasury shares recognised upon the acquisition of subsidiary	–	218
Redeemable converting preference shares	–	147
Effect of unvested performance rights issued to advisers	683	171
Effect of share options on issue	309	73
Weighted average number of ordinary shares (diluted)	**230,914**	**96,141**

At 30 June 2010 3,555,505 options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would not have been anti-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.

34 Share-based payments

Employee 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.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. 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.

Employee performance rights 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, the vesting of which will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with the Group.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

Performance rights granted under the plan carry no dividend or voting rights. All plans are equity-settled.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options – Series	Original granted no.	Grant date	Expiry date	Fair Value	Exercise price	Vesting date
				$	$	
2008-4 Issued Jan 08(1)	80,000	31-Jan-2008	31-Dec-2010	1.00	3.15	30-Apr-2009
2008-5 Issued Jul 08(1)	100,000	30-Jul-2008	31-Dec-2010	2.00	3.15	30-Apr-2009
2009-21 Issued Jul 09(1)	100,000	01-Jul-2009	31-Dec-2010	1.04	3.15	01-Jul-2009
2008-8 (1) Issued Jun 08(2)	18,750	10-Jun-2008	02-Aug-2012	2.00	3.15	31-Jul-2008
2008-8 (2) Issued Jun 08(2)	18,750	10-Jun-2008	02-Aug-2012	2.00	3.15	31-Jul-2009
2008-8 (3) Issued Jun 08(2)	18,750	10-Jun-2008	02-Aug-2012	2.02	3.15	31-Jul-2010
2008-8 (4) Issued Jun 08(2)	18,750	10-Jun-2008	02-Aug-2012	2.04	3.15	31-Jul-2011
2008-8 (5) Issued Jun 08(3)	75,000	10-Jun-2008	02-Aug-2012	2.04	3.15	30-Jun-2011
2009-1 Issued Feb 05 (ex-AWM)(4)	160,857	30-Apr-2009	15-Feb-2014	1.27*	2.98	30-Apr-2009
2009-2 Issued Feb 05 (ex-AWM)(4)	26,809	30-Apr-2009	16-Jun-2014	1.19*	3.73	30-Apr-2009
2009-4 Issued Jan 06 (ex-AWM)(4)	214,476	30-Apr-2009	17-Jan-2011	1.61*	5.52	30-Apr-2009
2009-5 Issued Jan 07 (ex-AWM)(4)	361,928	30-Apr-2009	09-Jan-2011	2.38*	9.18	30-Apr-2009
2009-6 Issued Mar 07 (ex-AWM)(4)	101,852	30-Apr-2009	29-Mar-2011	1.42*	9.70	30-Apr-2009
2009-7 Issued Sep 07 (ex-AWM)(6)	361,928	30-Apr-2009	30-Jun-2013	0.95*	9.36	40% 30-Apr-2009
						30% 30-Jun-2009
						30% 30-Jun-2010
2009-8 Issued Sep 07 (ex-AWM)(5)	266,731	30-Apr-2009	30-Jun-2013	2.32*	9.36	40% 30-Apr-2009
						30% 5-Sep-2009
						30% 5-Sep-2010
2009-9 Issued Nov 07 (ex-AWM)(5)	201,072	30-Apr-2009	22-Nov-2012	2.90*	9.99	33% 30-Apr-2009
						33% 22-Nov-2009
						33% 22-Nov-2010
2009-10 Issued Jul 08 (ex-AWM)(6)	334,584	30-Apr-2009	01-Jul-2012	1.04*	4.99	30-Jun-09
2009-11 Issued Jul 08 (ex-AWM)(5)	1,394,090	30-Apr-2009	01-Jul-2011	0.41*	6.34	50% 30-Jun-2009
						50% 30-Jun-2010
2009-15 Issued Nov 09(7)	675,000	27-Nov-2009	27-Nov-10	0.31	9.89	27-Nov-09
2009-16 Issued Nov 09(8)	316,624	27-Nov-2009	27-Nov-15	1.58	5.20	50% 27-Nov-2012
						25% 27-Nov-2013
						25% 27-Nov-2014
2009-20 (1) Issued Jul 09(2)	18,750	01-Jul-2009	02-Aug-2013	0.77	5.68	31-Jul-09
2009-20 (2) Issued Jul 09(2)	18,750	01-Jul-2009	02-Aug-2013	0.77	5.68	31-Jul-10
2009-20 (3) Issued Jul 09(2)	18,750	01-Jul-2009	02-Aug-2013	0.77	5.68	31-Jul-11
2009-20 (4) Issued Jul 09(2)	18,750	01-Jul-2009	02-Aug-2013	0.77	5.68	31-Jul-12
2009-20 (5) Issued Jul 09(3)	75,000	01-Jul-2009	02-Aug-2013	0.77	5.68	30-Jun-12
2010-03 Issued May 10	500,000	04-May-2010	04-May-2016	2.31	7.01	04-May-13
	5,495,951					

* This represents the restated fair value in IOOF terms on cancellation of AWM options and conversion to IOOF options. It is not, and was not intended to be, an increase in fair value to the employee.

(1) Prior to the acquisition of AWM the performance hurdle for vesting of the IOOF options was 40% on the Group's achievement of compounding earnings per share in excess of 10% over the vesting period, 30% on the Company's achievement of Total Shareholder Return (TSR) above a pre-determined benchmark and the remaining 30% on continued employment with the Group. As a consequence of the acquisition, in accordance with the terms of the Share Option Plan, the Remuneration and Nominations Committee exercised its discretion to waive the performance hurdles in respect of unvested options as it is now impractical to measure performance against the hurdle on the basis established prior to the acquisition. As a result, options were deemed to have vested effective 30 April 2009.

(2) The vesting conditions are continued employment with the Group over the performance period.

(3) 50% of the options vest subject to achievement of the Perennial Group's three year FUM forecast and 50% based on the achievement of a compounding cash Group shareholder Earnings Per Share (EPS) in excess of 10% each year over the performance period.

(4) Prior to the acquisition of AWM, these options had fully vested. As disclosed in the Scheme Booklet for the acquisition, options over AWM shares held by AWM employees have been converted into IOOF options of economic equivalence.

(5) Prior to the acquisition of AWM, these options had partially vested. As disclosed in the Scheme Booklet for the acquisition, options over AWM shares held by AWM employees have been converted into IOOF options of economic equivalence. The remaining options vest progressively over a service period.

Details of performance hurdles for performance rights on issue (continued)

(6) Prior to the acquisition of AWM, the performance hurdle for vesting of AWM options was 50% on the Group's achievement of the approved budget for that financial year and the remaining 50% if the Company's (TSR) is positive, and in the top quartile relative to the TSR of a comparator group of ASX listed companies selected by the Board. As a consequence of the acquisition, in accordance with the terms of the Share Option Plan, the Remuneration and Nominations Committee exercised its discretion to waive the performance hurdle in respect of unvested options as it is now impractical to measure performance against the hurdle on the basis established prior to the acquisition. The vesting of the options is conditional on continuing employment with the Group.

(7) At the AGM held 27 November 2009, shareholders approved the allocation of options to Mr Robinson, former Chief Executive Officer, to replace options that had lapsed due to an unintentional misinterpretation of performance hurdles. Had the original options (approved by shareholders at the 2007 AGM) been issued on the correct terms, the options would have vested on upon implementation of the acquisition of AWM. This is because the IOOF Board exercised its discretion, in accordance with Mr Robinson's employment contract, to vest all unvested long term incentives. The options vested immediately on receiving shareholder approval.

(8) The Board has determined that this element of the plan will not activate unless a minimum average ROE of 5.5% per annum over the performance period has been achieved. The performance hurdle 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 2010-11 and 2011-12 (from a base point of the final actual EPS figure for financial year 2009-10) and for financial year 2009-10, a minimum of 26 cents per share must be achieved.

On vesting of performance rights, shares are transferred to the employee subject to forfeiture conditions until the expiry date when the forfeiture conditions are lifted.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Performance Rights – Series	Original granted no.	Grant date	Expiry date	Fair value at grant date	Exercise price	Vesting date
				$	$	
2004-1 Issued Dec 04(1)	263,423	01-Dec-2004	01-Dec-2009	8.65	$nil	01-Dec-2007
2005-1 Issued Dec 05(1)	335,403	01-Dec-2005	01-Dec-2010	7.42	$nil	01-Dec-2009
2006-1 Issued Dec 06(2)	226,475	01-Dec-2006	01-Dec-2011	10.53	$nil	01-Dec-2010
2006-2 Issued Jul 06(3)	27,500	01-Jul-2006	30-Jun-2009	8.50	$nil	30-Jun-2009
2007-1 Issued Dec 07(2)	200,555	01-Dec-2007	01-Dec-2012	8.70	$nil	01-Dec-2011
2007-2 (1) Issued Dec 07(4)	33,834	31-Dec-2007	30-Jun-2012	5.15	$nil	30-Jun-2009
2007-2 (1) Issued Dec 07(5)	33,834	31-Dec-2007	30-Jun-2012	5.15	$nil	30-Jun-2010
2007-4 Issued Jul 07(3)	50,608	01-Jul-2007	30-Jun-2010	9.82	$nil	30-Jun-2010
2007-5 (1) Issued Jul 08(2)	1,250	01-Jul-2008	02-Aug-2012	5.11	$nil	31-Jul-2008
2007-5 (2) Issued Jul 08(2)	1,250	01-Jul-2008	02-Aug-2012	5.11	$nil	31-Jul-2009
2007-5 (3) Issued Jul 08(2)	1,250	01-Jul-2008	02-Aug-2012	5.11	$nil	31-Jul-2010
2007-5 (4) Issued Jul 08(2)	1,250	01-Jul-2008	02-Aug-2012	5.11	$nil	31-Jul-2011
2007-5 (5) Issued Jul 08(10)	5,000	01-Jul-2008	02-Aug-2012	5.11	$nil	30-Jun-2011
2008-1 Issued Dec 08(2)	227,766	01-Dec-2008	01-Dec-2013	3.17	$nil	01-Dec-2011
2008-2 (1) Issued Dec 08(4)	53,212	31-Dec-2008	30-Jun-2013	3.03	$nil	30-Jun-2010
2008-2 (2) Issued Dec 08(5)	53,212	31-Dec-2008	30-Jun-2013	3.03	$nil	30-Jun-2011
2008-3 Issued Jul 08(6)	19,060	25-Jan-2008	30-Jun-2013	4.95	$nil	30-Apr-2009
2008-6 Issued Jul 08(3)	86,799	01-Jul-2008	30-Jun-2011	5.11	$nil	30-Apr-2009
2009-12 Issued Apr 09(6)	47,651	25-Jan-2008	30-Apr-2009	4.95	$nil	30-Apr-2009
2009-13 Issued Apr 09(6)	47,651	25-Jan-2008	30-Apr-2009	4.74	$nil	30-Apr-2009
2009-17 (1) Issued Dec 09(2)	14,948	01-Dec-2009	01-Dec-2014	4.51	$nil	01-Dec-2012
2009-17 (2) Issued Dec 09(8)	11,212	01-Dec-2009	01-Dec-2014	4.51	$nil	01-Dec-2012
2009-17 (3) Issued Dec 09(9)	11,212	01-Dec-2009	01-Dec-2014	2.06	$nil	01-Dec-2012
2009-18 Issued Jul 09(3)	116,313	01-Jul-2009	30-Jun-2012	4.20	$nil	30-Jun-2012
2008-7 (1) Issued Jul 09(2)	1,250	01-Jul-2009	02-Aug-2013	4.20	$nil	31-Jul-2009
2008-7 (2) Issued Jul 09(2)	1,250	01-Jul-2009	02-Aug-2013	4.20	$nil	31-Jul-2010
2008-7 (3) Issued Jul 09(2)	1,250	01-Jul-2009	02-Aug-2013	4.20	$nil	31-Jul-2011
2008-7 (4) Issued Jul 09(2)	1,250	01-Jul-2009	02-Aug-2013	4.20	$nil	31-Jul-2012
2008-7 (5) Issued Jul 09(10)	5,000	01-Jul-2009	02-Aug-2013	4.20	$nil	30-Jun-2012
2009-19 Issued Aug 09(11)	27,192	28-Aug-2009	28-Aug-2009	4.64	$nil	28-Aug-2009
2009-14 Issued Nov 09	150,000	27-Nov-2009	27-Nov-2015	2.50	$nil	50% 27-Nov-2012
						25% 27-Nov-2013
						25% 27-Nov-2014
	2,057,860					

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

Details of performance hurdles for performance rights on issue (continued)

(1) Prior to the acquisition of AWM, the performance hurdles for vesting of the performance rights was on the Group's achievement of pre-determined TSR (60%), cash EPS (20%) and return on capital (20%). As a consequence of the acquisition, in accordance with the terms of the Share Plan, the Remuneration and Nominations 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 performance rights were deemed to have vested effective 30 April 2009.

(2) The vesting conditions are continued employment with the Group over the performance period.

(3) Performance rights were issued to Consultum advisers with the highest Funds Under Advice on grant date with vesting subject to remaining a Consultum adviser throughout the performance period.

(4) 50% of the performance rights vest subject to continued employment with the Group and 50% based on the achievement of a compounding growth of the Perennial Group Earnings Before Interest and Taxes (EBIT) in excess of 15% each year over the performance period.

(5) 50% of the performance rights vest subject to continued employment with the Group and 50% based on the achievement of a compounding cash Group shareholder EPS in excess of 10% each year over the performance period.

(6) Prior to the acquisition of AWM, the performance hurdles for vesting of the performance rights was on the Group's achievement of pre-determined TSR (30%), cash EPS (40%) and continued employment with the Group (30%). As a consequence of the acquisition, John Billington (former General Manager – Portfolio Solutions) accepted a redundancy and the Board exercised its discretion to waive the performance hurdles in respect of unvested performance rights. As a result, the performance rights were deemed to have vested effective 30 April 2009.

(7) Shareholders have approved the performance hurdles of the performance rights will be based on the Company's TSR relative to a comparator group comprising the ASX200 index companies and the achievement of a minimum average Return on Equity (RoE) of greater than 5.5% per annum over the performance period. TSR measures the return to the shareholder over the performance period in terms of changes in the market value of the shares plus the value of the dividends paid on the shares. The percentage of performance rights that will vest at the end of the three year performance period each year will be determined by reference to the level of TSR performance of the Company over the vesting period compared with the performance of the comparator group as follows:

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

(8) The performance rights will vest subject to the achievement of Group shareholder cash EPS in excess of 10% each year over the performance period.

(9) The performance rights will vest subject to the achievement of a pre-determined level of Company TSR relative to a comparator group comprising the ASX200 index companies

(10) 50% of the options vest subject to achievement of the Perennial Group's three year FUM forecast and 50% based on the achievement of a compounding cash Group shareholder EPS in excess of 10% each year over the performance period.

(11) The performance rights were issued to employees in accordance with redundancy provisions of the employment contracts. Each employee was entitled to 75% of the allocation that would have been allocated in December 2009 had the redundancy not occurred. In accordance with the employee contracts, the performance rights vested immediately.

The number and weighted average exercise price of share options and performance rights are as follows:	Options		Performance Rights	Total
	Weighted average exercise price	Number of options	Number of rights	Number of options & shares
	$	No.	No. '000	No. '000
Opening balance at 1 July 2009	$6.70	3,854,327	988,577	4,842,904
Forfeited or lapsed during the period	$8.72	(457,096)	(91,352)	(548,448)
Exercised during the period	$4.99	(334,584)	(532,871)	(867,455)
Granted during the period	$7.72	1,641,624	224,564	1,866,188
Outstanding at 30 June 2010	$6.98	4,704,271	588,918	5,293,189
Exercisable at 30 June 2010	**$7.28**	**3,477,422**	**81,357**	**3,558,779**

The options outstanding at 30 June 2010 have an exercise price in the range of $2.98 to $9.99 and a weighted average contractual life of 2.1 years.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2010 was $6.59 (2009: no options exercised).

Disclosure of share-based payment programmes

Series – Recipient	Exercise price	Opening balance as at 1 July 2009	Granted	Forfeited or Lapsed	Exercised	Closing balance as at 30 June 2010	Vested
2008-4 Options – Senior Management	3.15	80,000	–	–	–	80,000	80,000
2008-5 Options – Senior Management	3.15	100,000	–	–	–	100,000	100,000
2009-21 Options – Senior Management	3.15	100,000	–	–	–	100,000	100,000
2008-8 Options – Senior Management	3.15	150,000	–	–	–	150,000	37,500
2009-1 Options – Senior Executives	2.98	160,857	–	–	–	160,857	160,857
2009-2 Options – Senior Executives	3.73	26,809	–	–	–	26,809	26,809
2009-4 Options – Senior Executives	5.52	214,476	–	–	–	214,476	214,476
2009-5 Options – Senior Executives	9.18	361,928	–	(107,238)	–	254,690	254,690
2009-6 Options – Senior Staff	9.70	101,852	–	(20,103)	–	81,749	81,749
2009-7 Options – Senior Executives	9.36	361,928	–	(107,238)	–	254,690	254,690
2009-8 Options – Senior Staff	9.36	266,731	–	(48,254)	–	218,477	152,934
2009-9 Options – Executive Directors	9.99	201,072	–	(67,025)	–	134,047	89,365
2009-10 Options – Managing Director	4.99	334,584	–	–	(334,584)	–	–
2009-11 Options – Senior Staff	6.34	1,394,090	–	(107,238)	–	1,286,852	1,286,852
2009-15 Options – Former CEO	9.89	–	675,000	–	–	675,000	675,000
2009-16 Options – Managing Director	5.20	–	316,624	–	–	316,624	–
2009-20 Options – Senior Management	5.68	–	150,000	–	–	150,000	18,750
2010-03 Options – Senior Executives	7.01	–	500,000	–	–	500,000	–
		3,854,327	1,641,624	(457,096)	(334,584)	4,704,271	3,533,672
2004-1 Rights – Senior Management	$nil	44,276	–	–	(44,276)	–	–
2005-1 Rights – Senior Management	$nil	87,089	–	(4,489)	(82,600)	–	–
2006-1 Rights – Senior Management	$nil	71,197	–	(4,819)	(66,378)	–	–
2006-2 Rights – Senior Management	$nil	27,500	–	–	(27,500)	–	–
2007-1 Rights – Senior Management	$nil	90,247	–	(5,587)	(64,479)	20,181	–
2007-2 Rights – Senior Management	$nil	53,840	–	(26,920)	(13,460)	13,460	13,460
2007-4 Rights – Advisers	$nil	50,608	–	(4,428)	–	46,180	46,180
2007-5 Rights – Senior Management	$nil	10,000	–	–	(2,500)	7,500	–
2008-1 Rights – Senior Management	$nil	129,924	–	(3,836)	(84,474)	41,614	–
2008-2 Rights – Senior Management	$nil	106,424	–	(41,273)	–	65,151	21,717
2008-3 Rights – Senior Executives	$nil	19,060	–	–	(19,060)	–	–
2008-6 Rights – Advisers	$nil	86,799	–	–	–	86,799	–
2008-7 Rights – Senior Management	$nil	–	10,000	–	(1,250)	8,750	–
2009-12 Rights – Senior Executives	$nil	47,650		–	(47,650)	–	–
2009-13 Rights – Senior Executives	$nil	47,650	–	–	(47,650)	–	–
2009-14 Rights – Managing Director	$nil	–	150,000	–	–	150,000	–
2009-17 Rights – Senior Management	$nil	–	37,372	–	(4,402)	32,970	–
2009-18 Rights – Advisers	$nil	116,313	–	–	–	116,313	–
2009-19 Rights – Senior Management	$nil	–	27,192	–	(27,192)	–	–
		988,577	224,564	(91,352)	(532,871)	588,918	81,357
		4,842,904	**1,866,188**	**(548,448)**	**(867,455)**	**5,293,189**	**3,615,029**

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

Inputs for measurement of grant date fair values

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:

Inputs into the model	Option series						
	Series 2008-4	Series 2008-5	Series 2008-8(1)	Series 2008-8(2)	Series 2008-8(3)	Series 2008-8(4)	Series 2008-8(5)
Grant date share price	5.39	5.39	5.05	5.05	5.05	5	5.05
Exercise price	3.15	3.15	3.15	3.15	3.15	3.15	3.15
Expected volatility	33.6%	33.6%	36.4%	33.8%	33.0%	32.9%	33.1%
Expected life	3.67 years	3.67 years	1.89 years	2.39 years	2.89 years	3.39 years	3.35 years
Dividend yield	6.1%	6.1%	5.9%	5.9%	5.9%	5.9%	5.9%
Risk-free interest rate	6.1%	6.1%	7.1%	7.0%	6.9%	6.9%	6.9%

Inputs into the model	Option series						
	Series 2009-1	Series 2009-2	Series 2009-4	Series 2009-5	Series 2009-6	Series 2009-7	Series 2009-8(2)
Grant date share price	3.95(1)	3.95(1)	3.95(1)	3.95(1)	3.95(1)	3.95(1)	3.95(1)
Exercise price	2.98	3.73	5.52	9.18	9.70	9.36	9.36
Expected volatility	30.0%	30.0%	30.0%	32.3%	32.3%	36.9%	34.2%
Option life	9 years	9.5 years	5 years	4 years	4 years	4.17 years	5 years
Dividend yield	0.0%	0.0%	3.0%	3.4%	3.4%	3.8%	3.4%
Risk-free interest rate	5.3%	5.3%	5.3%	6.0%	6.0%	6.5%	6.5%

Inputs into the model	Option series						
	Series 2009-9	Series 2009-10(2)	Series 2009-11	Series 2009-15	Series 2009-16(1)	Series 2009-16(2)	Series 2009-16(3)
Grant date share price	3.95(1)	3.95(1)	3.95(1)	5.60	5.65	5.65	5.65
Exercise price	9.99	4.99	6.34	9.89	5.20	5.20	5.20
Expected volatility	33.0%	36.9%	37.2%	37.3%	49.2%	49.2%	49.2%
Expected life	5 years	3.2 years	5 years	2 years	3 years	4 years	5 years
Dividend yield	3.4%	3.8%	8.1%	3.0%	7.0%	7.0%	7.0%
Risk-free interest rate	5.8%	6.5%	5.8%	5.8%	4.7%	4.8%	4.9%

(1) These options refer to AWM options replaced with IOOF options on 30 April 2009. The share price is the IOOF price on this date, not when the options were originally granted by AWM.

(2) These options were revalued using the binomial options pricing model due to the change in vesting conditions. The inputs are the inputs calculated using IOOF historical information.

Inputs into the model	Option series	Performance rights					
	Series	Series	Series	Series	Series	Series	Series
	2009-20	2008-3	2009-12	2009-13	2009-14(1)	2009-14(2)	2009-14(3)
Grant date share price	4.20	6.75	6.75	6.75	5.65	5.65	5.65
Exercise price	5.68	–	–	–	–	–	–
Expected volatility	43.6%	29.7%	29.7%	29.7%	49.2%	49.2%	49.2%
Expected life	4 years	3.43 years	3.43 years	4.44 years	3 years	4 years	5 years
Dividend yield	7.0%	4.9%	4.9%	4.9%	7.0%	7.0%	7.0%
Risk-free interest rate	4.8%	6.1%	6.1%	6.1%	4.7%	4.8%	4.9%

Inputs into the model	Performance rights						
	Series	Series	Series	Series	Series	Series	Series
	2007-04	2007-05	2008-06	2008-07	2009-18	2009-18	2009-19
Grant date share price	9.82	5.11	5.11	4.20	5.61	4.20	4.64
Exercise price	–	–	–	–	–	–	–
Expected volatility	n/a	n/a	n/a	n/a	48.3%	n/a	n/a
Expected life	n/a	n/a	n/a	n/a	2.96 years	n/a	n/a
Dividend yield	n/a	n/a	n/a	n/a	7.7%	n/a	n/a
Risk-free interest rate	n/a	n/a	n/a	n/a	6.1%	n/a	n/a

35 Parent entity disclosures

	Company	
	2010	2009
	$'000	$'000
Result of the parent entity		
Profit for the period	66,747	47
Total comprehensive income for the period	66,747	47
Financial position of parent entity at year end		
Current assets	1,406	5,665
Total assets	897,845	902,398
Current liabilities	21,194	4,718
Total liabilities	31,194	25,320
Total equity of the parent entity comprising of:		
Share capital	858,628	855,108
Share-based payments reserve	5,903	7,642
Available-for-sale revaluation reserve	–	759
Retained earnings	2,120	13,569
Total equity	**866,651**	**877,078**

The parent entity for the current and comparative year is IOOF Holdings Ltd.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

Parent entity contingencies

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.

36 Auditors' remuneration

Auditors' remuneration paid or payable by members of the IOOF Holdings Ltd Group to the auditors of the corporate entities in relation of audit services of the corporate entities and products operated by the Group during the year and for the comparative prior period:

	Consolidated	
	2010	2009
	$	$
Audit services		
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	1,808,510	954,429
Other regulatory audit services	529,990	500,000
	2,338,500	1,454,429
Other auditors	441,800	1,032,300
	2,780,300	2,486,729
Other services		
Auditors of the Company		
KPMG Australia		
Taxation services	446,680	–
Other services	51,772	257,000
	498,452	257,000
Other auditors	911,080	219,900
	1,409,532	476,900

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

The 2009 comparatives exclude the remuneration of other auditors engaged to perform audit services for schemes, trusts and funds operated by the Group for the period prior to the acquisition of AWM and IOOF Global One.

37 Key management personnel

The key management personnel compensation comprised:

	Consolidated	
	2010	2009
	$	$
Short-term employee benefits	4,443,411	5,560,196
Other long term benefits	–	508,194
Post-employment benefits	146,499	263,126
Termination benefits	–	1,085,024
Share-based payments	617,555	2,697,823
	5,207,465	**10,114,363**

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.

38 Related party transactions

(a) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 37 to the financial statements.

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

Ordinary shares		Balance at 1 July	Received on exercise of options	Acquired via salary sacrifice	Net other change	Balance at 30 June[1]
		No.	No.	No.	No.	No.
Directors						
I Blair	**2010**	**25,215**	**–**	**5,262[2]**	**–**	**30,477**
	2009	18,520	–	6,695[2]	–	25,215
I Griffiths (appointed 30 April 2009)	**2010**	**4,626,695**	**–**	**–**	**(346,415)**	**4,280,280**
	2009	–	–	–	4,626,695	4,626,695
J Harvey	**2010**	**6,385**	**–**	**2,337[2]**	**–**	**8,722**
	2009	3,364	–	3,021[2]	–	6,385
C Kelaher (appointed 30 April 2009)	**2010**	**4,916,415**	**334,584**	**–**	**(1,006,181)**	**4,244,818**
	2009	–	–	–	4,916,415	4,916,415
J Pfeiffer	**2010**	**19,483**	**–**	**7,372[2]**	**–**	**26,855**
	2009	8,946	–	10,537[2]	–	19,483
R Sexton	**2010**	**24,839**	**–**	**3,709[2]**	**10,000**	**38,548**
	2009	19,220	–	5,619[2]	–	24,839
G Venardos (appointed 30 April 2009)	**2010**	**15,013**	**–**	**–**	**5,000**	**20,013**
	2009	–	–	–	15,013	15,013
Directors who departed the Group during the comparative year:						
A Robinson (ceased 30 April 2009)	2009	7,500	–	150,000	(157,500)	–
K Spargo (ceased 30 April 2009)[3]	2009	7,470	–	2,347[2]	(9,817)	–

(1) The equity holdings for the above individuals is inclusive of both direct and indirect shareholdings. Refer to the Remuneration Report for further information regarding individuals shareholdings.

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

(3) Ms Spargo ceased employment with the company during the financial year. Consequently, a shareholding of nil has been disclosed at 30 June 2009.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

Ordinary shares		Balance at 1 July	Received on exercise of options	Received on vesting of performance rights	Net other change	Balance at 30 June[1]
		No.	No.	No.	No.	No.
Other Key Management Personnel of the Group						
S Abley	**2010**	**9,835**	**–**	**6,409**	**–**	**16,244**
	2009	4,015	–	5,820	–	9,835
M Carter (appointed 30 April 2009)	**2010**	**26,938**	**–**	**–**	**–**	**26,938**
	2009	–	–	–	26,938	26,938
D Coulter (appointed 29 May 2009)	**2010**	**238**	**–**	**–**	**–**	**238**
	2009	–	–	–	238	238
S Merlicek (appointed 1 October 2009)	**2010**	**–**	**–**	**–**	**–**	**–**
R Mota	**2010**	**9,944**	**–**	**9,850**	**–**	**19,794**
	2009	3,878	–	6,066	–	9,944
Key management personnel and named senior executives who ceased being a KMP or departed the Group during the comparative year:						
M Blackburn (ceased 8 May 2009)	2009	38,130	–	233,901	(272,031)	–
M Crivelli (ceased 30 April 2009)	2009	9,534	–	–	(9,534)	–
J Jodlowski (appointed 30 April 2009)[3]	2010	333,814	–	–	(333,814)	–
	2009	–	–	–	333,814	333,814
A McLachlan (appointed 30 April 2009)[3]	2010	95	–	–	(95)	–
	2009	–	–	–	95	95
A Hodges (ceased 31 December 2009)	2010	472,638	–	132,473	(605,111)	–
	2009	434,280	–	38,358	–	472,638

(1) The equity holdings for the above individuals is inclusive of both direct and indirect shareholdings. Refer to the Remuneration Report for further information regarding individuals shareholdings.

(2) Mr Robinson and Mr Blackburn ceased employment with the company during the financial year. Mr Crivelli ceased to be a KMP of the Group as at 30 April 2009. Consequently, a shareholding of nil has been disclosed at 30 June 2009.

(3) As a result of a review of KMP for the new Group post the AWM acquisition, these members of senior management ceased to be a KMP of the Group effective 1 July 2009. Consequently, a shareholding of nil has been disclosed as at 30 June 2010.

iv. Key management personnel options on issue

As at balance date, members of key management personnel held the following options:

Name	Options held at 1 Jul 2009	Granted	Forfeited or lapsed	Exercised	Options held at 30 Jun 10	Options unvested at 30 Jun 2010	Vested and exercisable at 30 Jun 2010
Key management personnel							
M Carter	154,154	100,000	–	–	254,154	104,021	150,133
D Coulter	–	100,000	–	–	100,000	100,000	–
C Kelaher	468,632	316,624	–	(334,584)	450,672	361,307	89,365
I Griffiths	67,023	–	(67,023)	–	–	–	–
G Riordan	147,452	100,000	–	–	247,452	100,000	147,452
Key management personnel and named senior executives who have departed during the financial year							
J Billington	280,000	–	–	–	280,000	–	280,000
A Robinson	–	675,000	–	–	675,000	–	675,000

v. Key management personnel performance rights on issue

As at balance date, members of key management personnel held the following performance rights:

Name	Rights held at 1 Jul 2009	Granted	Forfeited or lapsed	Vested and transferred	Rights held at 30 Jun 10	Rights unvested at 30 Jun 2010	Vested and exercisable at 30 Jun 2010
Key management personnel							
S Abley	6,409	11,557	–	(6,409)	11,557	11,557	–
C Kelaher	–	150,000	–	–	150,000	150,000	–
R Mota	55,004	18,596	–	(9,850)	63,750	63,750	–

vi. Other transactions with key management personnel of the Group

There were no other transactions with key management personnel of the Group during the 2010 and 2009 financial years.

(b) Transactions with other related parties

Other related parties of the Group include associates listed in Note 16 and Directors of any subsidiaries and associates not included as KMP of the Group.

	Consolidated 2010	Consolidated 2009
	$	$
Receipt of service charge revenue from associates	2,277,000	1,946,299
Receipt of interest revenue from:		
Directors and executives of subsidiaries	60,835	178,409
Other related parties	414,217	266,801
	475,052	445,210
Payment of management fees to associates	12,163,353	8,975,518

(c) Unsecured loans to Directors of subsidiaries and associates

	Consolidated	
	2010	2009
	$	$
The aggregate value of loans to Directors of Group subsidiaries as at balance date amounted to:		
Directors of controlled and associated entities from the Group (i)	7,422,702	7,422,702
Interest revenue of the Group on loans to :		
Directors of controlled and associated entities from the Group	385,092	357,395
Interest repaid on loans from the Group during the year:		
Directors of controlled and associated entities from the Group	359,516	–
Interest written off on loans to Directors from the Group:		
Directors of associated entities from Group	–	886
Interest receivable balance on loans to Directors from the Group as at balance date:		
Directors of controlled entities as at balance date	143,968	118,391

(i) The Director of an associate entity who received the loans referred to above was Mr J Murray. The amounts were advanced by Perennial Investment Partners Ltd and IOOF Investment Management Ltd for the specific purpose of assisting him to acquire an equity interest in another related party, Perennial Value Management Ltd. The parties to the loans are permitted to discharge the loans by transferring the shares to the lender. The unsecured interest bearing loans were made on commercial terms and conditions with the exception of loans to the value of $779,380 (2009: $779,380) which are interest free.

The Directors of controlled entities who received the loans referred to above was Mr A Patterson, Mr A Mulcahy, Mr L Mickelburough and Mr R MacDougall. The amounts were advanced by Perennial Investment Partners Ltd to Directors for the specific purpose of assisting them to acquire an equity interest in subsidiaries of IOOF or in the case of Mr A Patterson another related party, Perennial Value Management Ltd. The parties to the loans are permitted to discharge the loans by transferring the shares acquired in the respective entities to the lender. The unsecured interest bearing loans were made on commercial terms and conditions with the exception of loans to the value of $925,650 (2009: $925,650) which are interest free.

(d) Unsecured loans to executives of the Group

	Consolidated	
	2010	2009
	$	$
The aggregate value of loans to Executives of the Group made by the Group as at balance date amounted to	1,987,228	1,880,149(iii)
Interest revenue of the Group on loans to executives	89,960	86,743
Loans made to executives of the Group during the year by the Group	117,000	–
Interest repaid during the year	68,085	87,602
Interest written off during the year	–	–
Interest receivable balance as at balance date	41,795	19,920
Loans repaid during the year	9,921	–

(iii) The Executives referred to above were Mr P Durham, Mr S Bruce, Mr G Oshry and Mr D Cottier. The amounts were advanced by Perennial Investment Partners Ltd for the specific purpose of assisting them to acquire an equity interest in subsidiaries of the Company or in the case of Mr P Durham and Mr S Bruce another related party, Perennial Value Management Ltd. The parties to the loans are permitted to discharge the loans by transferring the shares acquired of the respective entities to the lender. The unsecured interest bearing loans were made on commercial terms and conditions with the exception of loans advanced to Mr P Durham and Mr S Bruce for the amounts of $331,536 and $239,351 respectively that are interest free loans.

(e) Ultimate parent entity

IOOF Holdings Ltd is the ultimate parent entity in the Group.

39 Operating leases

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

	Consolidated	
	2010	2009
	$'000	$'000
Not later than one year	11,633	14,094
Later than one year, not later than five years	36,847	19,640
Later than five years	9,290	2,602
	57,770	**36,336**

The Group leases a number of offices premises under non-cancellable operating leases expiring between one month to eight 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 5 years. The terms of some of these leases provided the Group with the option to purchase this equipment at the conclusion of these lease agreements.

40 Capital commitments

The Group does not have any non-cancellable capital expenditure commitments not already recognised or provided for.

41 Contingencies

	Consolidated	
	2010	2009
	$'000	$'000
Contingent liabilities		
Rental bond guarantees	4,744	5,768
ASX settlement bond guarantee	500	500
ASIC bond guarantees	100	120
Underwriting commitments	–	1,350
	5,344	**7,738**

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

Other contingent liabilities

Estate and trustee operations

Australian Executor Trustees Ltd, a subsidiary of IOOF Holdings Ltd, is currently defending claims brought against it in its capacity as trustee of estates and superannuation funds. In aggregate these total approximately $1,218,000. 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 liability for less than $125,000 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 $337,000. 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 $191,000 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 $200,000.

Buyer of last resort facility

Bridges Financial Services Pty Ltd

Bridges Financial Services Pty Ltd, 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 2010, Bridges Financial Services Pty Ltd has not received any requests from planners that satisfy the specific requirements to exercise its obligation. It is possible that the resale value of such a business purchased may exceed the cost to Bridges Financial Services Pty Ltd.

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 2010, Consultum Financial Advisers Pty Ltd has not received any requests from planners that satisfy the specific requirements to exercise its obligation

Other

Other contingent liabilities exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where appropriate. The consolidated entity does not consider that the outcome of any current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

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

42 Reconciliation of cash flows from operating activities

(a) Cash and cash equivalents

	Consolidated 2010			Consolidated 2009		
	Shareholder	Statutory	Total	Shareholder	Statutory	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Bank balances	132,780	12,902	145,682	131,947	6,660	138,607
Unlisted unit trusts	–	472,489	472,489	176	448,092	448,268
	132,780	485,391	618,171	132,123	454,752	586,875
Elimination of investments in consolidated statutory funds			–			(176)
			618,171			586,699

(b) Reconciliation of cash flows from operating activities

	Consolidated	
	2010	2009
	$'000	$'000
Profit for the period	71,646	14,854
Net depreciation/impairment on property and equipment	4,940	2,474
Net amortisation of intangible assets	17,905	4,574
(Profit)/loss on disposal of assets	(1,217)	–
Bad and doubtful debts	74	–
Interest received and receivable – shareholder	(5,671)	(3,078)
Dividends received and receivable – shareholder	(1,772)	(183)
Net change in fair value of related party loans	–	(161)
Share of profits of associates accounted for using the equity method	(7,588)	(1,237)
Share-based payments expense	2,027	5,269
Non cash adjustment for prepaid share based payment	–	(367)
Shareholder buy-back liabilities revaluation	9,139	(6,803)
Income tax benefit on disposal of treasury shares recognised directly in equity	(1,061)	–
Non cash adjustment to provision for impairment of receivables/ investments	–	3,493
Non cash adjustment to prepayments	–	369
Net operating assets acquired as part of acquisitions	–	(4,300)
Changes in net operating assets and liabilities:		
(Increase)/decrease in receivables	28,103	(52,253)
(Increase)/decrease in other assets	2,515	(21,317)
(Increase)/decrease in deferred tax asset and tax receivable	–	(19,554)
(Increase)/decrease in other financial assets	810	46,482
(Increase)/decrease in investments – statutory	(9,039)	–
Increase/(decrease) in payables and deferred revenue liabilities	(43,494)	114,634
Increase/(decrease) in policy liabilities and outside equity interests	37,058	(138,326)
Increase/(decrease) in provisions	(4,315)	15,596
Increase/(decrease) in income tax payable	25,054	(8,099)
Increase/(decrease) in other financial liabilities	(2,326)	–
Increase/(decrease) in other liabilities	(1,841)	–
Increase/(decrease) in deferred taxes	(3,649)	10,406
Net cash provided by operating activities	**117,298**	**(37,527)**

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

43 Group entities

	Note	Country of incorporation	Ownership interest 2010	2009
Parent entity				
IOOF Holdings Ltd		Australia		
Significant subsidiaries				
IOOF Life Ltd		Australia	100.0	100.0
IOOF Ltd		Australia	100.0	100.0
IOOF Investment Holdings Ltd		Australia	100.0	100.0
IOOF Investment Management Ltd		Australia	100.0	100.0
Security Management Services Pty Ltd		Australia	100.0	100.0
ACN 100 668 282 Pty Ltd		Australia	nil	100.0
Consultum Financial Advisers Pty Ltd		Australia	100.0	100.0
Financial Partnership Pty Ltd		Australia	100.0	100.0
IOOF Services Pty Ltd		Australia	100.0	100.0
Perennial Investment Partners Ltd		Australia	100.0	100.0
Perennial Investment Partners Asia Ltd		Australia	94.9	94.9
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 Real Estate Investments Pty Ltd		Australia	50.0	50.0
Perennial Investment Partners (UK) Ltd		United Kingdom	100.0	100.0
Perennial Investment Partners (U.S.) Inc		USA	100.0	100.0
Perennial Cash Enhanced Wholesale Trust	*(b)*		56.1	57.3
Perennial Socially Responsive Shares Wholesale Trust	*(b)*		89.6	89.6
IOOF Executive Performance Share Plan Trust	*(b)*		100.0	100.0
Perennial Cash Trust	*(b)*		55.2	64.6
Perennial Tactical Income Trust	*(c)*		8.4	100.0
IOOF Global One 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
Australian Wealth Management Ltd		Australia	100.0	100.0
Australian Executor Trustees Ltd		Australia	100.0	100.0
Australian Executor Trustees (SA) Ltd		Australia	100.0	100.0
Bagot's Executor & Trustee Company Ltd		Australia	100.0	100.0
Bagot's Nominees 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
Executor Trustee Australia Ltd		Australia	100.0	100.0
Tower Austrust Building Pty Ltd		Australia	100.0	100.0
AET Structured Finance Services Pty Ltd		Australia	100.0	100.0
AET SPV 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 Nominees Pty Ltd		Australia	100.0	100.0
Cigar Nominee Pty Ltd		Australia	100.0	100.0
Australian Wealth Management Service Co. Pty Ltd		Australia	100.0	100.0
Questor Financial Services Ltd		Australia	100.0	100.0

	Note	Country of incorporation	Ownership interest 2010	2009
Executive Wealth Management Pty Ltd		Australia	100.0	100.0
Executive Wealth Management Financial Services Pty Ltd		Australia	100.0	100.0
Group Investments Nominee Pty Ltd		Australia	100.0	100.0
JV1 Pty Ltd		Australia	100.0	100.0
AET Super Solutions Pty Ltd		Australia	100.0	100.0
Select Managed Funds Ltd		Australia	100.0	100.0
SMF Funds Management Ltd		Australia	100.0	100.0
United Funds Management Ltd		Australia	100.0	100.0
Sentinel Adviser Services Pty Ltd		Australia	100.0	100.0
SMF Wealth Management Pty Ltd		Australia	100.0	100.0
Wealth Managers Pty Ltd		Australia	100.0	100.0
Accountplan Pty Ltd		Australia	100.0	100.0
Austselect Pty Ltd		Australia	100.0	100.0
Super Choice Pty Ltd		Australia	100.0	100.0
Spectrum Managed Funds Pty Ltd		Australia	100.0	100.0
SMF Pty Ltd		Australia	100.0	100.0
SEM Group Administration Pty Ltd		Australia	100.0	100.0
SMF Investment Managers (Super & Pension Fund) Pty Ltd		Australia	100.0	100.0
SMF SuperOptions Pty Ltd		Australia	100.0	100.0
CU Financial Advisory Services Pty Ltd		Australia	100.0	100.0
Finium Trustees Pty Ltd		Australia	100.0	100.0
KE Sunshine Coast Pty Ltd		Australia	100.0	100.0
CK Brisbane Pty Ltd		Australia	100.0	100.0
DD Charlestown Pty Ltd		Australia	100.0	100.0
NS Singleton Pty Ltd		Australia	100.0	100.0
B D Shepparton Pty Ltd		Australia	75.0	75.0
Holiday Coast Wealth Management Pty Ltd		Australia	100.0	80.0
NT Homebush Pty Ltd		Australia	70.0	70.0
JK Rye Pty Ltd		Australia	100.0	100.0
Financial Lifestyle Partners (Doncaster) Pty Ltd		Australia	65.0	–
Strategy Plus Financial Planning Pty Ltd		Australia	100.0	–
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
Dicksons 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

(a) The investment in Perennial Fixed Interest Partners Pty Ltd is through Perennial Investment Partners Ltd which directly holds a 70.2% (2009: 70.2%) shareholding in this entity and through IOOF Holdings Ltd which directly holds a 4.5% (2009: 4.5%) shareholding in this entity.

(b) The trusts controlled individually or collectively by the statutory benefit funds and companies in the Group have been consolidated and are noted above.

(c) During the period additional units in the Trust were issued reducing the Group holding to 8.4% (2009: 100%) the Trust is therefore not consolidated in 2010.

44 Acquisition of businesses

IOOF Global One and Intech

On 6 March 2009 the Group acquired all of the shares in both IOOF Global One and Intech businesses operating in Australia. These companies provide managed investments, personal and corporate superannuation and pension products, specialist capital markets research, investment manager research and portfolio management services.

The acquired businesses contributed net loss of $1,916,000 to the Group from 6 March 2009 to 30 June 2009. If the acquisition had occurred on 1 July 2008, management etimates that the acquired businesses would have contributed $50,027,000 revenue and $13,047,000 loss for the year.

On 30 June 2009 the Group sold its interest in Intech Pty Ltd and its subsidiaries Intech Fiduciaries Ltd and Intech Research Pty Ltd.

Australian Wealth Management Ltd

On 30 April 2009, IOOF acquired all the shares of Australian Wealth Management Ltd through a Scheme of Arrangement effected by the issue of one IOOF Holdings Ltd share for every 3.73 shares held in Australian Wealth Management Ltd.

The acquired businesses contributed net profit of $6,200,000 to the Group from 30 April 2009 to 30 June 2009. If the acquisition had occurred on 1 July 2008, management etimates that the acquired businesses would have contributed $315,178,000 revenue and $23,808,000 profit for the year.

2009	IOOF Global One			Australian Wealth Management Ltd		
Net identifiable assets acquired	Book value	Fair value adjustment	Fair value on acquisition	Book value	Fair value adjustment	Fair value on acquisition
	$'000	$'000	$'000	$'000	$'000	$'000
Assets:						
Cash & cash equivalents	15,597	–	15,597	70,977	–	70,977
Receivables	6,098	59	6,157	98,499	–	98,499
Current tax receivable	–	–	–	2,044	–	2,044
Other financial assets	87	–	87	25,428	–	25,428
Equity accounted investees	–	–	–	1,820	–	1,820
Deferred tax assets	9,251	(6,948)	2,303	12,450	–	12,450
Property, plant and equipment	2,573	–	2,573	8,280	–	8,280
Other assets	16,657	–	16,657	8,877	–	8,877
Identifiable intangible assets	–	8,046	8,046	192,453	89,774	282,227
Liabilities:						
Payables	(8,532)	–	(8,532)	(86,154)	–	(86,154)
Borrowings	–	–	–	(30,535)	–	(30,535)
Provisions	(2,805)	(901)	(3,706)	(23,702)	–	(23,702)
Deferred tax liabilities	–		–	(5,380)	(7,742)	(13,122)
Other financial liabilities	–	–	–	(1,692)	–	(1,692)
Other liabilities	(16,510)	–	(16,510)	(7,213)	–	(7,213)
Non-controlling interest:	–	–	–	(6,589)	(9,636)	(16,225)
Total net identifiable assets	**22,416**	**256**	**22,672**	**259,563**	**72,396**	**331,959**

Consideration transferred:

	IOOF Global One	Australian Wealth Management Ltd
Cash	32,606	3,140
Equity instruments (160,730,000 ordinary shares)	–	634,885
	32,606	**638,025**

The fair value of the ordinary shares issued was based on the listed share price of the Group at 30 April 2009 of $3.95 per share.

Goodwill

Goodwill was recognised as a result of the acquisitions as follows:

	IOOF Global One	Australian Wealth Management Ltd
Total consideration transferred	32,606	638,025
Less value of net identifiable assets	(22,672)	(331,959)
Goodwill on acquisition	**9,934***	**306,066**

* Goodwill on acquisition of IOOF Global One and Intech includes $1,500,000 in relation to Intech Pty Ltd and its subsidiaries Intech Fiduciaries Ltd and Intech Research Pty Ltd which were disposed on 30 June 2009.

45 Life insurance business

	Consolidated	
	2010	2009
	$'000	$'000

(a) Components of profit related to movements in:

	2010 $'000	2009 $'000
(i) Life Insurance liabilities		
Planned margins of revenue over expenses released	51	65
Difference between actuarial and assumed experience	102	50
Investment earnings on assets in excess of policy liabilities	18	27
	171	142
(ii) Life Investment liabilities	–	–

(b) Components of net life insurance liabilities:

	2010 $'000	2009 $'000
Unrecouped acquisition expenses	–	–

(c) Disaggregated Information of life insurance business by fund

	Estate Essentials	WealthBuilder Death Assurance	Deferred Annuity Capital Guaranteed	WealthBuilder Capital Guaranteed	Capital Builder Bond	IOOF Life: Statutory Fund No. 1	Total Non-Investment Linked
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010							
Financial Assets	75,172	22	5,120	357,745	7,028	923	446,009
Other Assets	1,025	7	74	14,295	100	252	15,754
Policy Liabilities	76,103	7	5,031	358,948	6,966	322	447,378
Other Liabilities	94	22	163	13,094	160	507	14,039
Retained Earnings	–	–	–	–	–	347	347
Premium Revenue	385	10	–	13,351	19	696	14,461
Reinsurance Recoveries	–	–	–	–	–	–	–
Investment Revenue	5,752	–	392	26,304	535	29	33,012
Claims Expense	(134)	–	(2)	(43)	–	(79)	(258)
Other Operating Expenses including movements in policyholder liabilities	(6,001)	(10)	(433)	(46,944)	(554)	(402)	(54,344)
Operating Profit before tax	(2)	–	43	7,333	–	244	7,617
Operating Profit after tax	–	–	–	–	–	171	171
2009							
Financial Assets	73,366	29	5,346	363,153	7,125	734	449,752
Other Assets	2,373	3	233	21,613	258	252	24,732
Policy Liabilities	75,739	7	5,426	377,803	7,230	321	466,526
Other Liabilities	–	25	153	6,963	153	489	7,783
Retained Earnings	–	–	–	–	–	178	178
Premium Revenue	488	20	108	27,302	–	699	28,617
Reinsurance Recoveries	–	–	–	–	–	641	641
Investment Revenue	4,088	–	288	19,300	379	42	24,096
Claims Expense	(143)	(2)	(3)	(70)	–	(688)	(906)
Other Operating Expenses including movements in policyholder liabilities	(4,433)	(18)	(430)	(51,819)	(379)	(492)	(57,570)
Operating Profit before tax	–	–	37	5,287	–	203	5,527
Operating Profit after tax	–	–	–	–	–	141	141

(c) Disaggregated Information of life insurance business by fund (continued)

	WealthBuilder Fixed Interest Fund	WealthBuilder Australian Equities Fund	WealthBuilder Capital Stable Fund	WealthBuilder Balanced Fund	WealthBuilder High Growth Fund	WealthBuilder Australian Shares-Multimix Fund	WealthBuilder International Shares – Multimix Fund
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010							
Financial Assets	21,575	169,559	50,627	114,963	1,037	1,385	692
Other Assets	293	17,359	957	4,479	16	39	24
Policy Liabilities	21,405	186,664	51,330	119,279	1,052	1,418	711
Other Liabilities	464	254	254	164	2	7	4
Retained Earnings	–	–	–	–	–	–	–
Premium Revenue	2,927	10,636	8,249	5,296	761	1,161	629
Reinsurance Recoveries	–	–	–	–	–	–	–
Investment Revenue	2,352	18,876	5,156	14,471	19	(54)	(15)
Claims Expense	(7)	(91)	(21)	(73)	–	–	–
Other Operating Expenses including movements in policyholder liabilities	(5,948)	(17,903)	(14,343)	(18,896)	(781)	(1,081)	(606)
Operating Profit before tax	675	(11,518)	960	(798)	1	(26)	(8)
Operating Profit after tax	–	–	–	–	–	–	–
2009							
Financial Assets	20,818	157,190	41,432	102,167	292	313	87
Other Assets	679	6,193	2,950	8,546	7	5	13
Policy Liabilities	21,497	163,383	44,382	110,712	299	313	100
Other Liabilities	–	–	–	1	–	5	–
Retained Earnings	–	–	–	–	–	–	–
Premium Revenue	1,625	9,045	4,193	4,023	306	113	113
Reinsurance Recoveries	–	–	–	–	–	–	–
Investment Revenue	1,488	(39,628)	(1,149)	(20,787)	(9)	29	(14)
Claims Expense	(7)	(140)	(28)	(101)	(2)	–	–
Other Operating Expenses including movements in policyholder liabilities	(3,530)	29,222	(2,977)	18,978	(290)	(148)	(97)
Operating Profit before tax	424	1,501	(39)	(2,113)	(5)	6	(2)
Operating Profit after tax	–	–	–	–	–	–	–

WealthBuilder Small Companies Fund	WealthBuilder High Conviction Fund	WealthBuilder Global Property Securities Fund	WealthBuilder High Alpha Fund	Deferred Annuity Managed Fund	Deferred Annuity Capital Stable Fund	Deferred Annuity Cash Management Fund	Total Investment Linked	TOTAL STATUTORY	TOTAL SHARE-HOLDER
$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
570	787	690	191	16,167	1,874	285	380,401	826,410	47,754
25	24	10	2	619	47	4	23,901	39,654	27,808
576	808	698	189	16,763	1,918	288	403,100	850,478	–
20	3	3	4	23	3	1	1,204	15,243	20,998
–	–	–	–	–	–	–	–	347	6,112
341	683	609	76	110	21	–	31,498	45,959	–
–	–	–	–	–	–	–	–	–	–
60	(28)	(5)	21	2,054	201	23	43,132	76,144	9,337
–	–	–	–	(26)	(2)	–	(220)	(478)	–
(418)	(642)	(598)	(101)	(2,073)	(238)	(26)	(63,654)	(117,999)	213,770
16	(13)	(6)	4	(64)	18	3	(10,756)	(3,139)	99,734
–	–	–	–	–	–	–	–	171	71,475

190	146	90	99	15,344	1,772	317	340,258	790,010	40,565
1	2	1	2	731	87	14	19,231	43,963	31,298
189	148	91	101	16,074	1,859	331	359,479	826,005	–
2	–	–	–	–	–	–	8	7,790	24,688
–	–	–	–	–	–	–	–	178	14,227
182	151	108	108	16	46	105	20,134	48,751	–
–	–	–	–	–	–	–	–	641	–
9	(3)	(18)	(10)	(1,327)	31	20	(61,368)	(37,271)	2,466
–	–	–	–	(27)	(2)	–	(307)	(1,213)	–
(193)	(140)	(88)	(96)	1,340	(79)	(127)	41,775	(15,795)	121,234
2	(8)	(2)	(2)	(2)	4	2	(234)	5,293	12,680
–	–	–	–	–	–	–	–	141	9,641

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

(d) Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2010. The actuarial reports for IOOF Ltd and IOOF Life Ltd were prepared by Mr D Goodsall, BA, FIAA, AIA, ASA and were both dated 18 August 2010. The actuarial reports indicate that Mr Goodsall is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

Policy liabilities

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.

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 – IOOF Life Ltd

Mortality and morbidity are assessed on a claims ratio basis. The net cost is assumed to be 7.4% of gross earned premium.

Mortality and Morbidity – IOOF Ltd

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 (ie 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 (ie 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.

Changes in mortality and morbidity assumptions for IOOF Life Ltd would only result in an increase in the policy liabilities if the change in assumptions resulted in the expectation that the product would no longer be profit making. In this case additional provisions would be added to the policy liabilities to cover expected future losses. Recent reviews suggest this is not expected to be the case for moderate changes in these assumptions.

Similarly changes in other assumptions would not impact the policy liabilities for the current period unless they were significant enough changes to impact the ongoing profitability of the business. In this case additional provisions would be added to the policy liabilities to cover expected future losses. Recent reviews suggest this is not expected to be the case for moderate changes in these assumptions.

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.

(e) 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.

(f) 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.

Each benefit fund and statutory fund meets the solvency requirements.

		Consolidated	
		2010	2009
		$'000	$'000
Solvency requirement[(1)(3)]	A	857,861	830,050
Represented by:			
Minimum Termination Value[(2)]		848,130	825,990
Other Liabilities		7,692	1,339
Solvency Reserve	B	2,039	2,721
		857,861	830,050
Assets Available for Solvency	C	10,236	7,738
Comprised of:			
Excess of Net Policy Liability over Minimum Termination Value		2,333	(11)
Liability for policy owners' retained profits at end of the year		–	20
Net Assets		7,904	7,729
		10,237	7,738
Solvency Reserve % (B / (A – B)) x 100		0.24%	0.33%
Coverage of Solvency Reserve C / B		5.02	2.84

(1) The minimum level of assets required to be held in each statutory fund, prescribed by the solvency standard referred to in Part 5 of the Life Insurance Act 1995.

(2) 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.

(3) IOOF Life Ltd, as a regulated insurer, established a statutory fund during the year ended 30 June 2003. No transactions occurred in this statutory fund until the life insurance business of AM Life Limited was transferred to IOOF Life Ltd on 31 December 2003. The solvency requirement shown is also in respect of the Benefit Funds in IOOF Ltd.

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

46 Subsequent events

On 26 August 2010, the Directors declared a final dividend of 18.0 cents (2009: 4.0 cents) per ordinary share fully franked at 30% tax rate in relation to the financial year ended 30 June 2010. The dividend will be paid on 13 October 2010. The total final dividend payment is estimated at $41,428,000.

The Group has signed a transfer agreement for the transfer of the life policies of IOOF Ltd. The consideration of the policies is $220,000 and the effective date of the transfer date is 1 September 2010.

On 9 August 2010, the company agreed terms to acquire the North investment platform business ('North') from AXA Asia Pacific Holdings Limited ('AXA APH') if a proposed acquisition of AXA APH by National Australia Bank Ltd ('NAB') proceeds. The acquisition of North is contingent on Australian Competition and Consumer Commission ('ACCC') acceptance of draft enforceable undertakings lodged by AXA APH and NAB. The outcome of the ACCC's deliberations in this matter is not known at the date of this report.

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

Shareholder information

Share Capital

IOOF has on issue 230, 229,468 fully paid ordinary shares held by 57,825 holders as at 27 September 2010. All ordinary shares of the company carry one vote per share.

Twenty Largest Shareholders

Rank	Investor Name	Total Units	% of Issued capital
1	Trust Company Fiduciary Services Limited	27,412,867	11.91%
2	JP Morgan Nominees Australia Limited	22,795,376	9.90%
3	National Nominees Limited	18,506,791	8.04%
4	Sandhurst Trustees Limited	17,938,337	7.79%
5	HSBC Custody Nominees (Australia) Limited	17,018,326	7.39%
6	Citicorp Nominees Pty Limited	11,048,640	4.80%
7	UBS Wealth Management Australia Nominees Pty Ltd	7,948,054	3.45%
8	Cogent Nominees Pty Limited	7,771,914	3.38%
9	AMP Life Limited	3,056,110	1.33%
10	Cogent Nominees Pty Limited <SMP Accounts>	2,842,686	1.23%
11	ANZ Nominees Limited <CASH INCOME A/C>	2,493,495	1.08%
12	Queensland Investment Corp	1,921,803	0.83%
13	Mr Ian Gregory Griffiths	1,340,483	0.58%
14	David Vautin Pty Ltd <David Vautin Family A/C>	1,089,218	0.47%
15	Australian Reward Investment Alliance	1,036,809	0.45%
16	IOOF Holdings Trustee Pty Ltd IOOF Foundation	977,897	0.42%
17	Lujeta Pty Ltd <Margaret A/C>	897,188	0.39%
18	Citicorp Nominees <CFSIL CWLTH Small Co 7 A/C>	811,166	0.35%
19	Morris Equity Investments Pty Ltd<The KDLM A/C>	780,976	0.34%
20	Custodial Services Limited <Beneficiaries Holding A/C>	756,494	0.33%
	Total	**148,444,630**	**64.48%**

Distribution of Equity Securities

a Analysis of number of shareholders by size of holding

Range	No. of holders	No. of Units	% Issued Capital
1 – 1,000	42,117	13,539,289	5.88
1001 – 5000	13,306	28,083,855	12.20
5001 – 10,000	1,545	10,880,980	4.73
10,001 – 100,000	783	17,840,850	7.75
100,001 +	74	159,884,494	69.45
Total	**57,825**	**230,229,468**	**100.00**

b There were 7,156 shareholders holding less than a marketable parcel ($500) based on a market price of $6.77 at the close of trading on 27 September 2010.

Shareholder information (cont'd)

Substantial Shareholdings

The following substantial shareholder notices have been lodged in accordance with section 671B of the Corporations Act 2001:

Name	Date of Notice	No. of Ord. Shares	% of Issued Capital
Trust Company Fiduciary Services Ltd	12 May 2009	27,834,878	11.93%
Bendigo and Adelaide Bank Ltd	12 May 2009	17,938,337	7.8%

Share register and other enquiries

If you have any questions in relation to your shareholding, share transfers or dividends, please contact our share registry:

Link Market Services
Locked Bag A14
Sydney South NSW 1235

Australian callers: 1300 554 474
Telephone: +61 2 8280 7111
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Please include your shareholder reference number (SRN) or holder identification number (HIN) in all correspondence to the share registry.

Corporate Directory

Directors

Mr Ian Blair
OAM, MMgt, FCA
Chairman

Mr Christopher Kelaher
B.Ec, LL.B, F Fin
Managing Director

Dr Roger Sexton
B.Ec. (Hons), M.Ec. Ph.D (Econ), FAICD, FAIM. FFin, C. P Mgr, C.Univ

Mr Ian Griffiths
C.Acc, DipAll, MIIA

Ms Jane Harvey
B.Com, MBA, FCA, FAICD

Mr James Pfeiffer
BA, LLB

Mr George Venardos
BComm, FCA, FCIS, FAICD, FTIA

Company Secretary

Ms Danielle Corcoran

Notice of Annual General Meeting

The Annual General Meeting of IOOF Holdings Ltd will be held at the offices of:

Ord Minnett Limited
Level 23, 120 Collins Street
Melbourne, VIC, 3000

Time 9.30am
Date 23 November 2010
A formal notice of meeting is enclosed.

Principal registered office in Australia

Level 12, 303 Collins Street
Melbourne, VIC 3000

Telephone 03 8614 4400

Share registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne, VIC 3000

Telephone 1300 552 203 (Australia)
612 8280 7111 (outside Australia)

Auditor

KPMG
147 Collins Street Melbourne, VIC 3000

Solicitors

Blake Dawson Waldron
Level 26, 181 William Street
Melbourne VIC 3000

Freehills
MLC Centre 19 Martin Place
Sydney NSW 2000

Mallesons Stephen Jaques
Bourke Place 600 Bourke Street
Melbourne VIC 3000

Bankers

Commonwealth Bank Limited
201 Sussex Street, Tower 1
Sydney NSW 2000

Securities exchange listing

IOOF Holdings Ltd shares are listed on the Australian Securities Exchange (ASX: IFL)

Website address

www.ioof.com.au