Annual Report 2008

“Coming together is a beginning. Working together is success.”

Henry Ford

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Chairman's report

The work of the Board this last year has been focussed on supporting management efforts to produce the best possible financial result for shareholders, along with considerable focus on the longer term strategic options which are open to the company.

IOOF generates its revenue by charging a small fee based on the value of the funds we manage for our investor clients, so the level of Funds Under Management and Administration (FUMA) is a central factor in determining our financial success. In the last financial year, we took a heavy knock to our FUMA levels when the Australian and worldwide financial markets fell by more than 20 per cent. Our FUMA levels fell from $34.8 billion at 30 June 2007, to $29.4 billion at 30 June 2008. With this fall came reduced profits. Although our reported bottom line increased from the previous year, the real or underlying level of company profit fell to produce a disappointing profit result for the company.

Our underlying earnings per share fell from 47 cents to 38 cents, and we have had to reduce our dividend payments from 33 cents per share last year to 30 cents this year, including a final 15 cent dividend payable in October.

Whilst it is cold comfort to report this result, it is a fact that most of our competitor companies in the financial services sector experienced similar disappointing results.

Outlook

Looking beyond the financial result, I can report with a great deal of confidence, that the company is in very good shape to take advantage of any market recovery or increase in investor confidence.

The company:

- is debt free
- has four sound business units (Perennial, Portfolio Solutions, Investor Solutions and Consultum) which cover a wide spectrum of financial services including advice, administration services and asset management
- has a very strong management team led by Chief Executive Officer, Tony Robinson
- operates in an expanding industry sector which is based around the rapid growth of superannuation savings in Australia
- has successfully operated during both good and bad economic conditions, for more than 160 years.

The Board and management

In April 2007, we welcomed Tony Robinson to the company as our new Chief Executive Officer. In his first full year with the company, Tony has worked tirelessly and with the support of his management team has achieved excellent results in adding to our sales capability, maintaining investment performance, encouraging product development efforts, stabilising the cost base of the company, and strengthening our business systems. Tony and his team have the full support of the Board, and we have every confidence they will achieve the 2009 goals we have agreed as being appropriate in what is likely to be another difficult year.

The work of the Board this last year has been focussed on supporting management efforts to produce the best possible financial result for shareholders, along with considerable focus on the longer term strategic options which are open to the company. The Board has been largely renewed over the last few years, and is working well as a team, and as a support resource for Tony Robinson, his management group, and for the dedicated staff of the company. I would like to thank each of the Board members for their contributions during the last year.

Our role in the community

I always admire the good work of the IOOF Foundation, which was set up with a capital base at the time of IOOF's demutualisation in 2002 and which continues the important role IOOF has played in supporting the community since 1846.

In the last year, the Foundation made total community support grants of $1.4 million, and for the six years of its life, has gifted $4.5 million to organisations committed to supporting disadvantaged families, aged care and disadvantage children and youth. A very special thanks to our Board of Trustees, comprising Mr Ken Barry, Mr Ron Bunton and Ms Angie Dickschen.

Looking ahead

As I mentioned earlier, the next year is shaping up as another difficult year, as we work through the turbulent equity and credit market conditions that have prevailed for the last 12 months or so.

Although financial markets and outcomes are uncertain, we can be satisfied that the company is in a sound financial condition and well placed to cope with all that an uncertain world can throw at us.

Ian Blair,
Chairman

Chief Executive Officer's report

A year in two halves

What an extraordinary year. The 2007/08 year started well with strong funds growth and funds flow for most of the first half. In October 2007 we were nearly five per cent up in our aggregate funds position relative to our position at the start of the year.

By 30 June 2008 however, our funds balances were down nearly 20 per cent.

And the revenue in each of our businesses is a product of our funds balances. Each of these businesses manage pools of investor funds (both superannuation and non-superannuation) from which we earn revenue as a percentage of the fund balance.

That method of calculating revenue is consistent even though each business provides a different service for its income:

- Perennial provides asset management
- Portfolio Solutions provides investment and superannuation administration services
- Investor Solutions provides structured investment products
- Consultum provides adviser services.

These fund balances (and so our revenue) move as a product of our net flows (inflows less withdrawals) and investment returns.

This is usually one of the great attractions of the industry. Unfortunately this year the impact of negative investment returns has outweighed the positive impact of net funds flows and this has had a negative impact on IOOF's revenue.

This impact on our revenue has seen our Underlying Net Profit After Tax (UNPAT) fall. Our Net Profit After Tax (NPAT) is up but that reflects the inclusion of a number of balance sheet movements which now flow through the profit and loss statement and so mask the underlying operating performance.

Overall a year that started well finished unsatisfactorily.

Achievements in 2007/08

Notwithstanding the fall in UNPAT I believe it has been a successful year by almost all other measures.

We create shareholder value by working to produce positive outcomes for our investors. An important part of that is achieved by growing our expertise and capabilities. During 2007/08 we focused on significant improvement in our core competencies being:

- investment performance
- sales
- product development
- business systems.

Investment performance is a core part of IOOF's three brands (Perennial, Consultum and IOOF) though the key driver of this competence sits in the Perennial boutiques. These boutiques, which are independent and materially owned by the key asset managers, are not directly managed by IOOF. We believe this is a structure which ensures there is alignment of interest between IOOF, the fund manager and the investors, all of whom are looking to benefit from long-term above benchmark investment performance.

I am pleased to be able to report that the investment performance across the Group has been, and remains, very strong. There is no better illustration of this than the award Perennial received from Money Management/Lonsec as Fund Manager of the Year.

We have also progressed well with each of the other core competencies throughout 2007/08.

We have significantly increased our sales focus and capabilities with an increase in the Perennial Retail and the IOOF Portfolio Solutions sales teams as specific examples. In each case we have seen improvements in outcomes but, more importantly, improvements that position us for further success in 2008/09 and beyond.

Often these sales efforts have long lead times before the full benefit is seen. For example, in our administration business (Portfolio Solutions) the sales cycle starts at the dealer group level as we work to be included on their approved platform list. We then need to sell the benefits of our offering to the individual advisers and then work with them to communicate the advantages of our platform to the end investor.

In 2007/08 we achieved great success in having our administration service included on the approved product list of a number of new dealer groups, seeing a lift in the number of advisers actively using our service. We expect this growth to continue in 2008/09.

This touches on an example of our product development capability. Selling is a lot easier if you have good products and services and our new Pursuit superannuation administration service has been well received by the market.

In 2007/08 we saw a number of other products and services launched or reinvigorated, none better illustrating our capability in this area than the launch of our restructured Multi-Manager product – MultiMix. This was a complex project delivered on time and on budget and provides us with a product which should add to funds flows in 2008/09.

But perhaps the most significant improvement in our capabilities was in our systems. Good business systems ensure that service levels are high, efficiency is achieved, accuracy is maintained and growth can be accommodated.

During 2007/08 we made significant investments in our business systems:

- Consultum continued to drive the customisation of its core planning support software
- Portfolio Solutions mapped all key operational processes and upgraded key applications such as our document management system
- Perennial upgraded its compliance management and trading systems
- Investor Solutions made significant structural improvements to the services supporting its products.

At a Group level, improvements were also made in our disaster recovery and business continuity capabilities as well as substantial upgrades to IT networks and processes to improve reliability and response times.

Throughout 2007/08 we have invested in our business and managed it in a manner which saw costs controlled and significant short-term gains achieved.

I am very confident that these changes will be positive for the long-term outlook for IOOF and our shareholders as we are now well placed to deal with any ongoing difficulties in the financial sector and to benefit when the investment returns once again positively contribute to growth in funds balances.

Expectations for 2008/09

Unfortunately 2008/09 is looking like it will be another challenging year with negative market movements in the first part of the year continuing to impact funds balances.

This means we will need to balance the investment we make to drive improvements in subsequent years with the need to moderate expenditure to ensure we deliver an appropriate result in this year. We believe we can find the right balance and are continuing work to ensure that the business grows and will be a better business tomorrow than today.

In 2008/09 we will continue to pursue initiatives which should produce:

- a further expansion in our distribution reach helping to improve our net funds flow
- additional or improved products increasing the funds or asset pools we manage
- greater process efficiency, effectiveness and reliability allowing us to operate more competitively and produce better levels of service.

We will also continue to work to identify appropriate acquisition opportunities.

Impact on our people

These years are always difficult for the people who are working in the business.

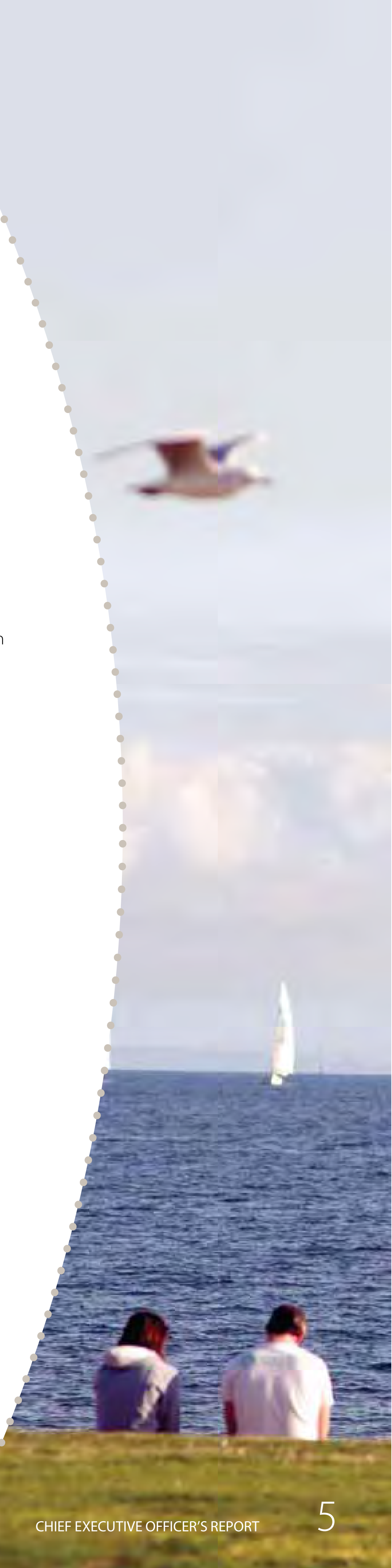
While the controllable outcomes have all improved, the financial scoreboard doesn't reflect these achievements.

I believe that makes what has been achieved during 2007/08 even more impressive. The way everyone has responded to the need for often quite significant change has been terrific.

I believe that we are a capable organisation full of capable people which gives me great confidence about this year and the years ahead.

In conclusion, I would like to thank all the people associated with IOOF for their efforts and achievements throughout 2007/08. I look forward to working with you throughout 2008/09 as we continue to build IOOF into the future.

Tony Robinson,
Chief Executive Officer



Young
To attract a new generation of clients, IOOF has developed products targeted at younger investors.
www.individuum.com.au

The year at a glance

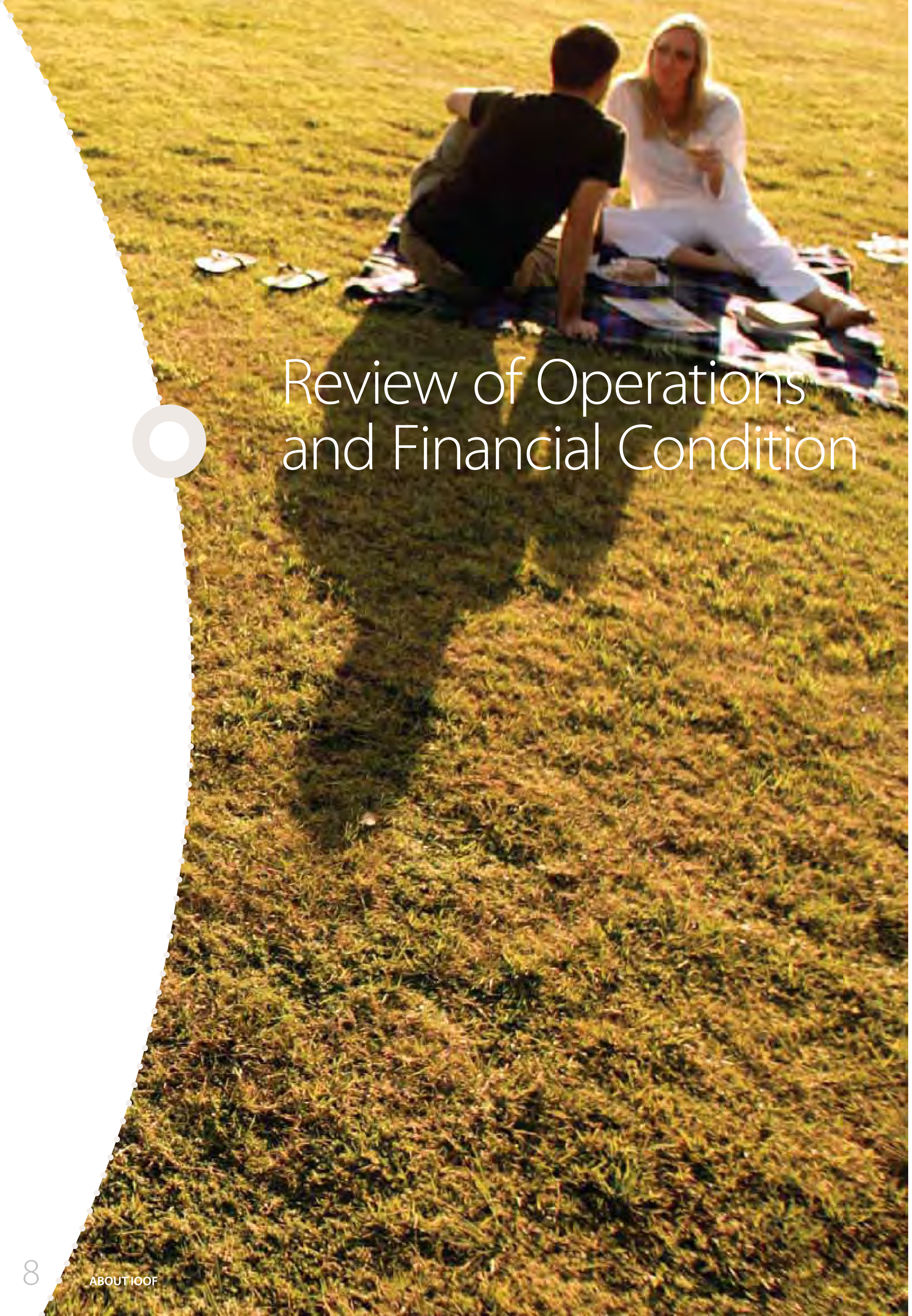
Financial highlights

- Underlying Net Profit After Tax (UNPAT[1]) of $25.9 million (2007: $29.3 million). Net profit after tax (NPAT[2]) was $23.3 million (2007: $22.3 million).
- Underlying[3] cash earnings of $46.0 million (2007: $50.7 million).
- Total Funds Under Management and Administration (FUMA) at year end of $29.4 billion.
- Fully franked dividends for the year of 30 cents per share comprised of an interim 15 cents per share dividend paid and a final 15 cents per share dividend declared. This represents a pay out ratio to underlying earnings of 79.3 per cent.
- An equity placement of $40 million was made in July 2007, with net proceeds used to repay debt as it matured.

Milestones

- Perennial Partners Trust launched. A product to take advantage of volatile investment markets and bringing together the highest conviction ideas of Perennial's specialist investment management boutiques.
- Perennial's brand established in the retail market with the 'Imagine' fee free campaign.
- Perennial Investment Partners awarded Money Management/Lonsec 2008 Fund Manager of the Year Winner (Overall).
- Perennial Growth Management awarded Money Management/Lonsec 2008 Fund Manager of the Year Winner (Australian Equities – Broad Caps).
- Perennial received the following awards at the Money magazine Best of the Best 2008 awards:
  - winner Best Fund Manager – Perennial Investment Partners
  - winner Best Australian Fixed Interest Fund – Perennial Fixed Interest
  - second place in the Best Growth Fund category – Perennial Balanced
  - second place in the Best Australian Shares Fund category – Perennial Value
  - third place in the Best Australian Shares Funds category – Perennial Growth.
- Perennial was a finalist in the 2008 AFR/Smart Investor Blue Ribbon Award for Global Listed Property after winning the title in 2007.
- Wealth Insights/ASSIRT Service Level Survey results for 2008 identified IOOF in the top five within the platform industry in 'ease of doing business' and 'administrative support', encompassing key service and support areas.
- Various industry bodies gave their highest rating to the following personal and employer superannuation products:
  - Pursuit Select Personal Superannuation
  - Pursuit Core Personal Superannuation
  - IOOF Portfolio Service Personal Superannuation
  - IOOF Portfolio Service Employer Superannuation.
- Launched web-based financial services provider, individuum, developed exclusively for younger investors.
- 22 new authorised representatives appointed to Consultum Financial Advisers.
- Consultum Financial Advisers developed and launched a market-leading cadetship program, designed to combat the skills shortage in the financial planning industry.
- Multi-Manager funds restructured into the IOOF MultiMix Trusts. This restructure has re-positioned IOOF's Multi-Manager capabilities, improving product flexibility and our ability to be increasingly innovative with these products.
- Acquired approximately 13 per cent of the issued capital of MacarthurCook Limited.

1 UNPAT – NPAT excluding the after tax impact of: a) acquiring the remaining minority interest in Perennial Investment Partners Ltd (PIPL); and b) revaluations of liabilities arising from PIPL Group shareholder agreements. (Perennial related entities).
2 NPAT – profit attributable to the members of IOOF Holdings Ltd after allowing for minority interests.
3 Underlying results exclude the impact of the PIPL acquisition and restructuring costs.



About IOOF

In the highly competitive financial services sector, IOOF stands out as a unique, customer-focused organisation.

With a heritage dating back over 160 years and a reputation as a wealth management specialist, IOOF has shown a longstanding commitment to the guardianship of clients' investments and retirement savings.

Drawing upon our significant industry expertise and growing capabilities, IOOF enjoys a solid reputation providing clients with secure and expertly managed investments, and high levels of customer service. Our careful attention to the needs of investors, financial advisers and superannuants, and an ongoing investment in people and technology have all helped to underpin substantial growth since we listed on the ASX in December 2003.

Our four business units

Operating across a wide and complementary spectrum of activity, each of our four business units are building a strong reputation in their own right, whilst collectively adding to the strength and value of the overall publicly listed entity, IOOF Holdings Ltd.

During 2007/08 we have continued to build and strengthen the capability of our four specialist business units, these being:

- Portfolio Solutions specialising in the management and administration of superannuation funds
- Investor Solutions focused on providing simple, easy to understand investment solutions to retail investors
- Perennial Investment Partners Limited, our highly awarded boutique asset management business
- Consultum Financial Advisers Pty Ltd, our national financial advisory dealer group.

The collective capability of each of the businesses enables us to service the needs of clients throughout many 'life stages' and we are focused on this theme as we move forward and plan how best to grow and expand the business.

Delivering value to shareholders

Whilst each of the four business units are focused on achieving results for their customers, at a Group level, we aim to ensure the highest levels of profitability, governance, compliance and risk management and a consolidated result that delivers value and superior returns to shareholders.

We help our shareholders to achieve their objectives by:

- investing capital wisely in initiatives that will help the businesses to grow and expand their market share
- prudently reinvesting in each of the businesses in a manner that manages risk whilst encouraging initiative and innovation
- optimising the industry knowledge and understanding of our staff and providing them with maximum opportunity to apply that expertise
- carefully balancing our compliance and legal obligations with our efforts to streamline and simplify processes.

As at 30 June 2008, the IOOF Group proudly oversees nearly $30 billion in Funds Under Management and Administration, demanding a level of commitment from our people who understand that continuous improvement is critical to future success. In the business of wealth management, capable and committed staff are critical. IOOF is working to create an environment that encourages teams to work closely and co-operatively whilst also catering for the career and development needs of the many industry specialists who thrive on stretch goals and high performance objectives.

Guardianship of our clients' investments has also demanded an ever increasing commitment to technology, and each of our business units continues to place a strong emphasis on systems enhancements that strengthen capability and improve the customer experience.

Building for the future

Above all, IOOF is a relationship business. One of the principal objectives of each of the business units is to continue to build on existing client relationships whilst seeking new opportunities for direct sales, alliances and business partnerships. All of our efforts – both internally as our corporate services groups build the operating platform, and externally as we maximise our customer value proposition – will continue to be focused on measured growth and expansion.

John Billington
General Manager

IOOF Portfolio Solutions

"In a strategic move to future proof our business we launched a web-based financial services product to capture the Generation Y market. This allows us to focus our efforts on our current distribution channels but also to target those who will shape the future of our business."

IOOF Portfolio Solutions creates and distributes investment and superannuation administration services to advisers, their clients and employers.

Our administration platforms – Pursuit, IOOF Portfolio Service and LifeTrack – allow advisers and investors to construct and manage a range of investments. However, the administrative, record-keeping and reporting burdens usually associated with direct investment are handled by us. It is an easy and cost-effective way to access a carefully selected list of Australian and international investment managers, all within the one investment vehicle.

Portfolio Solutions' strategy and activity aims to:

- deliver simple superannuation and investment solutions for investors
- create rewarding partnerships with advisers
- provide personal and efficient customer service.

Highlights in 2007/08

- Wealth Insights/ASSIRT Service Level Survey results for 2008 identified IOOF in the top five within the platform industry in 'ease of doing business' and 'administrative support', encompassing key service and support areas.
- Various industry bodies gave their highest rating to the following personal and employer superannuation products:
  - Pursuit Select Personal Superannuation
  - Pursuit Core Personal Superannuation
  - IOOF Portfolio Service Personal Superannuation
  - IOOF Portfolio Service Employer Superannuation.
- Launched web-based financial services provider, individuum, developed exclusively for younger investors.

Renato Mota
General Manager

IOOF Investor Solutions

"Investor Solutions has an opportunity to assist new generations of Australians to invest and save in a way that is simple and relevant to their own needs."

IOOF Investor Solutions develops and packages investment products tailored to meet investor needs and aspirations.

Investor Solutions aims to achieve this by developing simple and relevant investment solutions and reinforcing the value of financial advice.

Investor Solutions is built around IOOF's traditional life insurance (friendly society) and multi investment manager capabilities, including IOOF's Supersaver Options and IOOF MultiMix Trusts.

Investor Solutions also encompasses IOOF Private Client Advisers – IOOF's in-house advisers who support IOOF's direct client base and their investment needs.

Highlights in 2007/08

- The restructure of the Multi-Manager funds, into the IOOF MultiMix Trusts. This restructure has re-positioned IOOF's Multi-Manager capabilities, improving product flexibility and our ability to be increasingly innovative with these products.
- Significant time and energy was spent on understanding the lifetime needs of investors to develop a new generation of simple investment products. The relaunch of IOOF's existing IOOF Supersaver Options products planned for late 2008 will demonstrate this new understanding of investors' needs.

Anthony Patterson
Managing Director

PERENNIAL INVESTMENT PARTNERS

"Perennial's 'Imagine' fee free campaign was developed to take advantage of the one off 'Better Super' legislation implemented in June 2007. This initiative was integral to establishing Perennial's brand in the retail market."

Perennial Investment Partners (Perennial), Australia's leading boutique investment firm, comprises a suite of specialist investment management boutiques: Perennial Value, Perennial Growth, Perennial Fixed Interest, Perennial International and Perennial Real Estate.

Perennial Group's sole purpose is to provide superior investment returns for our clients. It is this premise that has been the catalyst for the growth of Perennial to now manage approximately $18.5 billion on behalf of our institutional and retail clients.

The investment capabilities of the Perennial boutiques cover most major asset classes including Australian shares (value and growth styles), international shares, global and Australian listed real estate, fixed interest and cash.

Highlights in 2007/08

- Perennial Partners Trust launched. A product to take advantage of volatile investment markets and bringing together the highest conviction ideas of Perennial's specialist investment management boutiques.
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- Perennial received the following awards at the Money magazine Best of the Best 2008 awards:
  - winner – Best Fund Manager – Perennial Investment Partners
  - winner – Best Australian Fixed Interest Fund – Perennial Fixed Interest
  - second place in the Best Growth Fund category – Perennial Balanced
  - second place in the Best Australian Shares Fund category – Perennial Value
  - third place in the Best Australian Shares Funds category – Perennial Growth.
- Perennial was a finalist in the 2008 AFR/Smart Investor Blue Ribbon Award for Global Listed Property after winning the title in 2007.

Stuart Abley
Head of Consultum

Consultum Financial Advisers

"With growth of 22 new authorised representatives combined with the successful launch of the adviser cadetship program, 2007/08 has seen Consultum Financial Advisers consolidate our position in the market as one of Australia's leading financial planning groups."

Consultum Financial Advisers Pty Ltd (Consultum) is IOOF's financial advisory dealer group and strives to provide life-stage financial planning for clients.

Consultum acts as an Australian Financial Services Licensee to a panel of over 100 authorised financial advisers, located across Australia.

In this capacity, Consultum delivers services such as software support, professional development, professional standards and marketing to the panel allowing them to create and maintain successful advice businesses in their local areas.

Through this network of financial advisers, Consultum provides professional financial advice and services to members of the Australian public.

Consultum financial advisers are qualified, experienced professionals committed to ongoing professional education and training.

They are authorised to offer services and advice on:

- retirement planning
- superannuation
- wealth creation
- estate planning
- risk management.

Highlights in 2007/08

- 22 new authorised representatives appointed to the group.
- A market-leading cadetship program was developed and launched, designed to combat the skills shortage in the financial planning industry.
- A fully customised financial planning software solution – IRESS' Xplan application – was rolled-out complete with customised service. This technology has significantly enhanced efficiencies within our adviser practices and is a stand-out in the marketplace.

Our management structure

IOOF Board of Directors (from left to right): Mr James Pfeiffer, Mr Antony (Tony) Robinson, Ms Jane Harvey, Mr Anthony (Tony) Hodges, Dr Roger Sexton, Mr Roderick (Rick) Harper, Mr Ian Blair and Ms Kate Spargo.

IOOF Holdings Ltd Board of Directors

Mr Ian Blair
OAM, MMgt, FCA

Ian is Group Chairman of IOOF Holdings Ltd and has been a Non-Executive Director since 2002. He remains a Director of IOOF Investment Management Limited, IOOF Ltd and IOOF Life Ltd, having stood down as Chairman of these entities earlier this year.

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

Roger is Deputy Chairman and has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He is a Director of Perennial Investment Partners Limited and a member of the Remuneration and Nominations Committee.

Mr Roderick (Rick) Harper
B.Com (Hons.), CFTP (Snr.)

Rick has been a Non-Executive Director of IOOF Holdings Ltd since 2006 and is a member of the Audit and Risk Committee.

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

Jane has been a Non-Executive Director of IOOF Holdings Ltd since 2005. She is also a Director of IOOF Investment Management Limited, IOOF Ltd and IOOF Life Ltd. Jane is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee.

Mr Anthony (Tony) Hodges
Dip FP, FAICD (Dip), SF Fin.

Tony has been an Executive Director of IOOF Holdings Ltd since 2004. He joined the IOOF Group in 1985 and holds the executive position of Chief Investment Officer. Tony is a Director of IOOF Investment Management Limited, IOOF Services Pty Ltd, IOOF Ltd, IOOF Life Ltd, IOOF Investment Holdings Ltd, Consultum Financial Advisers Pty Ltd and OutScope Ltd.

Mr James Pfeiffer
BA, LLB

James has been a Non-Executive Director of IOOF Holdings Ltd since 2005. He is also Chairman of IOOF Investment Management Limited, IOOF Ltd and IOOF Life Ltd. James is Chairman of the Governance Committee and a member of the Audit and Risk Committee.

Mr Anthony (Tony) Robinson
B.Com, MBA

Tony has been Chief Executive Officer since April 2007 and is a member of the Governance Committee. Before joining IOOF he was the CEO of listed insurance and broking company, OAMPS Ltd, from 2002-2006 prior to its acquisition by the Wesfarmers Group. Tony is a Director of IOOF Investment Management Limited, IOOF Services Pty Ltd, IOOF Ltd, IOOF Life Ltd, IOOF Investment Holdings Ltd, Consultum Financial Advisers Pty Ltd and OutScope Ltd. Tony is also a Non-Executive Director of Bendigo Bank Ltd.

Ms Kate Spargo
LLB (Hons.), BA, FAICD

Kate has been a Non-Executive Director since 2002. She is a Director of Perennial Investment Partners Limited, Chairman of the Remuneration and Nominations Committee and a member of the Governance Committee.

IOOF business unit leaders

Mr Stuart Abley
Head of Consultum Financial Advisers
Dip FP, CFP, Dip AII

Stuart joined the IOOF Group in 2006 when the Group purchased the remaining equity in the dealer group, Financial Partnership of which he was a founding Director.

Prior to this, Stuart held a number of senior executive positions including Managing Director of Lynx Financial Services, senior management roles at ING, National Sales & Marketing Manager for IFMA Financial Services and Business Development Manager with Zurich Australia.

With over 20 years industry experience in various adviser management roles, Stuart contributes a great depth of understanding about what advisers require to support the growth of a successful and sustainable advice business.

Mr John Billington
General Manager,
IOOF Portfolio Solutions

John joined the IOOF Group in October 2006. He has extensive experience throughout the financial services sector, with over 25 years working in the finance, asset management and banking sectors.

Most recently, John worked as Principal Consultant with Phoenix Consulting, where he primarily worked with a leading superannuation fund manager to enhance their product, investment and operational functions.

John also spent over three years as Managing Partner Financial Services with Deloitte where he consulted to a range of financial services organisations, including AXA and NAB. During this time, he established Deloitte's Financial Services practice in Hong Kong.

His successful career has also included roles such as National Operations Manager with AMP, Acting Chief Financial Officer AXA Asia Pacific, Associate Partner with Andersen Consulting and Product Manager with ING.

Ms Adrianna Bisogni
General Counsel LLB, BA

Adrianna was appointed the IOOF Group's General Counsel in 2003. Adrianna has responsibility for the legal and compliance functions, corporate governance and overseeing the Board and company secretarial functions.

Adrianna is a lawyer with over 15 years experience in corporate law and the financial services industry having worked for firms such as Mallesons Stephen Jacques and Rothschild Asset Management Limited. Adrianna also acts as Alternate Company Secretary.

Mr Mark Blackburn
Chief Financial Officer
Dip Bus (Acct), CPA, GAICD

Mark has over 30 years experience in finance, working across a broad range of industries for companies such as WMC, Ausdoc, Laminex Industries, AAMI/Promina and Olex Cables.

In particular, Mark has public company experience in financial management and advice, management of financial risks, management of key strategic projects, acquisitions and establishing joint ventures.

Mr Anthony (Tony) Hodges
Chief Investment Officer
Dip FP, FAICD (Dip), SF Fin

Tony was appointed as an Executive Director in September 2004 and is also currently an executive director of a number of Group subsidiaries. His 35-year career in the securities industry spans both merchant banking and investment management.

He has held senior positions with AMP Morgan Grenfell Acceptances and AMP Discount Corporation before joining the IOOF Group in 1985. At that time he established the Investment Division as Head of Investments.

Tony has extensive experience in establishing and managing successful investment management teams, and is a founding director of Perennial Investment Partners Limited.

He has been involved with the Securities Institute of Australia for 18 years as a principal lecturer and was a member of the Economics Savings and Tax Committee of IFSA for eight years.

Mr Renato Mota
General Manager,
IOOF Investor Solutions
BBus (EcoFin), BCom (Hons), CFA

Renato joined IOOF in 2003 and prior to his role as General Manager, Investor Solutions was responsible for IOOF's Corporate Strategy and Communications.

He has over 10 years experience in financial services with particular focus on corporate strategy and mergers & acquisitions, having worked for firms such as NM Rothschild & Sons, National Australia Bank and ANZ Banking Group.

Mr Anthony Patterson
Managing Director,
Perennial Investment Partners
SA Fin, AAICD

Anthony is Managing Director of Perennial Investment Partners Limited and has over 25 years experience in the investment and superannuation industries.

Anthony joined Perennial in 2001 and was promoted to the position of Managing Director in 2003. As well as being a Director of Perennial Investment Partners Limited, he is also a Director of each of Perennial's six boutique investment businesses. Additionally he is President and Director of Perennial Investment Partners (U.S.) Inc. which operates out of Stamford, Connecticut; a Director of Perennial Investment Partners (UK) and a Director of Perennial Investment Partners Investment Funds plc which is a listed company in Ireland set up to facilitate foreign investors utilising Perennial's global capabilities.

Prior to joining Perennial, Anthony was CEO of Lend Lease Corporate Services Limited. During this time, Anthony participated in the management team of MLC Limited, which oversaw the implementation of MLC Limited's overall business strategy.

Mr Antony (Tony) Robinson
Chief Executive Officer (CEO)
BCom, MBA

Tony was appointed CEO in April 2007. He has broad experience in an array of service-based industries and brings to IOOF a wealth of executive-level experience across financial services and other related industries.

Most recently, Tony was the CEO of listed insurance and broking company, OAMPS Ltd, from 2002-2006 prior to its acquisition by the Wesfarmers Group. Under his tenure, OAMPS grew from 200 to over 1,200 employees to become the largest Australian-owned insurance broker and specialist underwriter in the market.

Previously, he was the CEO of financial services technology group, Wealthpoint, part of the St George Group (1998-2001) and also held a variety of senior management roles at Link Telecommunications and Mayne Nickless.

Tony is a Non-Executive Director of Bendigo Bank Ltd.

Peter Wallbridge
General Manager,
HR & Corporate Marketing
BEd, Grad Dip Bus (HR)

Peter joined IOOF in October 1998 after 10 years in senior human resources roles with National Mutual/AXA Asia Pacific.

With 20 years experience in corporate HR he is responsible for human resources policy and consulting services across the Group, including the payroll and premises functions.

In 2007 Peter assumed additional management responsibility for the corporate marketing function, including internal communications and the IOOF Foundation.

Peter is Secretary to the Board Remuneration and Nominations Committee.

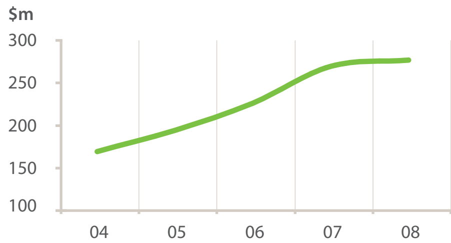
Singles

Singles are catered for by flexible investment products which they can use as they move to other stages of their lives.

Our financial performance

Scorecard – our five-year performance

Revenue

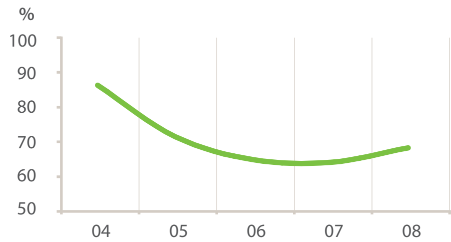


Represents **revenue** excluding other income. All figures have been prepared on an International Financial Reporting Standards (IFRS) or IFRS comparable basis.

Revenue has increased from $167.1 million to $274.7 million.

13% Compounding annual growth 2004 – 2008

Underlying operating expense to margin



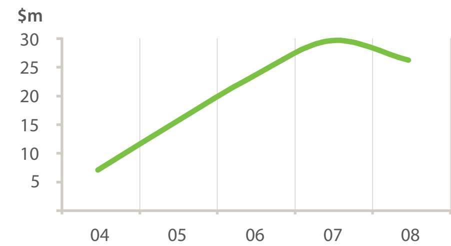
Underlying operating expense excludes commission, management fees and certain non-cash items. 2006-08 exclude the impact of significant items associated with non-recurring investment write downs/losses, the acquisition of Perennial minority interests and share agreements liability revaluations.

Margin equals revenue & equity accounted profit, net of commission & management fees. Non recurring revenue items are excluded.

Underlying operating expense to gross margin has decreased from 86% to 68%.

6% Five-year average annual decrease

Underlying net profit after tax

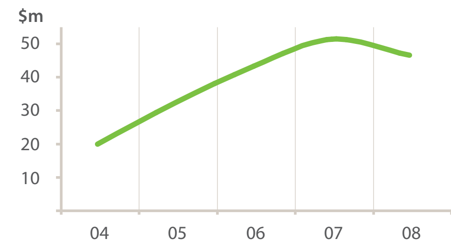


Underlying net profit after tax is based on IFRS figures used for management reporting purposes. 2006-08 exclude the impact of significant items associated with non-recurring investment write downs/losses, the acquisition of Perennial minority interests and share agreements liability revaluations. All figures have been prepared on an IFRS or IFRS comparable basis.

Underlying net profit after tax has increased from $6.8 million to $25.9 million.

40% Compounding annual growth 2004 – 2008

Underlying cash earnings

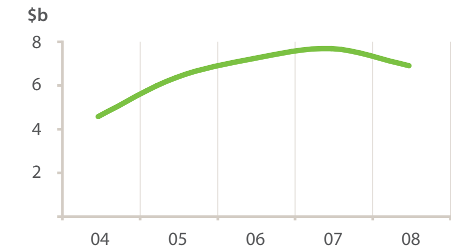


Underlying cash earnings are represented by gross margin less operating expenses. Excluded from these earnings are non cash and non recurring items. 2007 excludes the impact of significant cash items associated with the acquisition of Perennial minority interests.

Underlying cash earnings have increased from $18.7 million to $46.0 million.

24% Compounding annual growth 2004 – 2008

Funds inflows

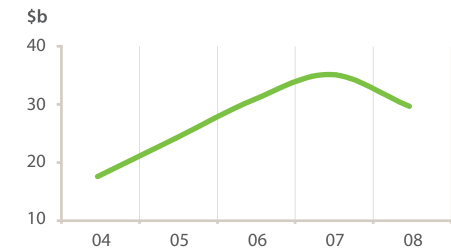


Funds inflows represent the gross deposits into IOOF/Perennial investment products during the financial year.

Funds inflows have increased from $4.5 billion to $6.8 billion.

11% Compounding annual growth 2004 – 2008

Assets under management

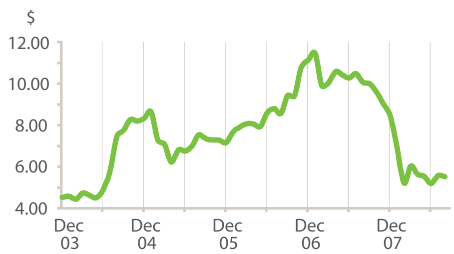


Assets under management represent the total dollar balance, at 30 June in each year, of IOOF/Perennial product Funds Under Management and Administration.

Assets under management have increased from $17.3 billion to $29.4 billion.

14% Compounding annual growth 2004 – 2008

Share price



Represents IOOF's monthly closing **share price** since listing in December 2003.

Share price has increased from $4.44 at 31 December 2003 to $5.10 at 30 June 2008.

2% Compounding annual growth rate since listing

To facilitate a comparison of performance over the past five years the graphs on this page have been adjusted to remove material impacts of IFRS not related to operating performance.

These graphs represent revenue, expenditure and earnings of IOOF excluding the consolidation of the benefit funds.

Understanding the data behind IOOF's performance

The key drivers affecting the financial performance for the financial year ended 30 June 2008 were reduced Funds Under Management and Administration (FUMA) and increased service costs.

IOOF services pools of investors' money on which it then earns revenue as a percentage of the fund balance. There was a 15.5 per cent decrease in FUMA from $34.8 billion at 30 June 2007 to $29.4 billion at 30 June 2008. Higher FUMA at the year's commencement was followed by an initial increase then by a market-driven decline from November 2007 onwards. The timing of these impacts on management fees has translated into a slight improvement on the prior year.

However, costs do not vary directly with funds balance. Investment in improved sales capability has driven increases in customer numbers and labour costs. Commission expenses have also increased as a component of higher sales. These factors outweighed the improvement in revenue.

IOOF's expanded sales capability is vital to its long-term interests. Decisions on use and allocation of resources are heavily influenced by optimal operational and external market drivers which cannot always be timed in response to unrelated movements in funds balance and the associated impact on revenue.

Funds under management and administration

The reduction in FUMA was the result of a number of factors. Influences on FUMA include:

Market performance

The adverse performance of the markets in which IOOF FUMA was invested, in particular equities, fixed interest and property, were the largest contributing driver to reduced FUMA during the year with an unfavourable impact of $4.2 billion from a total decrease of $5.4 billion. Under stable market conditions, IOOF would obtain revenue growth from higher FUMA at the year's commencement as compared with FUMA at the commencement of the preceding year. The market driven decline in FUMA experienced during the course of the year has largely offset these early year gains.

In the absence of significant early improvement in FUMA, the timing of adverse market movements toward the latter half of the year to 30 June 2008 will unfavourably affect the revenue earned in the year to 30 June 2009.

Net sales of products

Negative net sales of $1.2 billion during the year had an unfavourable impact on net revenue. Net sales are the responsibility of IOOF's specialist business units.

Portfolio Solutions net sales were $211 million, driven largely by the ongoing appeal of Pursuit to retail customers.

Investor Solutions negative net sales of $228 million represented a slowing of previous years' trends as strategies to revamp an aging product set were enacted.

Perennial net sales were strong in retail FUMA with $529 million achieved during the year as a result of astute marketing and improved product features relative to competitors. Perennial's wholesale net sales were adversely impacted by customer response to high levels of volatility in underlying major investment markets.

Number of investors

The number of investors in IOOF products affects the level of FUMA 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 FUMA.

IOOF has increased the number of independent dealer groups offering IOOF products and stabilised adviser numbers at Consultum, its aligned dealer group.

Investment performance

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

Capital management

Performance is also a function of how efficiently capital is employed. In July 2007, $40 million additional equity was raised by way of a share placement with the proceeds applied against borrowings as they matured. This reduced IOOF's interest costs.

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. As a wealth management stock, IOOF's share price during the year has been sensitive to the downturn in equity markets generally. However, for the period from listing in 2003 to 30 June 2008, IOOF's TSR of 111 per cent ranks fourth of the 13 selected peers and indices used to assess executive performance under the Executive Performance Share Plan.

Earnings per share

Basic earnings per share were 34.2 cents per share compared to 35.0 cents per share for last year. Diluted earnings per share were 33.8 cents per share compared to 34.4 cents per share for last year.

On an underlying earnings basis, where the impact of certain non operational accounting adjustments is removed to allow disclosure of underlying profitability, basic earnings per share were 37.9 cents per share compared to 46.8 cents per share for last year. This reflected the increased number of shares on issue, as outlined in the Capital management section above, and reduced underlying earnings.

Dividends

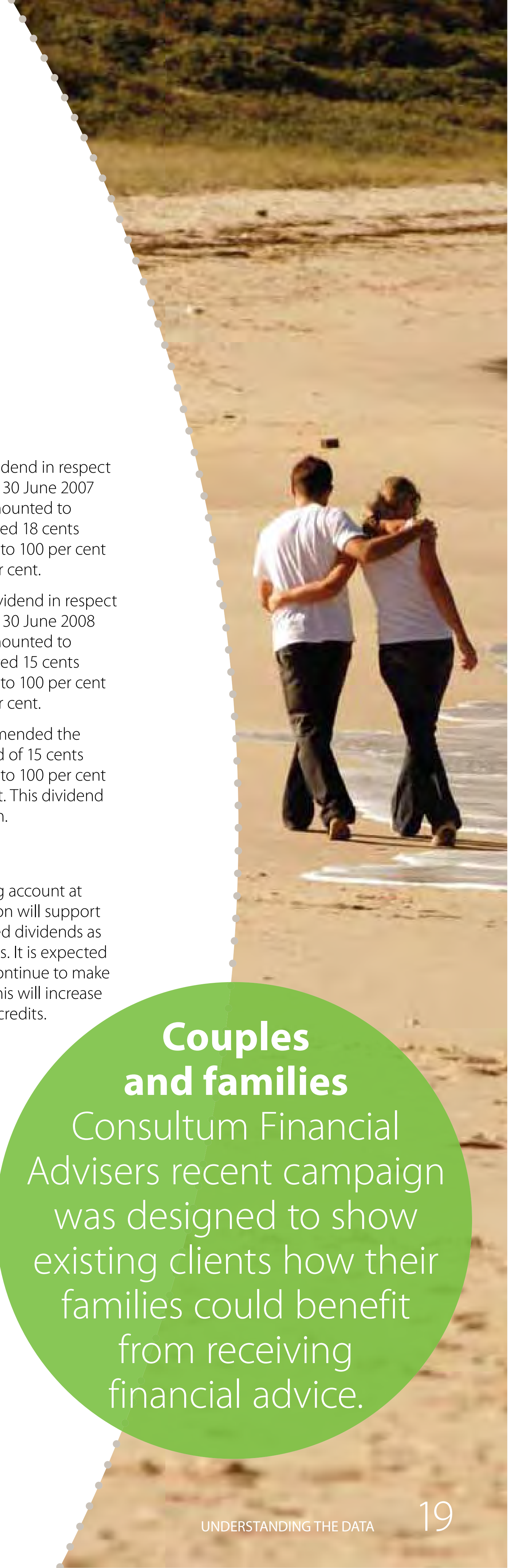
In October 2007, a final dividend in respect of the financial year ended 30 June 2007 was paid. This dividend amounted to $12.4 million and represented 18 cents per ordinary share franked to 100 per cent based on tax paid at 30 per cent.

In April 2008, an interim dividend in respect of the financial year ended 30 June 2008 was paid. This dividend amounted to $10.4 million and represented 15 cents per ordinary share franked to 100 per cent based on tax paid at 30 per cent.

The Directors have recommended the payment of a final dividend of 15 cents per ordinary share franked to 100 per cent based on tax at 30 per cent. This dividend will amount to $10.4 million.

Franking credits

The balance of the franking account at 30 June 2008 of $24.1 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.



Couples and families

Consultum Financial Advisers recent campaign was designed to show existing clients how their families could benefit from receiving financial advice.

Corporate governance

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.

We are committed to good corporate governance practices to create value and provide accountability and control systems commensurate with the risk involved. We support the ASX's Corporate Governance Principles and Recommendations (ASX Principles) and have implemented these in our business. We monitor our adherence to these and strive for continuous improvement in these practices.

Role of the Board

The Board of IOOF Holdings Ltd is constituted and empowered under its Constitution and the requirements of the *Corporations Act 2001*. The Board has delegated certain functions to Board Committees, but remains ultimately responsible for:

- overseeing the development of strategies and financial objectives of the Group
- appointment of the CEO
- monitoring the progress of management in implementing the strategies of the company
- review and approval of major acquisitions and corporate initiatives
- approval of high level company policies and terms of reference for Board committees
- allotment of securities in the company, including executive and employee share plans
- corporate governance arrangements for the Group
- monitoring and ongoing assessment of risk management policies and procedures
- approving financial statements and reports to regulators and shareholders
- ensuring appropriate continuous disclosure to the market, shareholders and other interested parties
- approving capital expenditure in excess of limits delegated to management.

In addition, the Board considers capital management and issues of equity across the subsidiaries that form the IOOF Group.

Role of the Chairman

The Chairman of IOOF Holdings Ltd is an independent Director. The same person does not undertake the roles of Chairman and CEO. We are committed to a clear division of responsibility at the head of the company.

The Chairman provides leadership to the Board and is responsible for the efficient management of the business of the Board and is charged with overseeing the proper operation of Board committees.

The Chairman of the Board is responsible for recommending to the Board persons for appointment as committee members.

Role of independent Directors

The Board considers each of the Non-Executive Directors to be independent Directors. In determining this, we consider the independence criteria set out in ASX Principle 2 and obtain verification from each of these Directors annually.

IOOF's independent Directors are required to devote the necessary time to ensure that their responsibilities are effectively discharged. We require all Directors to consider the number and nature of their directorships and other commitments, and disclose these to the Board.

The independent Directors' input is primarily at a strategic level. Our policy is to provide Directors with ongoing education in industry issues and regulatory developments to keep them informed and abreast of industry best practice.

Our independent Directors are rotated through IOOF's Board committees and subsidiary boards so that they have a better knowledge of the operations of the Group and are better able to contribute at the Group Board level.

Board committees

The Board has a number of committees to which it has delegated various functions. These committees, comprised of either all, or a majority of, independent Directors or other external parties where applicable, comply with the ASX Principles. Each committee has its own terms of reference and measurable objectives are reviewed and assessed annually.

Corporate governance
(continued)

Audit and Risk Committee

The Audit and Risk Committee plays a key role in assisting the Board of Directors with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, and monitoring the independence of the company auditor. The Terms of Reference for this Committee incorporates policies and procedures to ensure an effective focus from an independent perspective.

The Audit and Risk Committee oversees and appraises the quality of the audits conducted by the IOOF Group's internal and external auditors and emphasises areas where the Committee believes special attention is required.

The current internal auditor was appointed as a result of an external tender process conducted in 1999 and a review of the arrangements was conducted in 2005.

An extensive review of the company's external audit arrangements was conducted during the year. As a result of that review, the Board of Directors is recommending to shareholders at its 2008 annual general meeting that KPMG be appointed as the IOOF Group's external auditors. The notice of the Annual General Meeting contains further information on this recommendation.

The Audit and Risk Committee also reviews the effectiveness of administrative, operating and accounting controls. This committee is currently composed of all independent Directors and is chaired by a qualified accountant. The members are Jane Harvey (Chairman), James Pfeiffer and Rick Harper.

Governance Committee

IOOF is committed to good corporate governance. To meet this responsibility, in 2004 the Board of IOOF established a Governance Committee which assists the Board in ensuring that a fitting governance framework is in place across the IOOF Group. This committee also reviews the statutory and regulatory obligations and industry standards that affect IOOF in its operations, to ensure that the systems of control and oversight implemented by management are robust and effective. The committee is comprised of a majority of independent Directors, being James Pfeiffer (Chairman) and Kate Spargo. The CEO, Tony Robinson is also a member of the Committee.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is responsible to the Board for nominating and recommending the appointment of independent Directors and the CEO, and the establishment of the remuneration framework for Directors, the CEO and direct reports to the CEO.

Directorship is generally reviewed annually, with the policy that there should be sufficient rotation of Directors to meet good corporate governance standards. The current policy of the company is to retire one third of Directors each year. The Remuneration and Nominations Committee operates under agreed Terms of Reference which are subject to periodic review. This Committee currently comprises three independent Directors, Kate Spargo (Chairman), Roger Sexton and Jane Harvey.

The process for selection of new Directors is overseen by the Remuneration and Nominations Committee and includes confirmation of the specific criteria for Board membership, taking into account the necessary and desired competencies. Confirmation of independence, the capacity to act and the usual police check are included. A search is generally undertaken to identify specific individuals who satisfy the criteria for nomination and consideration by the committee. Proposals are then taken to the Board for review and approval.

Performance evaluation

IOOF has a formal performance evaluation process which establishes objectives, key result areas and key performance indicators for all management and staff. Underpinning this approach is the belief that performance planning and regular performance reviews constitute sound business practice.

During the year an external consultant undertook a full independent Board Effectiveness Review. The review covered the Board's structure, role, composition and processes and benchmarked these against contemporary standards. The review established an action plan to adopt key initiatives.

IOOF undertakes Board evaluations annually, considering dimensions that we believe are relevant to the organisation and the industry within which we operate.

Each committee of the Board has its own Terms of Reference from which key result areas and key performance indicators have been developed. The process for evaluation against these objectives has been by way of self-assessment, with reporting to the Board for further review.

Continuous disclosure

The ASX defines continuous disclosure in its Listing Rules as 'the timely advising of information to keep the market informed of events and developments as they occur'. The Listing Rules and *Corporations Act 2001* require that a listed company disclose to the market matters which a reasonable person would expect to have a material effect on the price or value of the company's securities. IOOF's Continuous Disclosure Policy is designed to meet market best practice, ensuring that all interested parties have an equal opportunity to obtain information which is issued by IOOF.

The procedures, which have been developed to comply with these rules include immediate reporting of any matter which could potentially have a material effect. The Company Secretary is responsible for monitoring information which could be price sensitive, liaising with the CEO, Directors and Key Management Personnel to make an initial assessment, and escalating such information to the Board for disclosure where practicable. It is noted there can be no delay in informing the ASX; if the Board is not immediately available, the Company Secretary is authorised to lodge such information.

Price-sensitive information will be disclosed, in the first instance, to the ASX and disclosures to the market will then be placed on IOOF's web site.

Other shareholder communications

The IOOF web site includes up-to-date shareholder information and news items about the company. Our aim is to keep our shareholders and the market informed about any developments that might be of interest.

In accordance with our regulatory obligations, certain periodic reporting will also be made to shareholders, including the Annual Report. Directors are available at IOOF's Annual General Meeting to answer shareholder questions and discuss issues of relevance. Our aim is for informed shareholder participation.

Independent legal and other advice

The Board has a formal procedure that enables Directors to seek independent advice to assist them to carry out their duties as Directors. The Chairman must give prior approval to the obtaining of advice and the IOOF Group will meet the reasonable costs of such advice. If the Chairman does not give such approval, the Board (or in the case of an Executive Director, a majority of the Non-Executive Directors) can give prior approval to obtaining the advice at IOOF's expense.

Code of Conduct

IOOF is committed to a Code of Conduct and to our mission and values which guide the professional behaviour of our staff. We communicate these values to staff and assess our staff against them, together with a number of other attributes that have been identified as important to the success of the company.

Our Code of Conduct requires all staff to exhibit honesty, loyalty, integrity and professionalism in their dealings both internally and externally. We strive for good corporate governance and industry best practice. In addition, IOOF has established a Securities and Insider Trading Policy to ensure that unpublished, price-sensitive information is not used in an unlawful manner. A copy of the Securities and Insider Trading Policy is available on IOOF's web site www.ioof.com.au

Risk management

The Board of IOOF Holdings Ltd is committed to thorough risk management practices. We recognise that these are constantly evolving throughout the industry and strive for continuous improvement in these practices.

The IOOF Group has risk management policies and procedures in place to identify and manage its business risks. A formal risk management framework is in place aimed at identifying and controlling risks and reporting them to the Board via the Audit and Risk Committee. The framework takes account of market, liquidity, credit, transaction and technology, strategic and operational risks. The Australian/New Zealand Standard for Risk Management (AS/NZS4360:2004) methodology has been the basis for our framework, however, the methodology was modified to suit IOOF requirements.

IOOF's approach to risk requires the consideration of all risks that threaten the achievement of business objectives. The aim is to identify all unacceptably high risks and develop processes and structures to deal with them. Lower level risks are also considered, but priority is given to extreme and high risk areas and their treatment. This process is cyclical and ongoing and the methodology forms a 12-month rolling risk continuum. Monitoring and review at all stages of the process is critical, as is ensuring that a periodic review of risks and controls is in place.

In accordance with the ASX Principles of Good Corporate Governance and Best Practice Recommendations, the CEO and CFO provide a written attestation to the Board that:

- the integrity of the company's financial statements is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board
- IOOF's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in so far as they relate to financial reporting risks.

Substantive materials are provided to the CEO and CFO to assist them in making an informed assessment, which enables them to provide the necessary attestations to the Board prior to the Board signing the Annual Report.

IOOF's insurance program is designed to meet insurable risks. The program is specifically tailored to the IOOF Group's individual requirements and is reviewed at least annually. The Business Continuity Plan, aimed at preventing significant disruption to the business, is also tested on an annual basis.

IOOF also has a compliance framework which covers each product line of the IOOF Group's business. In addition to these plans, the IOOF Group has compliance reporting and monitoring tools as a matter of good practice.

Supporting the community

The IOOF Foundation, a not for profit organisation, was established in June 2002 at the time of IOOF's demutualisation to recognise the historical origins of IOOF and the important role IOOF has played in the Australian community since 1846.

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

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

The IOOF Foundation has built up tremendous momentum over the past six years, having now gifted nearly $4.5m to over 60 organisations committed to helping those in need.

During 2007-08 the IOOF Foundation made grants to support the activities of a number of very worthy Australian organisations. These included:

Berry Street Victoria (BSV) who have been providing a range of services for children, young people and families across Victoria since 1877. BSV has specialist expertise in working with families and children at risk and who experience significant social and economic disadvantage.

The IOOF Foundation grant to BSV assists in providing foster carers with welcome packs for young children coming into foster care at short notice, often as a result of violence in the family home. The welcome packs contain basic personal items such as night wear, socks, underwear, toiletries, toys, books, a diary, photo album and a camera. Receiving the welcome packs has helped children in need feel secure and welcomed in a new environment.

Eastern Volunteer Resource Centre Inc (Eastern Volunteers) – a not for profit community service organisation which provides volunteer assisted transport to the frail aged and people with disabilities living in the Cities of Maroondah and Whitehorse and the Shire of Yarra Ranges.

The KIA Carnival People Mover vehicle, funded by the IOOF Foundation is part of an initiative to provide a transport service into Melbourne's CBD for Eastern Volunteers' clients to attend hospital and specialist medical appointments. The service complements and enhances Eastern Volunteer's transport services, and also assists the 60 volunteer drivers who generously give their time to drive clients to appointments.

"Eastern Volunteers is grateful to the IOOF Foundation for their generosity and commitment to assisting disadvantaged people within local communities. Clients are appreciative of this additional service that enables them to attend important medical and hospital appointments in Melbourne's CBD." *Lyn Coad, Manager Transport Services*

The IOOF Foundation also provided a grant to **Visionary Images** in 2007, for the 'A-LURE' project.

Visionary Images is a not-for-profit arts organisation where young people in hardship collaborate with artists to produce and exhibit highly visible public art. Visionary Images' principal objective is to positively represent the voice of marginalised youth and provide them with the opportunity to be self-directed, confident, creative and articulate.

The overall objective of A-LURE was to create a project that would equip disadvantaged young people with skills, confidence and self-determination and a sense of connection with the broader community. Marginalised young people worked with skilled artists to develop large-scale art installations and in the process acquire life skills that lead to positive behavioural change and reconnection with the community.

"Visionary Images (VI) is fortunate to have had the IOOF Foundation as one of our key supporters on the A-LURE project. IOOF's generosity enabled those young people to realise their potential and experience the thrill of seeing their work exhibited so prominently. Thousands of people experienced the artworks as buildings and laneways became a canvas for moving images, installations and other game components. What the IOOF Foundation stands for is exemplified in one of the A-LURE artworks "Generosity is…" which was projected onto the side of the IOOF tower in Melbourne's CBD. Thank you to everyone at the IOOF Foundation for assisting VI's young people achieve their dreams." *Maria Filippow, Creative Director*

IOOF Foundation Board
(from left to right): Ms Angie Dickschen, Mr Ken Barry, Ms Nicole Wright (IOOF Foundation Manager) and Mr Ron Bunton.

The Song Room, an organisation first supported by the IOOF Foundation in 2006 has also continued to receive support during the year. Established in 1999 to provide high quality, live music performances to disadvantaged children in schools without a music program, the Song Room employs an early intervention model aimed at engaging children while reducing anti-social behaviour and the risk of involvement in juvenile crime.

In 2008 the Song Room received a three year commitment from the IOOF Foundation to fund its programs in disadvantaged schools. Each year five Primary Schools will be selected to participate in a 20-week workshop program with a Song Room Teaching Artist. The schools will be among Victoria's most disadvantaged, selected from a different region each year. Each school will participate in a program of dance, drama, puppetry, singing, or visual arts.

An integral part of the project will be a performance at a major venue in central Melbourne where students will sing and perform together for colleagues, friends and family.

"The Song Room thanks the IOOF Foundation for the funding that enabled us to take the 20-week music workshop programs to five remote schools in the Shepparton area." *Deborah Nicolson, Program Manager*

The IOOF Foundation is also looking forward to the commencement of a new, unique and mutually beneficial relationship with **RecLink Australia** in 2008-09.

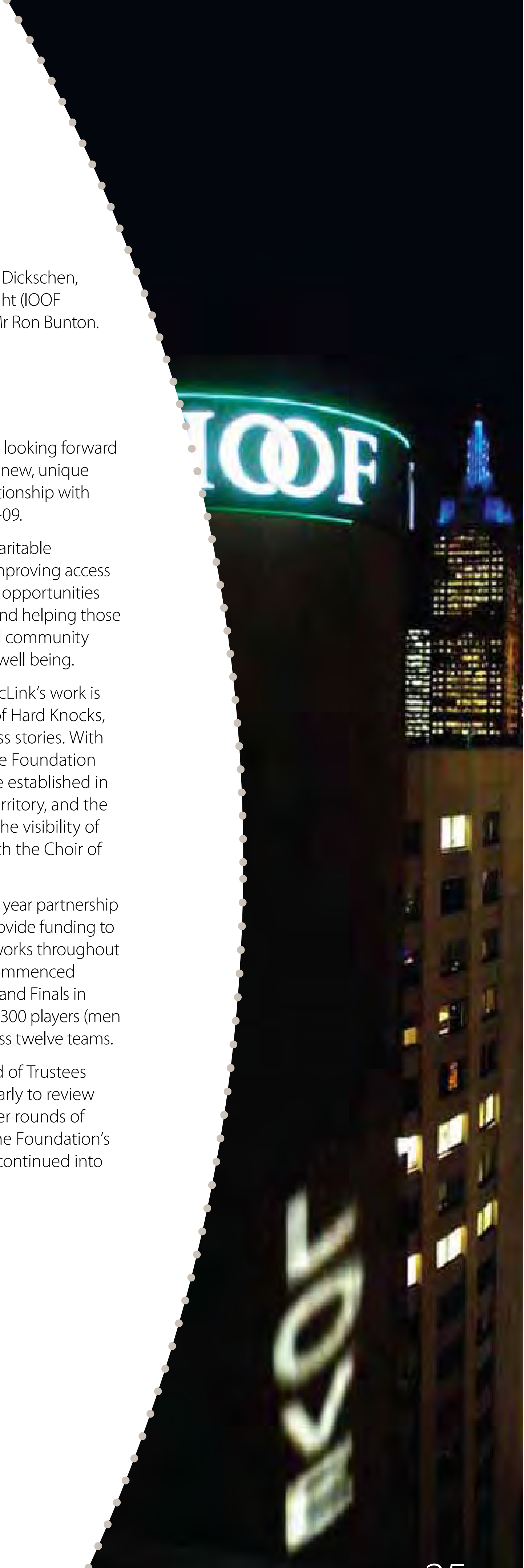
RecLink is a not-for-profit charitable organisation dedicated to improving access to sporting and recreational opportunities for disadvantaged people; and helping those people to achieve improved community connectedness, health and well being.

An excellent example of RecLink's work is the highly regarded Choir of Hard Knocks, one of many RecLink success stories. With the funding provided by the Foundation a similar choir model will be established in each Australian state and territory, and the Foundation will also enjoy the visibility of 'principal partner' status with the Choir of Hard Knocks in Victoria.

Over the course of the three year partnership the IOOF Foundation will provide funding to RecLink to extend their networks throughout Australia. The partnership commenced with the RecLink Football Grand Finals in August 2008, involving over 300 players (men and women of all ages) across twelve teams.

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.

Nicole Wright
IOOF Foundation Manager



Financial Report for the year ended 30 June 2008

Our product offering reflects the changing landscape of Australian superannuation legislation.

IOOF Holdings Ltd

Financial Report

for the year ended 30 June 2008

IOOF Holdings Ltd

Directors' Report

Your directors present their report on the consolidated entity ('the Group') consisting of IOOF Holdings Ltd ('the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Directors

The following persons were directors of the Company during the whole financial year and up to the date of this report:

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

Mr M Crivelli was a director from the beginning of the financial year until his resignation on 17 December 2007, but continues as Chairman of Perennial Investment Partners Limited, a wholly owned subsidiary of IOOF Holdings Limited.

Principal activities

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

- offering a range of financial products and portfolio administration services including investments, superannuation, immediate and deferred annuities, and investment trusts
- providing financial planning and advisory services.

There were no significant changes in the nature of the activities of the Group during the year.

Dividends

Dividends paid to members of the Company during the financial year were as follows:

	2008 $'000	2007 $'000
Final dividend for the year ended 30 June 2007 of 18 cents (2006 – 15 cents) per ordinary share franked to 100% based on tax paid at 30%, paid 11 October 2007.	12,413	9,708
Interim dividend for the year ended 30 June 2008 of 15 cents (2007 – 15 cents) per ordinary share franked to 100% based on tax paid at 30%, paid 11 April 2008.	10,350	9,712

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final dividend of 15 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 10 October 2008 out of retained profits at 30 June 2008.

Consolidated results

The consolidated net profit for the period attributable to members of IOOF Holdings Ltd, comprising the Company as the parent entity and controlled entities, was $23,340,000 (30 June 2007: $22,344,000). Underlying net profit after tax (UNPAT) was $25,901,000 at 30 June 2008 from $29,264,000 as at 30 June 2007.

The controlled entities include the benefit funds of IOOF Ltd, a subsidiary of IOOF Holdings Ltd. The change in revenue from ordinary activities is attributed to a decrease in gains on investments earned by the benefits funds. Revenue from ordinary activities, if the benefit fund revenues are excluded increased by 2.3% on the previous corresponding period. The inclusion of the benefit funds has no impact on the net profit for the period attributable to members of IOOF Holdings Ltd.

The increase in net profit for the period has been driven by the inclusion of several IFRS adjustments, offset by the recognition of net loss on sale of investments and the impairment of other investments, as detailed below.

The Group's Funds Under Management and Administration ('FUMA') closed at $29.4 billion at 30 June 2008 from $34.8 billion at 30 June 2007. This movement represents a small movement in net outflows combined with an unfavourable decline in the market value of equities over this period.

An initial increase in FUMA, followed by a subsequent decline, has translated into relatively stable management fees, as management fees from funds are calculated based on an agreed percentage of the respective funds under management and administration, in accordance with each fund's Product Disclosure Statement or offer document.

The share of equity profits recognised by the IOOF Group decreased by 5.8% compared to last year due to a decline in profitability experienced by Perennial Value Management Limited ('PVM'), the results of which are equity accounted.

During the period, IFRS adjustments were made in respect of commitments contained in shareholder agreements with executives of Perennial subsidiaries. A liability exists under AASB 132 in relation to IOOF's commitment to provide liquidity, under certain circumstances, for the vested shares held by the minority interests in two Perennial subsidiaries (Perennial Fixed Interest Partners Pty Ltd and Perennial Growth Management Pty Ltd). Accordingly, IOOF has derecognised the minority

Directors' Report

Consolidated results (continued)

interest in these companies. At balance date and as additional shares vest, IOOF is required to recognise movements in this liability. A net revaluation expense of $946,000 has been recognised in the Income Statement. This reflects fair value of these vested shares. Furthermore, based upon this valuation, goodwill recorded on recognition initially, has become impaired. This has resulted in a reduction in the carrying value of goodwill during the period of $4,509,000.

As a result of IOOF's acquisition of the remaining 21.85% shares of the subsidiary Perennial Investment Partners Limited in December 2006, a deferred liability representing a deferred payment was recognised. This deferred liability represented the best estimate of the net present value of payments due in 2009 to all parties for the acquisition of these minority interests subject to the achievement of various targets. These targets now appear unlikely to be achieved and as a consequence the liability has been reversed. As a result of the release of this liability, the Group recognised the recovery of previously expensed charges relating to finance charges representing the movement in value of this liability of $1,280,000 and employment service charges of $1,333,000. These accounting treatments have been previously advised to the market.

During the period, IOOF has undertaken a strategic review of its investments. As a result of this review, several investments have been sold, while others have been adjusted to fair value. These transactions and the assessment of value represent a total net charge to the Income Statement of $1,979,000.

In order to disclose the tax expense separately, the profit before tax of $17,954,000 includes an amount equal to the tax benefit of the benefit funds of $14,831,000 (30 June 2007: tax expense $33,608,000). This treatment results in disclosure of an effective tax benefit rate of 45.1% (30 June 2007: tax expense 62.6%). The actual tax rate, if the benefit funds are excluded is 20.5% (30 June 2007: 23.2%). The fall in tax rate was the result of a reversal of the estimated deferred settlement liability related to the Perennial Investment Partners Limited acquisition in December 2006, as discussed above, which is reflected in the profit for the year but for which tax expense is not applicable. Reduced tax expense associated with the reversal of prior period adjustments also contributed to the fall in the tax rate.

Review of operations

The operating performance of the IOOF Group for the year ended 30 June 2008 is contained in the Review of Operations and Financial Condition report in the Annual Report.

Significant change in state of affairs

The following significant changes in the IOOF Group's state of affairs occurred during the year. They are referred to in the financial statements or accompanying notes attached to the financial statements.

In July 2007, the proceeds of equity issued amounting to $40 million were received through a share placement. The proceeds of the placement were progressively applied against borrowings as they matured. As at 30 June 2008 the Company had an available cash facility of $40 million.

On 30 November 2007, the Company initiated a group re-structure. The re-structure was designed to streamline its commercial and business interests by moving them from its existing regulated entities into a single service-based entity. It was also designed to flatten the overall group corporate structure. As part of the re-structure, the Company acquired directly all the shares in Perennial Investment Partners Limited (both ordinary and preference), IOOF Investment Management Limited, and IOOF Investment Holdings Ltd that were held by its wholly owned subsidiaries within the Group. The shares were acquired at their carrying value in the books of the respective subsidiaries. At that time, IOOF Services Pty Ltd was established as a directly and wholly owned subsidiary of the Company. IOOF Services Pty Ltd was designated the service company to the Group.

In February 2008, the Company announced an on-market share buy-back program to acquire up to 2,000,000 shares in the year to February 2009. No shares have been purchased under this program to the date of this report.

Events occurring after Balance Sheet date

In June 2008, following the culmination of lengthy negotiations, the Company entered into a business alliance agreement with MacarthurCook Limited (MCK). This agreement incorporated the placement of 13% of MCK's issued capital for consideration of $4 million. AMP Capital Investors Limited, a wholly owned subsidiary of AMP Limited, lodged a preliminary conditional takeover proposal with MCK in the same month. A Takeovers Panel directive dated 9 July 2008 (and as amended on 23 July 2008), requires the following resolution to be put to MCK shareholders before 1 September 2008:

- the placement of the shares with the Company
- the restriction on the Company disposing of the MCK shares for two years
- the option of the Company underwriting the MCK dividend re-investment plan.

Events occurring after Balance Sheet date (continued)

A meeting of the MCK shareholders is to be held on 27 August 2008 to vote on these resolutions. All three resolutions are supported by five of the six directors of MCK.

We do not anticipate that the outcome of the above event will materially change either the classification or measurement of the available for sale financial asset recorded at balance date.

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 2008 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.

Matters subsequent to balance date are set out in Note 42 to the Financial Statements.

Future developments

The Directors are continuing to examine growth strategies to maximise shareholder wealth.

The Directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments to the IOOF Group and the expected results of those operations in subsequent financial years would be likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been included in this report.

Environmental regulation

The IOOF Group is not subject to significant environmental regulation.

Information on Directors

Mr I Blair OAM, MMgt, FCA.

Chairman – Non-executive Director. Age 61.

Experience and expertise

Group Chairman of IOOF Holdings Ltd since 2005.
Non-executive Director of IOOF Holdings Ltd since 2002.
Non-executive Director of IOOF Ltd from 2000 to 2002.

Extensive experience with accounting firm Deloitte Touche Tohmatsu, including five years as CEO of the firm. Active in local government and community organisations and received an Order of Australia Medal in 1987 for services to the community.

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).

Former directorships in last three years

Melbourne Business School Ltd (director from 1992 to 2006).
Sisters of Charity Health Service Ltd (director from 2001 to 2006).

Special responsibilities

Chairman of IOOF Holdings Ltd.

Shares in IOOF Holdings Ltd

9,677 ordinary shares held directly.
8,843 ordinary shares held indirectly.

Units in IOOF Registered Schemes

IOOF Supersaver – Australian Equities – 2,851 units.

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

Deputy Chairman – Non-executive Director. Age 58.

Experience and expertise

Non-executive Director of IOOF Holdings Ltd since 2002.
Non-executive Director of IOOF Ltd from 1996 to 2002.
Served as Chairman of the SA Motor Accident Commission and Venture Capital Board.
Former Deputy Chairman Korvest Limited.
Former Deputy Chairman Challenger Wine Trust.
Former Director of Hyundai Automotive Distributors.
Former Managing Director of investment bank Challenger Beston Limited (director from 1991 to 2002).

Over 20 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 privatisations.

Other current directorships

Chairman of Beston Pacific Asset Management Pty Ltd (director since 2003).
Chairman of KeyInvest Limited (director since 2007).
IBIS World Pty Ltd (director since 1989).
TWT Limited (director since 2008).

Former directorships in last three years

Motor Accident Board (SA) (director from 2004 to 2007).
Venture Capital Board in South Australia (director from 2003 to 2007).

Information on Directors (continued)

Special responsibilities

Deputy Chairman of IOOF Holdings Ltd.
Member of the Remuneration and Nominations Committee.

Shares in IOOF Holdings Ltd

12,313 ordinary shares held directly.
6,907 ordinary shares held indirectly.

Units in IOOF Registered Schemes

IOOF Supersaver – Australian Equities – 1,161 units.

Mr R Harper B.Com. (Hons), CFTP (Snr.)

Independent Non-executive Director. Age 47.

Experience and expertise

Non-executive Director of IOOF Holdings Ltd since 2006.
Chairman and Managing Director, Verity Capital Management Limited since 2005.
Former Chief Executive Officer of Superannuation Funds Management Corporation of South Australia (Funds SA).
Former Chief Executive of the South Australian Government Financing Authority (SAFA).

Over 20 years experience in the Australian financial sector. Managing Director of Verity Capital Management Limited, a company he founded in 2005. He is a specialist in raising capital for international private equity firms from wholesale investors in the Australian and New Zealand markets.

Other current directorships

Verity Capital Management Limited (director since 2005).
Nerrigundah Investments Pty Ltd (director since 2005).
208 King William Road Pty Ltd (director since 2007).
Notarisana (Australia) Pty Ltd (chairman & director since 2006).
Swiss Wellness Natural Health and Beauty Spa Pty Ltd (director since 2006).
Member Council of Governors, Scotch College Adelaide (director since 2004).
Member South Australian State Council, Committee for Economic Development of Australia.
Chairman, Compliance Committee, Barclays Global Investors Australia Limited.

Former directorships in last three years

Global Commodities Limited (director from 2005 to 2006).

Special responsibilities

Member of the Audit and Risk Committee.

Shares in IOOF Holdings Ltd

Nil.

Units in IOOF Registered Schemes

Nil.

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

Independent Non-executive Director. Age 53.

Experience and expertise

Non-executive Director of IOOF Holdings Ltd since 2005.
Partner of PricewaterhouseCoopers from 1996 to 2002.

Extensive business, finance and general management skills in a range of line management and consulting roles across many industry sectors.

Other current directorships

Bayside Health Services (director since 2001).
Royal Flying Doctor Service (Vic) (director since 2002).
Telecommunications Industry Ombudsman (director since 2002).
Boom Logistics Limited (director since 2005).
Colonial Foundation Trust (director since 2007).
Medibank Private Limited (director since 2007).

Former directorships in last three years

No publicly listed companies.

Special responsibilities

Chairman of Audit and Risk Committee.
Member of Remuneration and Nominations Committee.

Shares in IOOF Holdings Ltd

3,364 ordinary shares held indirectly.

Units in IOOF Registered Schemes

Nil.

Mr A Hodges DipFP, FAICD (Dip), SF Fin.

Executive director. Age 53.

Experience and expertise

Thirty-five year career in the securities industry including both merchant banking and investment management.
Held senior positions with AMP Morgan Grenfell Acceptances and AMP Discount Corporation. Joined the IOOF Group in 1985 and established the Investment Division as Head of Investments. Extensive experience in establishing and managing successful investment management teams. Over 18 years involvement with the Securities Institute of Australia as a principal lecturer.
Founding Director of Perennial Investment Partners Limited.

Other current directorships

None.

Former directorships in last three years

None.

Special responsibilities

Chief Investment Officer (IOOF Investment Management Limited).

Shares in IOOF Holdings Ltd

5,595 ordinary shares held directly.
428,685 ordinary shares held indirectly.

Units in IOOF Registered Schemes

IOOF Supersaver – Australian Equities – 42,257 units.
Perennial Wholesale Trust – Growth Australian Shares – 133 units.

IOOF Portfolio Service Investment Options:

Perennial Balanced Wholesale Trust – 594,615 units.
Perennial Global Property Wholesale Trust – 188,319 units.
Perennial Asian Shares Wholesale Trust – 155,550 units.
Cash – 16,795 units.

Mr J Pfeiffer BA, LLB.

Independent Non-executive Director. Age 61.

Experience and expertise

Non-executive Director of IOOF Holdings Ltd since 2005.
Solicitor, and consultant to Freehills. Partner of Freehills for 25 years practising in the areas of corporate/commercial law.
Former director of Peter MacCallum Cancer Institute for over 10 years.
Experience in both corporate governance and risk management. Active in several other community organisations.

Other current directorships

Chairman of Wesley Mission Melbourne Ltd (director since 2001).
Member of the Board of Haileybury Ltd (director since 1982).

Former directorships in last three years

None.

Special responsibilities

Chairman of Governance Committee.
Member of Audit and Risk Committee.

Shares in IOOF Holdings Ltd

8,946 ordinary shares held indirectly.

Units in IOOF Registered Schemes

Nil.

Mr A Robinson B.Com, MBA.

Executive Director. Age 50.

Experience and expertise

Former CEO of OAMPS Ltd, a listed insurance and broking company.
Former CEO of Wealthpoint, a financial services technology business and part of St George Group.

Broad experience in an array of service-based industries and a wealth of executive level experience across financial services and other related industries. Held a variety of senior management roles at Link Telecommunications and Mayne Nickless Limited.

Other current directorships

Bendigo Bank Ltd (director since 2006).
Rowena House Pty Ltd (director since 1997).

Former directorships in last three years

OAMPS Ltd (director from 2002 to 2006).

Special responsibilities

Chief Executive Officer of the IOOF Group.
Member of Governance Committee.

Shares in IOOF Holdings Ltd

3,500 ordinary shares held directly.
4,000 ordinary shares held indirectly.

Units in IOOF Registered Schemes

IOOF Portfolio Service Investment Options:
Perennial Balanced Wholesale Trust – 65,539 units.
Cash – 12,079 units.

Ms K Spargo LLB (Hons), BA, FAICD.

Independent Non-executive Director. Age 56.

Experience and expertise

Non-executive Director of IOOF Holdings Ltd since 2002.
Non-executive Director of IOOF Ltd from 1999 to 2002.
Director of various group subsidiaries.
Former Chairman of HomeStart Finance.
Member of NeuroSciences Victoria Limited.
Chairman of Accounting Professional and Ethical Standards Board.
Councillor of Victorian Division of Australian Institute of Company Directors.

Company director and adviser in strategy and governance for over 15 years following a career in legal practice in both the public and private sectors.

Directors' Report

Information on Directors (continued)

Other current directorships

Australian Pork Ltd (director since 2001).
Pacific Hydro Pty Ltd (director since 2004).
Colnvest Ltd (director since 2005).
Investec Bank (Australia) Ltd (director since 2005).
Transfield Services Infrastructure Ltd (director since 2007).

Former directorships in last three years

None.

Special responsibilities

Chairman of Remuneration and Nominations Committee.
Member of Governance Committee.

Shares in IOOF Holdings Ltd

3,328 ordinary shares held directly.
4,142 ordinary shares held indirectly.

Units in IOOF Registered Schemes

IOOF Supersaver – Australian Equities – 2,853 units.

Company Secretaries

Mr Bill Linehan LLB, BCom, CA, FCSA. was appointed as Company Secretary on 21 September 2007. Mr Linehan joins IOOF from Freehills, a large commercial law firm where he was Company Secretary. Prior to joining Freehills, Bill was a solicitor at Allens Arthur Robinson and Company Secretary at Spicers Paper Limited.

Ms Adrianna Bisogni, LLB (Hons), BA also holds the position of Company Secretary. She was appointed to this position on 20 June 2007. Ms Bisogni has been the IOOF Group's General Counsel since 2003. Previously she had 11 years' experience in corporate law with firms such as Mallesons Stephen Jaques and Rothschild Asset Management Limited/Sagitta Wealth.

Ms Felicity Walsh was appointed as a Company Secretary on 28 August 2007, and ceased to act in this capacity from 26 October 2007.

Directors' meetings

The number of Directors' meetings (including Board sub-committee meetings) and the number of meetings attended by each director during the financial year were:

	Directors' Meetings		Committee Meetings						Subsidiary Meetings
	Meetings Held	Meetings Attended	Remuneration and Nominations Committee		Audit and Risk Committee		Governance Committee		Meetings Attended by Directors
Director	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(c)
I Blair	12	12	–	–	–	–	–	–	19
R Sexton	12	12	2	2	–	–	–	–	13
R Harper	12	11	–	–	6	5	–	–	–
J Harvey	12	12	2	2	6	6	–	–	21
A Hodges	12	11	–	–	–	–	–	–	25
J Pfeiffer	12	12	–	–	6	6	1	1	21
A Robinson	12	12	–	–	–	–	1	1	36
K Spargo	12	9	2	2	–	–	1	1	7
M Crivelli (to 17 December 2007)	7	5	–	–	–	–	–	–	16

(a) the number of meetings held during the time the director held office or was a member of the committee during the year.

(b) the number of meetings attended during the year.

(c) the number of regular Board meetings of subsidiary entities attended during the time the director held office during the year.

– not a member of the relevant committee.

Note that in addition to the above regular scheduled meetings, a number of additional meetings were held during the year to address special Board issues. These were attended by all, or the majority of, the Directors. Mr Blair also attended several Audit and Risk Committee meetings as an invited attendee, but not as an appointed member of that committee.

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 secretaries 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 secretaries pursuant to Rule 84. The insurance policy also insures the directors and secretaries 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

Part A. Key Management Personnel and named senior executives

The purpose of the remuneration report is to set out the remuneration arrangements for Directors, other Key Management Personnel ('KMP'), and named senior executives of the IOOF 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*.

For the purposes of this report, the KMP of the IOOF Group are the Directors (both Executive and Non-executive) and those senior executives set out in the table below:

Name	Position
Mr S Abley	Head of Consultum Financial Advisers
Mr J Billington	General Manager – Portfolio Solutions
Mr M Blackburn	Chief Financial Officer
Mr M Crivelli	Executive Chairman – Perennial Investment Partners Limited
Mr R Mota	General Manager – Investor Solutions
Mr A Patterson	Managing Director – Perennial Investment Partners Limited

The above senior executives were KMP of the IOOF Group during the whole financial year and up to the date of this report.

For the purpose of this report, the named senior executives of the IOOF Group and IOOF Holdings Ltd, in accordance with section 300A(1)(c) of the *Corporations Act 2001*, are:

Name	Position
Ms A Bisogni	General Counsel
Mr M Coe	Head of Compliance
Mr B Linehan	Company Secretary
Mr P Wallbridge	General Manager Human Resources
Mr G Wood	Head of Risk
Mr M Stephen (to 14 March 2008)	Former Chief Information Officer

Part B. Remuneration policies

B.1 Role of the Remuneration and Nominations Committee

The role and composition of the Remuneration and Nominations Committee is to review the adequacy of remuneration policy and practices and ensure that adequate succession and development plans are in place for senior management. More detailed information about the Remuneration and Nominations Committee can be found in the Corporate Governance section of the Annual Report.

Part B. Remuneration policies (continued)

B.2 Remuneration policy objectives

The remuneration policies differ for Non-executive Directors, Executive Directors and senior executives. The policy for each category of KMP and for other named senior executives is detailed below. The common objective of these policies is to attract, recruit and retain high calibre personnel and fairly remunerate them in accordance with market benchmarks under the direction of the Remuneration and Nominations Committee.

The Board from time to time engages external and independent remuneration consultants to perform reviews and benchmarking exercises to assess remuneration levels paid to KMP to ensure that IOOF remains competitive with specific competitors in the financial services sector, and the broader spectrum of public companies of similar size, revenue and profitability.

B.3 Policy for remuneration

B.3.1 Non-executive Directors

The primary objective of the policy for Non-executive Directors is to ensure IOOF is able to retain and attract high calibre Non-executive Directors. Non-executive Directors are primarily remunerated by way of fixed fees and superannuation, and do not participate in remuneration programs designed to provide an incentive to executives.

The policy for Non-executive Directors is different to that applying to senior executives or Executive Directors, and has been established so that Non-executive Directors' remuneration is independent of the Company's earnings or growth in shareholder value. The policy is deliberately structured this way to encourage Non-executive Directors to perform their roles independently of senior executives. Senior executives' remuneration is more significantly influenced by company performance to create a more robust environment for decision making.

B.3.2 Executive Directors

A Robinson, Chief Executive Officer – IOOF Holdings Ltd

The remuneration of Mr Robinson is set by the Board and is based on a market review of the level of remuneration required to attract and retain a suitable chief executive officer candidate.

The proportion of total remuneration that is 'at risk' is directly linked to the capacity of the Chief Executive Officer to influence the performance of the Company.

A Hodges, Executive Director – IOOF Holdings Ltd and IOOF Investment Management Ltd

In addition to his role as an Executive Director of IOOF Holdings Ltd and several other subsidiary companies in the Group, Mr Hodges holds the role of Chief Investment Officer for IOOF Investment Management Limited, reporting to the Group's CEO. Mr Hodges' remuneration is provided under the same framework that applies to the Senior Executives (see below).

B.3.3 Other Key Management Personnel

M Crivelli, Executive Chairman – Perennial Investment Partners Limited

The policy for remunerating Mr Crivelli is based on the performance of his role as Executive Chairman of Perennial Investment Partners Limited and is not directly aligned with IOOF's policy for executive remuneration. Mr Crivelli sat on the IOOF Holdings Ltd Board as an Executive Director until 17 December 2007.

A Patterson, Managing Director – Perennial Investment Partners Limited

The policy for remunerating Mr Patterson is based on a market competitive total remuneration package established in consultation with external remuneration consultants. The policy aims to align remuneration with the achievement of strategic objectives of the Perennial group of companies, measured through a performance scorecard.

B.3.4 Other Senior Executives

The remuneration framework set out below applies to the executives who report directly to the IOOF Chief Executive Officer. This policy also applies to Mr Hodges.

The IOOF Executive Remuneration Policy has been developed to:

- provide market competitive total remuneration that will retain and motivate current executives and attract new executive talent IOOF might wish to bring into the organisation
- provide executives with incentive to strive to meet, or exceed, both short and long-term targets
- ensure premium reward for premium performance.

Part C. Remuneration approach

C.1 Remuneration components summary

Remuneration for senior executives (including the Executive Directors) is broken down into three categories as explained in the following table:

Component	Explanation	2007/08
A fixed remuneration package	A combination of base salary, superannuation and other fringe benefits the executive may choose to salary sacrifice.	Policy is to position fixed remuneration between the median and the 62nd percentile of market benchmark data.
Short-Term Incentive ('STI') opportunity.	An 'at risk' cash based incentive opportunity, tied to the achievement of pre-agreed financial and strategic objectives. For senior executives, the STI opportunity, as a percentage of the fixed remuneration package is scaled in a range between 25% and 50% of fixed remuneration base.	Forms 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 for the performance period (see section C.4). At the conclusion of the performance period a component of the total incentive compensation award is apportioned to fund a cash based payment.
A Long-Term Incentive ('LTI') component.	Equity based incentives are primarily delivered through the IOOF Executive Performance Share Plan, and in some circumstances also by the grant of share options to executives as part of their employment contracts. For senior executives, LTI opportunity delivered through the IOOF Executive Performance Share Plan is scaled in a range between 25% and 50% of the fixed remuneration base.	Forms part of the same Total Incentive Compensation Opportunity. At the conclusion of the performance period a component of the total incentive compensation award is apportioned to fund an equity allocation. The relevant amount will be determined by the CEO, based on satisfaction of the performance scorecard objectives (set out in section C.4). The shares that are awarded as the LTI component are 'at risk' subject to the achievement of service and or performance conditions. Share options have been granted to certain executives in 2007/08 as part of their new employment contracts. These grants have service and financial performance based vesting conditions attached. Further details are provided in sections C.3 and F.5 below.

C.2 Overview of remuneration elements

Remuneration elements for each category of Key Management Personnel and other senior executives are set out in the following table:

Components	Elements	Non-executive Directors	Executive Directors	Senior Executives
Fixed Remuneration	Fees	✓	✗	✗
	Salary	✗	✓	✓
	Superannuation	✓	✓	✓
	Other Fringe Benefits	✓	✓	✓
	Deferred Share Purchase Plan*	✓	✓	✓
At Risk Remuneration	Cash Based Short-Term Incentive ('STI')	✗	✓	✓
	Long-Term Incentive (Equity based) ('LTI')	✗	✓	✓
	Deferred Cash Based Incentive Award**	✗	✗	✓
Post Employment	Notice Periods	✗	✓	✓
	Termination Benefits	✗	✓	✓
	Retirement Benefits***	✓	✗	✗

* Deferred Share Purchase Plans enable Directors and staff to salary sacrifice a portion of fees or remuneration in order to acquire IOOF shares at market value on a tax deferred basis.

** Deferred Cash Based Incentive Award applies only to the Managing Director of Perennial Investment Partners Limited.

*** Retirement Benefits apply only to those Directors appointed before 13 April 2003.

Part C. Remuneration approach (continued)

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. Failure to comply with the policy may result in disciplinary action, which may include forfeiture of the securities, suspension or termination of employment, or both.

Further information regarding the specific elements applicable to each category of Key Management Personnel and other named senior executives is provided in the commentary set out below.

C.3 Remuneration components

C.3.1 Non-executive Directors

Non-executive Directors receive a base fee to compensate them for all elements of their duty to the Board.

C.3.2 Executive Directors

A Robinson, Chief Executive Officer - IOOF Holdings Ltd

Mr Robinson receives a remuneration package comprising fixed remuneration (cash based), a short-term incentive (cash based) and a long-term incentive (equity based).

The 'on plan' short-term incentive opportunity (equivalent in value to the annual fixed remuneration) is tied to the achievement of a set of financial and non-financial performance objectives. Up to 125% of the 'on plan' short-term incentive amount will be paid if 'stretch' performance objectives are achieved.

The performance objectives include the achievement of an Earnings per Share target, a Growth in Shareholder Value objective, and the completion of key strategic projects. These objectives were chosen as they align performance with shareholder interests, ensure focus on key strategic initiatives that should result in growth and improved financial performance, as well as safeguarding shareholder and investor interests.

The long-term incentive program offers a maximum annual reward opportunity of $1,000,000 depending on the achievement of performance conditions set by the Board, and the IOOF share price performance.

A Robinson – Long-Term incentive	Performance Shares	Options
Allocation	50,000 performance shares allotted for each of the 2008, 2009 and 2010 financial years.	675,000 options divided into 3 equal tranches.
Grant date	13 November 2007	13 November 2007
Performance period	Allotment 1: 1 July 2007 to 30 June 2010 Allotment 2: 1 July 2008 to 30 June 2011 Allotment 3: 1 July 2009 to 30 June 2012	Tranche 1: 1 July 2007 to 30 June 2009 Tranche 2: 1 July 2007 to 30 June 2010 Tranche 3: 1 July 2007 to 30 June 2011
Performance condition	The compound growth in the Company's Total Shareholder Return ('TSR') over the performance period will be compared with the TSR performance of a comparator group comprising organisations that have the same underlying business drivers and that face similar growth opportunities and challenges as IOOF, as well as relevant indices. The peer group is outlined in Part G. *Remuneration and company performance.*	The performance hurdles are based on absolute growth in the Company's underlying earnings per share ('UEPS') over the performance period.
Vesting schedule	The percentage of performance shares that vest depending on the TSR ranking achieved by IOOF is as follows: **TSR growth – percentile ranking** / **Performance shares that vest each year** Below 49th percentile: 0% 50th to 74th percentile: 50% of shares vest, plus 2% shares for each 1% increase in TSR. 75th percentile or above: 100%	0% if in any year during the relevant performance period the Company fails to achieve absolute growth in UEPS of 10% or more. 100% if in each year during the relevant performance period the Company achieves absolute growth in UEPS of 10% or more.

Part C. Remuneration approach (continued)

A Robinson – long-term incentive	Performance Shares	Options
Re-testing of performance conditions	Performance shares that do not vest will lapse and will not be re-tested.	Options that do not vest will lapse and will not be re-tested.
Exercise price	No amount is payable by Mr Robinson in respect of the allocation or vesting of performance shares.	$9.89 (being the Company's average share price on the ASX over the four trading days following the announcement of Mr Robinson's appointment).
Exercise period	Not applicable.	Vested options may be exercised in the two year period following the vesting date for the relevant tranche, and will expire if not exercised during this period.
Fair value	The fair value of the performance shares at grant date was $3.96. This fair value reflects the market based vesting conditions that apply to these performance shares.	The fair value of the options at grant date was: Tranche 1: $1.96 Tranche 2: $2.21 Tranche 3: $2.41

Mr Robinson's base remuneration package and short-term incentive will be reviewed by the Board annually, and the long-term incentive will be reviewed after three years.

A Hodges, Executive Director – IOOF Holdings Ltd and IOOF Investment Management Ltd

Effective December 2007, Mr Hodges' employment agreement changed from a full time employment basis to five days per fortnight. The components of his overall remuneration package remained the same, except that the value of the fixed and 'at risk' elements of the package were renegotiated to reflect the part time arrangement. Annual leave, long service leave, and service-based termination entitlements will apply on a pro-rata basis prospectively from that date.

C.3.3 Other Key Management Personnel

M Crivelli, Executive Chairman – Perennial Investment Partners Limited

On the basis of working an agreed number of days per week, Mr Crivelli receives a remuneration package comprising cash based fixed remuneration only. Subject to the advance approval of the Board of Perennial Investment Partners Limited, Mr Crivelli may be additionally compensated at the rate of $2,000 per additional day if a significant project requires his further attention.

A Patterson, Managing Director – Perennial Investment Partners Limited

Mr Patterson receives a remuneration package comprising fixed remuneration, a short-term incentive and a deferred incentive component. His Total Incentive Compensation Opportunity is tied to a performance scorecard incorporating performance objectives that reinforce Mr Patterson's accountability for profitability and his responsibility to ensure the retention of the key people who are critical to Perennial's success.

A Total Incentive Compensation Award is made to Mr Patterson after the Perennial Chairman has formally evaluated the elements of the performance scorecard. Thereafter:

- 50% is provided as an immediate cash payment; and
- 50% is set aside as a deferred incentive award.

The deferred component related to 2007/08 will be provided to Mr Patterson as cash, to vest on 1 July 2009, subject to Mr Patterson still being employed by Perennial, IOOF or a related subsidiary company, at that time. Over the vesting period the value of the deferred cash entitlement will grow in line with the performance of the Perennial Balanced Wholesale Trust.

J Billington, General Manager – Portfolio Solutions

Mr Billington originally entered into a two year fixed term employment agreement effective from 4 October 2006. In December 2007 IOOF Services Pty Ltd entered into a new employment agreement with Mr Billington of unlimited duration.

Mr Billington's compensation is made up of a fixed remuneration package, a cash based short-term incentive opportunity, and an equity based long-term incentive opportunity that is tied to performance as outlined in a performance scorecard.

A component of the short-term incentive is tied to the achievement of group financial objectives. The balance of the short-term incentive opportunity is tied to the achievement of a set of objectives focused on sales, service, governance and other strategic objectives.

The equity based incentive comprises three tranches of performance shares and share options with a total incentive opportunity value of $750,000 at the grant date of 31 December 2007. They are subject to the achievement of service conditions and performance conditions tested over

Part C. Remuneration approach (continued)

two and three year performance periods. The performance conditions require satisfaction of total shareholder return targets relative to the nominated peer group (refer Part G. *Remuneration and company performance*) and earnings per share targets of 10% growth over the vesting period. The shares and options vest on either 1 July 2011 or 1 July 2012. The exercise period for each tranche of options will be between the vesting date and 1 January 2013. The exercise price will be determined based on the Volume Weighted Average Price of IOOF Holdings Ltd shares during the first week of December 2008, December 2009 and December 2010 for each tranche respectively.

Other senior executives

The total remuneration of the executives who report directly to the IOOF Chief Executive Officer that is 'at risk' is linked to the individual's ability to impact the performance of the Company. 'At risk' elements of total remuneration comprise both short-term incentives as a reward for performance and long-term incentives that align medium and long-term shareholder interests. Remuneration Components are detailed in C.1 above, and the Performance Scorecard against which performance is tested is explained below.

C.4 Performance scorecard methodology for senior executives

Senior executives have a substantial element of their short-term and long-term remuneration at risk, subject to the financial performance of the organisation and their own performance relative to pre-agreed objectives. These objectives are set out in an executive performance scorecard. For 2007/08 each senior executive's scorecard included:

- a Group financial objective;
- a profit objective related to their relevant business unit; and
- key strategic objectives related to the executive's own function and business priorities.

These objectives were selected in order to ensure:

- rigour in financial management, aligning performance with shareholder interest
- focus on the key strategic initiatives that will facilitate growth
- focus on safeguarding of shareholder and client interests, and the IOOF brand.

The 2007/08 scorecard methodology provides that for each 1% 'above plan' an additional 2.5% of the 'on plan' incentive opportunity will apply, capped at an additional 25% (which would apply where the result was 110% of Plan). This premium recognises that performance in excess of 100% of the plan warrants moderate reward but higher levels of results warrant more substantial recognition. This methodology applies only to that component of the incentive compensation that is tied to the group and business unit financial components of the scorecard (50% in total).

The total sum of the short-term and long-term incentive opportunity is known as the Total Incentive Compensation Opportunity. This amount is directly tied to the achievement of performance scorecard objectives. At the end of the business plan period, the CEO assesses the extent to which the scorecard objectives have been met, and recommends to the Board the amount of the Total Incentive Compensation Award to be made to the executive.

Pre-agreed percentages of the Total Incentive Compensation Award are then apportioned so as to fund:

- a cash based payment, payable immediately
- a long-term incentive equity allocation that will vest after a three year period.

Part D. Terms of appointment

D.1 Terms of appointment

Remuneration and other terms of employment for the Chief Executive Officer, Executive Directors, and senior executives are formalised in employment contracts.

Details of the employment contracts are as follows.

D.1.1 Non-executive Directors

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 2001* 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.

D.1.2 Executive Directors

A Robinson, Chief Executive Officer - IOOF Holdings Ltd

Mr Robinson is employed under an unlimited duration service agreement which commenced on 24 April 2007. Under that agreement Mr Robinson receives a fixed remuneration package (which is subject to review), a short-term incentive component, and an equity based long-term incentive component. A more detailed overview of these components is set out in the table on page 38.

Part D. Terms of appointment (continued)

There are various performance and vesting conditions attached to the remuneration provided to Mr Robinson under the terms of his agreement.

Mr Robinson may terminate his employment by giving IOOF six months written notice. The Board may waive the requirement for him to serve out part or all of the notice period, although he would be entitled to the base remuneration for that portion of the notice period not served out. Any unvested incentives at the date of termination would lapse.

A Hodges, Executive Director – IOOF Holdings Ltd and IOOF Investment Management Ltd

The terms and conditions of employment are set out in the table in section D.2. As noted in the table, Mr Hodges has been with the Group in excess of 20 years. Any termination payment or period will be determined by the Board, on the recommendation of the Remuneration and Nominations Committee, taking into account seniority, length of service, the reasons for the termination and other rights (if any) of Mr Hodges and the Group.

D.1.3 Other Key Management Personnel

M Crivelli, Executive Chairman – Perennial Investment Partners Limited

Whilst Mr Crivelli holds the position of Executive Chairman of Perennial Investment Partners Limited, no further compensation is payable to him for his service on other Boards across the Perennial group of companies. The terms and conditions of employment are set out in the table in section D.2.

A Patterson, Managing Director – Perennial Investment Partners Limited

The executive service agreement provides for Mr Patterson to be employed over a period of unlimited duration, subject to the termination provisions set out in the table in section D.2.

The agreement provides for Mr Patterson to receive a total remuneration package comprising a fixed remuneration component and a further total variable compensation package.

J Billington, General Manager – Portfolio Solutions

Mr Billington originally entered into a two-year fixed-term employment agreement effective from 4 October 2006. In December 2007 IOOF Services Pty Ltd entered into a new employment agreement with Mr Billington of unlimited duration, subject to termination provisions set out in the table in section D.2.

D.1.4 Other Senior Executives

A range of employment contracts operate within the Group. It is the Group's practice when engaging executives to have the employment contracts outline the components of the remuneration to be paid to that executive, and for the employment terms and conditions to incorporate the Senior Staff Redundancy Policy or other agreed termination arrangements. The Senior Staff Redundancy policy applies to all of the senior executives (other than Mr Hodges, Mr Billington and Mr Linehan) and provides that in the event of genuine redundancy, pay in lieu of notice equivalent to five months' 'total remuneration' (defined as the sum of the guaranteed fixed remuneration package at the time, plus an annualised average of the three previous years' STI, LTI and/or incentive payments), will be provided to the executive. Additionally, three weeks' severance pay for each year of service will be provided, calculated on the same 'total remuneration' basis. The redundancy provisions of any IOOF Employee Equity Plans that the executive participates in would also apply.

D.2 Summary of terms and conditions of employment

The following table sets out the terms and conditions of employment of Key Management Personnel and named senior executives.

Name	Employing Company	Commencement Date	Term	Termination Provisions / Benefits
Executive Directors				
A Robinson	IOOF Holdings Ltd	24 Apr 2007	Ongoing	The company may terminate Mr Robinson's employment at any time by giving 12 months written notice, or the company may elect to make payment of base 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 Robinson would be entitled in this event is at the discretion of the Board.
A Hodges	IOOF Services Pty Ltd	24 Sep 1985	Ongoing	The company may terminate the contract for unsatisfactory performance by giving five months written notice. In the case of redundancy, IOOF Holdings Ltd Board will agree the terms with Mr Hodges.

Part D. Terms of appointment (continued)

Name	Employing Company	Commencement Date	Term	Termination Provisions / Benefits
Other Key Management Personnel				
S Abley	IOOF Services Pty Ltd	26 May 2006	Ongoing	The company may terminate the contract (other than in the case of redundancy) by giving five months notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
J Billington	IOOF Services Pty Ltd	4 Oct 2006	Ongoing	The company may terminate the contract for unsatisfactory performance by giving four weeks written notice, or at any time by providing a payment equivalent to three months pay plus three weeks pay for each completed year of service, but capped at nine months pay (calculated on the fixed remuneration package applicable at that time). In the case of redundancy, the 2007 IOOF Staff Redundancy Policy would apply, with the exception that the pay in lieu of notice component would be three months rather than the usual eight weeks. For the purpose of all service-based calculations, the deemed service period will include the fixed term employment period that commenced 4 October 2006.
M Blackburn	IOOF Holdings Ltd	25 Oct 2004	Ongoing	The company may terminate the contract (other than in the case of redundancy) by giving nine months notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
M Crivelli	Perennial Investment Partners Limited	22 Dec 1997	Ongoing	If at any time prior to 30 June 2009, the Company terminates Mr Crivelli's employment on any basis other than fraud, death, bankruptcy or permanent disability or if a change in control of the Company occurs, Mr Crivelli can choose to have the deferred payment, pursuant to the Share Sale and Purchase Agreement to which he is a party, paid to him within 30 business days (refer to Note 20 to the Financial Statements). Mr Crivelli will also be paid accrued monies or benefits to which Mr Crivelli is entitled on the termination date and statutory entitlements. After 30 June 2009, the Company may terminate and is required to pay accrued monies or benefits to which Mr Crivelli is entitled on the termination date, and statutory entitlements.
R Mota	IOOF Services Pty Ltd	20 Oct 2003	Ongoing	The company may terminate the contract for unsatisfactory performance or prolonged absence on medical grounds by giving four weeks written notice, or at any time by giving seven months written notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
A Patterson	Perennial Investment Partners Limited	30 Apr 2001	Ongoing	If at any time prior to 30 June 2009, the Company terminates Mr Patterson's current role on any basis other than fraud, death, bankruptcy or permanent disability or if a change in control of the Company occurs, Mr Patterson can choose to have the deferred payment, pursuant to the Share Sale and Purchase Agreement to which he is a party, paid to him within 30 business days (refer to Note 20 to the Financial Statements). Mr Patterson will also be paid accrued monies or benefits to which Mr Patterson is entitled on the termination date and statutory entitlements Further, other than in the case of serious breach of the executive service agreement where no notice of termination would be provided, the company may only terminate the contract by paying a sum calculated by reference to the Senior Staff Redundancy Policy.
Named Senior Executives				
A Bisogni	IOOF Holdings Ltd	28 Jan 2003	Ongoing	The company may terminate the contract for unsatisfactory performance by giving three months written notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
M Coe	IOOF Holdings Ltd	24 Oct 2006	Ongoing	The company may terminate the contract for unsatisfactory performance or prolonged absence on medical grounds by giving four months written notice, or at any time by giving six months written notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
B Linehan	IOOF Holdings Ltd	12 Sep 2007	Ongoing	The company may terminate the contract for unsatisfactory performance by giving two months written notice, or at any time by giving four months written notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the 2007 IOOF Staff Redundancy Policy applies.

Part D. Terms of appointment (continued)

Name	Employing Company	Commencement Date	Term	Termination Provisions / Benefits
Named Senior Executives (continued)				
P Wallbridge	IOOF Services Pty Ltd	12 Oct 1998	Ongoing	The company may terminate the contract by giving one month written notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
G Wood	IOOF Holdings Ltd	23 Oct 2006	Ongoing	The company may terminate the contract for unsatisfactory performance or prolonged absence on medical grounds by giving four months written notice, or at any time by giving six months written notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.

Part E. Remuneration of Non-executive Directors

E.1 Approval of funding for the remuneration

IOOF'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 in general meeting. 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.

E.2 Equity participation

IOOF has 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 IOOF shares at market value on a tax deferred basis.

The following table sets out the number of shares acquired by existing directors at 30 June 2008 and the range of prices at which shares were acquired during the financial year ended 30 June 2008.

Name	Shares Acquired	Share price range at acquisition date	Dollar Value
I Blair	3,231	$5.08 - $10.20	$22,740
J Harvey	2,014	$5.08 - $10.20	$15,000
J Pfeiffer	6,058	$5.08 - $10.20	$42,645
R Sexton	3,231	$5.08 - $10.20	$22,740
K Spargo	1,615	$5.08 - $10.20	$11,370

E.3 Retirement benefits

The IOOF Board has withdrawn this benefit from the benefits package of new Non-executive Directors. However, the program will continue for Directors appointed prior to 13 April 2003 to fulfil the terms of historical agreements. This benefit provides 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*:
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

* 'AAE' = Annual Average Emoluments over the last three years of service to date of retirement.

Part E. Remuneration of Non-executive Directors (continued)

E.4 Remuneration table

This table sets out the remuneration received by Non-executive Directors for the financial year ended 30 June 2008 and the comparative year. Non-executive Directors fees were reduced by approximately 7% effective from October 2007, and this is reflected in the following figures.

Key Management Personnel

	Short-Term Benefits	Post-Employment Benefits	Share-Based Payments	Total	Post-Employment Benefits	Total
Name	Directors' Fees $	Superannuation (1) $	Shares (2) $	Shareholder Approved Remuneration (3) $	Retirement Benefits (4) $	$
Non-executive Directors						
I Blair						
2008	161,325	13,647	22,740	197,712	49,262	246,974
2007	75,516	106,253	26,004	207,773	50,253	258,026
R Harper						
2008	118,442	10,660	–	129,102	–	129,102
2007	76,763	4,909	–	81,672	–	81,672
J Harvey						
2008	104,675	9,418	15,000	129,093	–	129,093
2007	112,156	10,094	14,000	136,250	–	136,250
J Pfeiffer						
2008	1,138	85,311	42,645	129,094	–	129,094
2007	42,467	63,775	30,008	136,250	–	136,250
R Sexton						
2008	100,435	11,087	22,740	134,262	11,937	146,199
2007	103,997	11,700	26,003	141,700	72,080	213,780
K Spargo						
2008	107,072	10,660	11,370	129,102	11,687	140,789
2007	112,002	11,250	12,998	136,250	17,931	154,181
Total Non-executive Directors 2008	**593,087**	**140,783**	**114,495**	**848,365**	**72,886**	**921,251**
Total Non-executive Directors 2007	**522,901**	**207,981**	**109,013**	**839,895**	**140,264**	**980,159**

(1) Superannuation includes directors' fees sacrificed into superannuation funds.

(2) Share-based payments represent directors' fees sacrificed into the Non-executive Director Deferred Share Purchase Plan.

(3) Shareholder Approved Remuneration amounted to $848,365 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 annual 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.

Part F. Remuneration of Executive Directors, other Key Management Personnel and named senior executives

F.1 Remuneration table

This table sets out the remuneration received by Executive Directors, other Key Management Personnel, and named senior executives for the financial year ended 30 June 2008 and the comparative year.

Key Management Personnel and named senior executives

	Short-Term Benefits				Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits (5)	Share-Based Payments (6)		Total
Name	Salary (1) $	Bonus (2) $	Non-Monetary Benefits (3) $	Total $	Superannuation (4) $	$	$	Options $	Shares $	$
Executive Directors										
A Robinson										
2008	452,265	450,000	6,026	908,291	50,000	–	–	521,813	66,000	1,546,104
2007	52,723	90,000	–	142,723	42,386	–	–	–	6,113	191,222
A Hodges										
2008	222,406	85,000	24,603	332,009	18,453	–	78,428	–	261,067	689,957
2007	289,808	159,863	48,165	497,836	24,023	–	17,284	–	242,223	781,366
Other Key Management Personnel										
S Abley										
2008	204,810	60,000	19,688	284,498	21,620	–	–	–	55,031	361,149
2007	9,889	3,320	–	13,209	774	–	–	–	187	14,170
J Billington										
2008^	427,816	158,016	116,889	702,721	13,129	–	–	10,715	10,714	737,279
2007	277,929	159,047	48,841	485,817	9,409	–	–	–	–	495,226
M Blackburn										
2008^#	319,835	115,000	–	434,835	100,000	–	–	–	301,772	836,607
2007^#	301,645	180,797	–	482,442	105,109	–	–	–	292,761	880,312
M Crivelli (7)										
2008	174,363	–	951	175,314	14,767	–	17,023	–	–	207,104
2007	236,835	–	768	237,603	21,701	–	16,415	–	–	275,719
R Mota										
2008	223,376	64,000	–	287,376	49,090	–	–	–	46,549	383,015
2007#	138,651	53,125	–	191,776	9,492	–	–	–	12,668	213,936
A Patterson										
2008^	620,415	629,810	13,700	1,263,925	13,129	–	443,910	–	–	1,720,964
2007^	631,732	400,000	9,312	1,041,044	12,321	–	183,420	–	–	1,236,785
Named Senior Executives (8)										
A Bisogni										
2008#	266,683	77,000	–	343,683	24,271	–	29,062	–	216,867	613,883
2007#	274,869	117,140	–	392,009	23,991	–	–	–	186,876	602,876
M Coe										
2008#	136,076	12,900	–	148,976	20,618	–	–	–	–	169,594

Part F. Remuneration of Executive Directors, other Key Management Personnel and named senior executives (continued)

	Short-Term Benefits				Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits (5)	Share-Based Payments (6)		Total
Name	Salary (1) $	Bonus (2) $	Non-Monetary Benefits (3) $	Total $	Superannuation (4) $	$	$	Options $	Shares $	$
Named Senior Executives (8) (continued)										
B Linehan										
2008#	137,364	–	–	137,364	12,015	–	–	–	–	149,379
P Wallbridge										
2008^	266,860	72,500	26,707	366,067	23,532	–	27,099	–	383,309	800,007
2007^#	255,832	108,351	25,000	389,183	22,982	–	37,414	–	180,459	630,038
G Wood										
2008#	167,571	15,000	–	182,571	13,129	–	–	–	–	195,700
Other Key Management Personnel and named senior executives who departed during or since the end of the financial year:										
M Stephen (to 14 March 2008)										
2008^	202,751	–	3,467	206,218	16,324	468,333	(11,778)	–	237,477	916,574
2007	284,540	110,381	6,091	401,012	21,660	–	11,778	–	93,773	528,223
S Foley (to 20 June 2007)										
2007^#	239,994	–	5,800	245,794	21,599	871,474	–	–	(9,450)	1,129,417
R Dewhurst (to 20 April 2007)										
2007	483,169	87,500	4,720	575,389	77,496	30,233	–	–	440,625	1,123,743
J Brown (to 8 August 2006)										
2007^	34,168	–	706	34,874	3,075	687,083	–	–	177,939	902,971

(1) 'Salary' includes accruals for annual leave.

(2) The bonus reflects amounts provided under the short-term incentive program in relation to the financial year. This incentive payment amount for 2007/08 was communicated to participants in August 2008. The maximum value of the bonuses is the amount shown. The minimum value of the bonuses, had the performance hurdles not been met, would have been zero.

(3) Non-monetary benefits include Fringe Benefit Tax paid and the value of other non-monetary benefits.

(4) Superannuation include salary and performance incentives sacrificed into superannuation funds.

(5) Other long-term benefits include accruals for long service leave and long-term incentives of $428,000 (2007: $165,000) accruing to Mr Patterson. The total accrued balance for the long-term incentives awarded to Mr Patterson was $623,800 at 30 June 2008, and the applicable vesting dates are 1 July 2008 and 1 July 2009.

(6) Equity compensation includes salary and performance incentives sacrificed into the Deferred Share Purchase Plan, accruals in relation to the Executive Performance Share Plan, and accruals in relation to other grants of shares and options over shares in IOOF Holdings Ltd. The value of the number of shares and options expected to vest has been apportioned over the term from grant date to vesting date. The grant dates for shares allocated under the Executive Performance Share Plan were 1 December 2004, 1 December 2005, 1 December 2006 and 1 December 2007. The shares issued to Mr Robinson relate to guaranteed long-term equity rewards. The grant date for shares and options issued to Mr Robinson was 13 November 2007, being the date of the Annual General Meeting of shareholders at which the grant was approved. Shares and options with an opportunity value at grant date of $750,000 were issued to Mr Billington as part of a long-term incentive award. The grant date of this award was 31 December 2007, and vesting conditions and vesting periods of two and three years apply to the various components of the grant.

(7) Mr Crivelli resigned as a director of IOOF Holdings Ltd on 17 December 2007, but continues as Chairman of Perennial Investment Partners Limited, a wholly owned subsidiary of IOOF Holdings Ltd.

(8) Ms Bisogni and Messrs Stephen and Wallbridge were Key Management Personnel of the IOOF Group for the 2007 financial year. Amounts are shown for 2008 in accordance with the *Corporations Act 2001* where they are amongst the five highest paid executives of the Group and/or Company.

^ Denotes one of the five highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

\# Denotes one of the five highest paid executives of IOOF Holdings Ltd, as required to be disclosed under the *Corporations Act 2001*.

Part F. Remuneration of Executive Directors, other Key Management Personnel and named senior executives (continued)

F.2 Remuneration components as a percentage of total remuneration

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Remuneration Components (based on annualised amounts)

Name	Fixed %		Total Incentive Compensation Award %		Total Remuneration %	
	2008	2007	2008	2007	2008	2007
A Robinson	53	51	47	49	100	100
A Hodges	52	44	48	56	100	100
S Abley	82	78	18	22	100	100
J Billington	65	100	35	–	100	100
A Bisogni	61	47	39	53	100	100
M Blackburn	58	44	42	56	100	100
M Coe	92	–	8	–	100	–
M Crivelli	100	100	–	–	100	100
B Linehan	100	–	–	–	100	–
R Mota	61	54	39	46	100	100
A Patterson	62	36	38	64	100	100
P Wallbridge	80	48	20	52	100	100
G Wood	92	–	8	–	100	–
Senior executive who departed during the financial year:						
M Stephen	74	47	26	53	100	100

F.3 Share option component of remuneration

Name	Remuneration Consisting of Options(1) %	Value at Grant Date(2) $
	2008	2008
A Robinson	34	1,480,500
J Billington	3	375,000

(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.

Further details of share options granted to Mr Robinson and Mr Billington during the year are provided at section C.3 *Remuneration Components*. No options have vested to date, and hence no shares have been issued on exercise of options.

Part F. Remuneration of Executive Directors, other Key Management Personnel and named senior executives (continued)

F.4 Cash bonus and LTI equity allocations

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

	Cash		LTI	
Name	**Paid %**	**Forfeited %**	**Awarded %**	**Forfeited %**
A Robinson	90	10	100	–
A Hodges	68	32	65	35
S Abley	80	20	–	–
J Billington	80	20	80	20
A Bisogni	70	30	60	40
M Blackburn	69	31	60	40
M Coe	75	25	–	–
M Crivelli	–	–	–	–
B Linehan	–	–	–	–
R Mota	80	20	80	20
A Patterson	50	50	50	50
P Wallbridge	71	29	–	–
G Wood	75	25	–	–
Senior executive who departed during the financial year:				
M Stephen	–	100	53	47

The 2006/07 and 2007/08 LTI allocations to all senior executives other than Mr Robinson and Mr Billington have time based vesting conditions (three years). No additional performance conditions are attached because performance objectives must be achieved prior to eligibility.

The 2004/05 and 2005/06 allocations are subject to the achievement of performance conditions. The proportion of the equity allocations that will vest will be determined by reference to three performance hurdles:

1. 60% based on Relative Total Shareholder Return ('TSR');
2. 20% based on Cash Earnings Per Share ('Cash EPS'); and
3. 20% based on Return on Capital Employed ('ROCE').

Refer to the graphs on page 51.

These performance hurdles were selected because they align the interests of executives with the interests of shareholders. The performance shares may vest up to five years after the date of allocation.

The 2004/05 allocations have vested to the extent of 86.5% of the allocation at the date of this report.

Part F. Remuneration of Executive Directors, other Key Management Personnel and named senior executives (continued)

F.5 Unvested Shareholdings – number and value of shares

Name	Grant Date	Issue Price	Vesting Date (1)	Unvested at 30 June 2007	Granted	Forfeited	Vested	Unvested at 30 June 2008
Executive Directors								
A Robinson (2)	Nov-07	$3.96	Oct-10	–	50,000	–	–	50,000
			Total Value	$0	$198,000	–	–	$198,000
A Hodges	Nov-04	$8.65	Oct-07	29,493	–	–	(25,511)	3,982
	Nov-05	$7.42	Oct-08	34,376	–	–	–	34,376
	Nov-06	$10.53	Oct-09	26,085	–	–	–	26,085
	Nov-07	$8.70	Oct-10	–	34,130	–	–	34,130
			Total Value	$784,909	$296,888	–	($220,670)	$861,127
Other Key Management Personnel and Named Senior Executives								
S Abley	Nov-06	$10.53	Oct-09	6,409	–	–	–	6,409
			Total Value	$67,499	–	–	–	$67,499
A Bisogni	Nov-04	$8.65	Oct-07	23,421	–	–	(20,259)	3,162
	Nov-05	$7.42	Oct-08	28,815	–	–	–	28,815
	Nov-06	$10.53	Oct-09	22,208	–	–	–	22,208
	Nov-07	$8.70	Oct-10	–	25,009	–	–	25,009
			Total Value	$650,291	$217,546	–	($175,240)	$692,597
M Blackburn	Nov-04	$8.65	Oct-07	42,000	–	–	(36,330)	5,670
	Nov-05	$7.42	Oct-08	38,420	–	–	–	38,420
	Nov-06	$10.53	Oct-09	28,726	–	–	–	28,726
	Nov-07	$8.70	Oct-10	–	38,600	–	–	38,600
			Total Value	$950,916	$335,765	–	($314,255)	$972,426
R Mota	Nov-05	$7.42	Oct-08	6,066	–	–	–	6,066
	Nov-06	$10.53	Oct-09	6,210	–	–	–	6,210
	Nov-07	$8.70	Oct-10	–	14,657	–	–	14,657
			Total Value	$110,403	$127,500	–	–	$237,903
P Wallbridge	Nov-04	$8.65	Oct-07	22,554	–	–	(19,509)	3,045
	Nov-05	$7.42	Oct-08	27,298	–	–	–	27,298
	Nov-06	$10.53	Oct-09	19,379	–	–	–	19,379
	Nov-07	$8.70	Oct-10	–	23,133	–	–	23,133
			Total Value	$601,741	$201,224	–	($168,753)	$634,212
Senior executive who departed during the financial year:								
M Stephen (to 14 March 2008)	Nov-04	$8.65	Oct-07	7,634	–	(1,031)	(6,603)	–
	Nov-05	$7.42	Oct-08	25,276	–	(20,221)	(5,055)	–
	Nov-06	$10.53	Oct-09	19,024	–	(5,327)	(13,697)	–
	Nov-07	$8.70	Oct-10	–	23,566	(10,605)	(12,961)	–
			Total Value	$453,941	$204,989	($307,309)	($351,621)	$0

(1) Vesting dates in relation to shares granted under the Executive Performance Share Plan represent the earliest date shares can vest, subject to performance criteria.

(2) Mr Robinson's original contract of employment dated 24 April 2007 included an annual allocation of up to 50,000 shares that vest subject to the achievement of market based performance conditions, to be tested over a three year period. These market based performance conditions are reflected in the Issue Price valuation.

Part F. Remuneration of Executive Directors, other Key Management Personnel and named senior executives (continued)

F.6 Maximum value of previous year executive performance share and option grants that vest in future periods

The following table discloses additional information in respect of executive performance share and option grants that will vest in the future.

Name	30 June 2009	30 June 2010	30 June 2011	30 June 2012
	$	$	$	$
Shares:				
A Robinson	132,000	198,000	132,000	66,000
A Hodges	266,288	215,464	41,234	–
S Abley	40,312	9,375	–	–
J Billington	71,429	121,429	121,429	50,000
A Bisogni	218,321	162,408	30,215	–
M Blackburn	295,814	242,546	46,634	–
R Mota	73,998	85,230	17,708	–
P Wallbridge	95,200	67,075	27,948	–
Options:				
A Robinson	521,813	301,313	135,563	–
J Billington	71,429	121,429	121,429	50,000

The values for shares and options with service-based vesting conditions have been allocated to future periods by applying probabilities to the likelihood of the shares or options vesting, up to the earliest vesting date. The values for shares with market based vesting conditions have been allocated to future periods by applying their value equally over the relevant service period, up to the earliest vesting date. Values for future periods have not been discounted to present value.

Minimum value in all cases is zero, if the Executive ceases employment before the end of the vesting period.

Refer to the notes to the financial statements for further explanation of the valuation method and for details of Key Management Personnel shareholdings.

Part G. Remuneration and company performance

Performance scorecard objectives align individual performance with the interests of shareholders by linking an individual's remuneration and incentives to the creation of shareholder wealth. Executives' remuneration includes a fixed remuneration package and a total incentive compensation award which is determined with reference to the individual's scorecard performance.

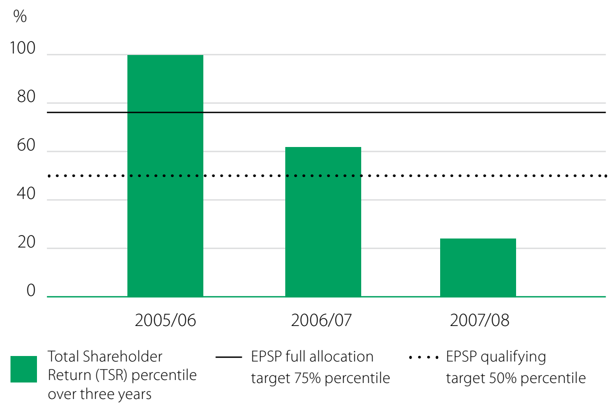
The following charts compare company performance against the performance scorecard measures over the same period.

Further details of company performance over the past five years, including details of IOOF's revenue, operating efficiency ratio, net profit after tax, cash earnings, funds inflow and assets under management and share price, are included in the Annual Report.

Dividends paid and shareholder return, are disclosed in the Annual Report. Details of Contributed equity are disclosed in Note 26 of the Annual Report.

Part G. Remuneration and company performance (continued)

Total shareholder return percentile



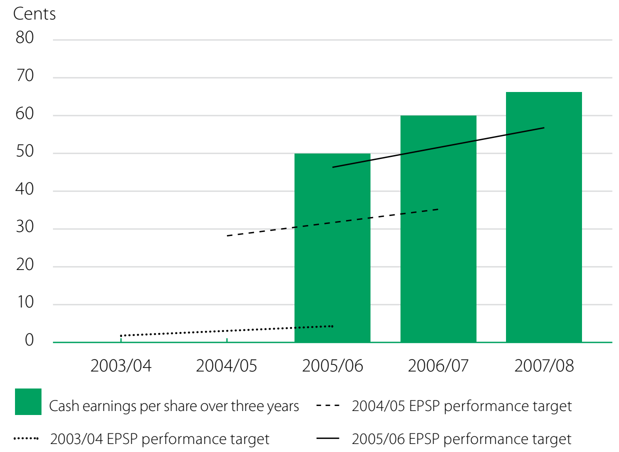
The Executive Performance Share Plan ('EPSP') allocations for 2006/07 and 2007/08 have service conditions only, as qualifying performance conditions had already been met.

The Total Shareholder Return Percentile measures the growth in IOOF's share price and dividends paid compared to a peer group that has the same underlying business drivers and faces similar growth opportunities and challenges.

The peer group consists of:

Company Name	ASX Code
AMP Ltd	AMP
AXA Asia Pacific Holdings Ltd	AXA
Challenger Financial Services Group Ltd	CGF
Count Financial Ltd	COU
Hunter Hall International Ltd	HHL
Over Fifty Group Ltd	OFG
Perpetual Ltd	PPT
Tower Ltd	TWR
Treasury Group Ltd	TRG
Trust Company Ltd	TRU
WHK Group Ltd	WHG
Financials Accumulation Index	–
Small Ordinaries Accumulation Index	–

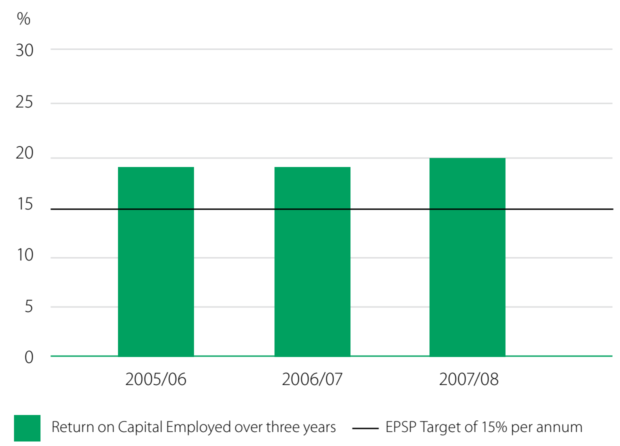
Cash earnings per share



The EPSP allocations for 2006/07 and 2007/08 have service conditions only, as qualifying performance conditions had already been met.

The Cash Earnings Per Share ratio demonstrates cash earnings generated by IOOF on a per share basis. Each year a new Cash Earnings Per Share target is set based on the actual earnings for the previous year. The target applicable to the relevant EPSP allocations is 10% growth per annum over the relevant testing period, based on the initial target established for that particular allocation. This is depicted in the above graph.

Return on capital employed



The EPSP allocations for 2006/7 and 2007/8 have service conditions only, as qualifying performance conditions had already been met.

IOOF's return on capital employed indicates that shareholders' return on the Company's capital has exceeded the target of 15% per annum over three years.

IOOF Holdings Ltd

Directors' Report

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

The Board of Directors has considered the policy regarding use of its auditors for non-audit services in the context of CLERP 9 and in accordance with the advice received from the Audit and Risk Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor
- none of the services undermine the general principle relating to auditor's independence as set out in APES 110 Code of Ethics for Professional Accountants.

In relation to the consolidated entity, the amount paid for non-audit services to the auditor PricewaterhouseCoopers was $Nil (2007: $Nil).

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 53.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.

Mr I Blair
Chairman of the Board

Mr A Robinson
Director and Chief Executive Officer

Melbourne, 27 August 2008

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Auditor's Independence Declaration

As lead auditor for the audit of IOOF Holdings Ltd for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

J F Power

Partner
PricewaterhouseCoopers

Melbourne
27 August 2008

IOOF Holdings Ltd

Income Statements

for the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Revenue	4 (a)	402,853	368,294	46,839	48,142
Other income	4 (b)	1,296	109,899	24	429
Expenses	6	(394,538)	(418,195)	(17,987)	(25,945)
Finance costs	6	984	(2,258)	642	(2,389)
Share of profit or loss of associate	5	7,359	7,810	–	–
Profit before income tax		**17,954**	**65,550**	**29,518**	**20,237**
Income tax (expense)/benefit	7	8,100	(41,036)	(427)	700
Profit for the year		**26,054**	**24,514**	**29,091**	**20,937**
Profit is attributable to:					
Equity holders of IOOF Holdings Ltd		23,340	22,344	29,091	20,937
Minority interest		2,714	2,170	–	–
		26,054	**24,514**	**29,091**	**20,937**
Earnings per share for profit attributable to the ordinary equity holders of the company:		**Cents**	**Cents**		
Basic earnings per share	32	34.2	35.0		
Diluted earnings per share	32	33.8	34.4		

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

IOOF Holdings Ltd

Balance Sheets

as at 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Assets					
Cash and cash equivalents	9	583,444	509,280	6,368	1,202
Receivables	10	67,350	61,416	13,417	26,597
Other financial assets	11	558,594	934,033	241,308	258,435
Investments accounted for using the equity method	12	7,260	8,369	–	–
Other assets	13	10,335	16,139	4,803	10,173
Property and equipment	14	4,307	3,247	–	1,485
Deferred tax assets	15	22,890	7,006	5,371	4,601
Intangible assets	16	167,714	197,230	–	–
Total Assets		1,421,894	1,736,720	271,267	302,493
Liabilities					
Payables	17	34,305	32,809	7,311	4,075
Borrowings	18	–	33,500	5,000	38,500
Current tax liabilities	19	8,099	18,950	6,875	18,095
Deferred tax liabilities	19	–	29,713	–	–
Provisions	20	9,584	45,120	4,126	41,432
Other financial liabilities	21	25,125	20,690	–	–
Deferred revenue liability	22	4,163	4,967	–	–
Investment contract liabilities	23	471,438	519,644	–	–
Insurance contract liabilities	24	495,393	534,566	–	–
Outside interest in controlled trusts	25	141,209	306,856	–	–
Total Liabilities		1,189,316	1,546,815	23,312	102,102
Net Assets		**232,578**	**189,905**	**247,955**	**200,391**
Equity					
Contributed equity	26	218,637	179,030	218,637	179,030
Treasury shares	26	(4,701)	(5,346)	–	–
Preference shares	26	1,400	1,400	1,400	1,400
Reserves	27	5,440	3,769	4,183	2,554
Retained profits	28	11,078	10,305	23,735	17,407
Capital and reserves attributable to equity holders of IOOF Holdings Ltd		231,854	189,158	247,955	200,391
Minority interest	29	724	747	–	–
Total Equity		**232,578**	**189,905**	**247,955**	**200,391**

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

IOOF Holdings Ltd

Statements of Changes in Equity

for the year ended 30 June 2008

		Consolidated		Parent	
	Notes	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Total Equity at the beginning of the year		**189,905**	**187,127**	**200,391**	**197,660**
Adjustment for change in accounting policy	8	–	–	–	984
Reserve for available-for-sale investment revaluations	27	(345)	–	(345)	–
Net income recognised directly in equity		(345)	–	(345)	984
Profit for the year		26,054	24,514	29,091	20,937
Total recognised income and expense for the year		**25,709**	**24,514**	**28,746**	**21,921**
Transactions with equity holders in their capacity as equity holders					
Shares issued to General staff share acquisition plan	26	326	290	326	290
Contributions of equity, net of transaction costs	26	38,974	–	38,974	–
Deferred tax benefit on equity raising costs	26	307	–	307	–
Treasury shares - Executive performance share plan	26	645	2,070	–	–
Reserve for share based payments	27	2,015	83	1,974	(61)
Minority interest decrease on change in shareholding		–	(3,612)	–	–
Dividends paid to shareholders of the Company	28	(22,567)	(19,153)	(22,763)	(19,419)
Dividends paid to minority interests in subsidiaries		(2,736)	(1,414)	–	–
		16,964	**(21,736)**	**18,818**	**(19,190)**
Total Equity at the end of the year		**232,578**	**189,905**	**247,955**	**200,391**
Total recognised income and expense for the year is attributable to:					
Equity holders of IOOF Holdings Ltd	28	22,995	22,344	28,746	20,937
Minority interest		2,714	2,170	–	–
		25,709	**24,514**	**28,746**	**20,937**

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

IOOF Holdings Ltd

Cash Flow Statements

for the year ended 30 June 2008

		Consolidated		Parent	
	Notes	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flows from operating activities					
Management fees and commission income received		311,080	294,630	13,246	10,047
Service fee income received		–	–	13,745	–
Premium income received		704	1,238	–	–
Contribution proceeds		187,808	175,384	–	–
Payments to suppliers and employees		(270,070)	(268,060)	(8,418)	(14,405)
Payment of service fees		–	–	(4,849)	–
Distributions received		61,538	44,585	58	1,409
Dividends received from non-related entities		984	12,444	29,250	26,617
Dividends received from associate		8,468	7,428	–	–
Interest income received		29,209	25,820	3,721	2,621
Interest paid		(296)	(952)	–	(1,109)
Withdrawal payments		(420,424)	(260,986)	–	–
Proceeds from sales of financial assets		261,091	102,131	25	184
Other income received		2,567	3,519	24	233
GST paid/received		(13,016)	(11,845)	616	872
Income tax paid		(48,041)	(46,113)	(12,110)	(8,013)
Net cash provided by operating activities	40(b)	**111,602**	**79,223**	**35,308**	**18,456**
Cash flows from financing activities					
Dividends paid to shareholders of the Company		(22,567)	(19,153)	(22,763)	(19,419)
Dividends paid to minority interests in subsidiaries		(2,736)	(1,414)	–	–
Dividends paid to shareholders entitled to contractual share buy-back		(1,890)	(2,390)	–	–
Cash proceeds from shares issued		38,974	–	38,974	–
Proceeds of capital reduction from controlled entity		–	–	121,997	–
Proceeds from/(payments to) line of credit facility		(33,500)	33,500	(33,500)	33,500
Proceeds from loans from controlled entities		–	–	–	5,000
Net cash provided by/(used in) financing activities		**(21,719)**	**10,543**	**104,708**	**19,081**
Cash flows from investing activities					
Deferred payment for acquisition of business		–	(9,434)	–	(8,654)
Payment for purchase of property and equipment		(2,707)	(1,944)	(68)	(1,299)
Proceeds from sale of available-for-sale investments		363	–	–	–
Proceeds from sale of property and equipment		–	6	1,252	8
Payment for the purchase of shares in a controlled entity		–	(68,152)	(125,864)	(65,405)
Payment for purchase of shares in associate		–	(5,225)	–	–
Payment for purchase of shares in a listed entity		(3,967)	–	(3,967)	–
Payment for purchase of other intangible assets		(1,076)	(189)	–	–
Proceeds from loans repaid by directors and executives		465	3,458	–	–
Loans made to controlled entities		–	–	(6,759)	(5,225)
Loans made to directors and executives		(7,037)	(500)	–	-
Proceeds from loans repaid by controlled entities		–	–	556	250
Proceeds from loans repaid by related parties		97	–	–	–
Proceeds from loans repaid by policyholders – Benefit Funds		1,353	1,060	–	–
Loans made to policyholders – Benefit Funds		(3,210)	(1,969)	–	–
Release of regulatory deposits		–	18	–	–
Net cash used in investing activities		**(15,719)**	**(82,871)**	**(134,850)**	**(80,325)**
Net increase/(decrease) in cash and cash equivalents		74,164	6,895	5,166	(42,788)
Cash and cash equivalents at the beginning of the year		509,280	502,385	1,202	43,990
Cash and cash equivalents at the end of the year	40(a)	**583,444**	**509,280**	**6,368**	**1,202**

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

Notes to the Financial Statements

for the year ended 30 June 2008

1. Summary of significant accounting policies

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

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial report of the Group and the financial report of the Parent entity comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3. 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 estimate is revised and in any future periods affected.

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group.

The financial statements were authorised for issue by the Directors on 27 August 2008. The Company has the power to amend and reissue the financial report.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of IOOF Holdings Ltd ('Company' or 'parent entity') as at 30 June 2008 and the results of all subsidiaries for the year then ended. This includes the benefit funds of its subsidiary, IOOF Ltd, and any controlled trusts. IOOF Holdings Ltd, its subsidiaries and the controlled trusts together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

Employee Share Trust

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

(c) Investment in associates

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

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

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

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

(d) Segment reporting

The Group's predominant source and nature of risks and rewards is related to its business segments (Primary segments). A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment (Secondary segments) is engaged in providing products and services within an economic environment and is subject to risks and returns that are different from those operating in other economic environments.

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

Segment assets and liabilities do not include income taxes.

(e) Revenue

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

- management fees earned from the funds are calculated based on an agreed percentage of the respective funds under management or administration and are recognised on an accruals basis
- distribution income is brought to account on an accruals basis. Interest income is recognised using the effective interest method as set out in AASB 139, where appropriate. Dividends are recognised when the right to receive payment is established
- commission income from the provision of financial advisory services is recognised on an accruals basis
- premium revenue is earned on life insurance products. Life insurance premiums with no due date are recognised on a cash received basis. Premiums with regular due dates are recognised as revenue on a basis which is consistent with the Actuary's valuation of liabilities. Deposit components of life insurance contracts are not revenue and are treated as movements in life insurance contract liabilities.

(f) Income tax

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

Notes to the Financial Statements

for the year ended 30 June 2008

1. Summary of significant accounting policies (continued)

The applicable rates of income tax vary depending upon the fund or entity involved. Segregated superannuation and rollover fund business of IOOF Ltd benefit funds attracts income tax at the rate of 15% (2007: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2007: 30%).

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

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

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

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

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

Tax consolidation legislation

IOOF Holdings Ltd and its wholly owned entities (including IOOF Ltd benefit funds) have implemented the tax consolidation legislation.

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

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

(g) Cash and cash equivalents

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

(h) Receivables

All receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are due for settlement at terms which vary between seven days and, in exceptional circumstances, 180 days from the date of recognition.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

1. Summary of significant accounting policies (continued)

The amount of the provision for impairment is recognised in the Income Statement within 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. Subsequent recoveries of amounts previously written off are credited against expenses in the Income Statement.

(i) Other financial assets

Classification

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, assets, or services directly to a debtor with no intention of selling the receivable. Loans and receivables are included in receivables (Note 10) and other financial assets (Note 11) in the Balance Sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or are not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition

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

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of financial assets categorised as at fair value through profit or loss are included in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities held as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

Details on how the fair value of financial instruments is determined are disclosed in Note 2.

1. Summary of significant accounting policies (continued)

Impairment

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 the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

(j) Product classification

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

Insurance contracts

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

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

Investment contracts

Contracts not considered insurance contracts are classified as investment contracts. The accounting treatment of investment contracts depends on whether the investment has a discretionary participation feature ('DPF'). A DPF represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total benefits
- distributed at the discretion of the insurer
- are based on the performance of a specified pool of assets.

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

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

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

(k) Assets backing policy liabilities

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

(l) Deferred acquisition costs

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

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

(m) Business combinations and acquisitions of other assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be

1. Summary of significant accounting policies (continued)

demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on issue of equity instruments are recognised directly in equity.

Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(p)(i)). If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(n) Leasehold improvements

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

(o) Property and equipment

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

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 the Income Statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

- Office Equipment — three – ten years
- Leasehold Improvements — three – ten years.

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

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

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

(p) Intangible assets and expenditure carried forward

(i) Goodwill

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by the Group's investment in each primary reporting segment (Note 39 *Segment Information*).

(ii) Development of assets

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

1. Summary of significant accounting policies (continued)

(iii) Licences

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

(iv) Adviser relationships

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

(q) Impairment of assets

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The impairment recognised for goodwill is not subsequently reversed.

(r) Accounts payable

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

(s) Employee entitlements

(i) Wages, salaries, and annual leave

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

(ii) Long service leave

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

Liabilities for employee entitlements which are expected to be settled within 12 months are discounted using rates attaching to Commonwealth Government securities, which most closely match the terms of maturity of the related liabilities at balance date. This liability represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date.

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

(iii) Employee benefits on-costs

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

(iv) Equity-settled share-based compensation benefits

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

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

The cumulative expense recognised at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the number of shares that, in the opinion of the Directors of the Group, will ultimately vest.

1. Summary of significant accounting policies (continued)

This opinion is based on the best information available at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is reflected in the determination of the fair value at grant date.

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

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

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

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

(v) Incentive plans

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

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

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

(vi) Termination benefits

Termination benefits 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. Benefits falling due more than 12 months after reporting date are discounted to present value, using rates attaching to Commonwealth Government securities, which must closely match the terms of maturity of the related liabilities at balance date.

(vii) Retirement benefit obligations

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

(t) Provisions

Provisions are recognised when:

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

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

1. Summary of significant accounting policies (continued)

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

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

(u) 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) 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.

(w) Deferred revenue liability

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

(x) Borrowings

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

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

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

(y) Investment contract liabilities and claims expense

Investment contracts with DPF

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

Other investment contracts

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

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

(z) Leases

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

Finance leases are capitalised. A leased asset is established at the commencement of the lease at the lower of the fair value of the leased property and the present value of minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. Each lease payment is allocated between the lease liability and the finance charges so as to achieve a constant rate on the finance balance outstanding.

1. Summary of significant accounting policies (continued)

The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

(aa) 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.

(ab) Contributed equity

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

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

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

Some redeemable converting preference shares are held by the Group. These shares have no contractual obligation for the Group to deliver cash or another financial liability to another entity.

(ac) Dividends

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

(ad) 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, adjusted for bonus elements in ordinary shares issued 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.

(ae) Goods and Services Tax

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

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

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

1. Summary of significant accounting policies (continued)

(af) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand Australian dollars in accordance with that Class Order.

(ag) Comparatives

Changes occurring as a result of the initial adoption of an accounting standard are accounted for retrospectively, unless in accordance with the transitional provisions of the relevant standard such retrospective change is not required or where it is impractical to do so.

Changes in application of existing accounting policies are accounted for retrospectively, unless it is impractical to do so.

Specific disclosures are made wherever accounting policies have not been consistently applied to prior year comparatives.

(ah) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2008 reporting periods, and have not been early adopted in these financial statements. The Group's and Parent entities assessment of those standards and interpretations that may have a material impact on the Group's and Parent entities future financial statements is set out below:

(i) AASB 8 Operating Segments

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 Borrowing Costs

The revised AASB 123 and AASB 2007-6 is applicable to annual reporting periods commencing on or after 1 January 2009. It removes the option to expense all borrowing costs and will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

(iii) Revised AASB 101 Presentation of Financial Statements

The revised AASB 101 and AASB2007-9 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a Statement of Comprehensive Income and makes changes to the Statement of Changes in Equity, but will not change the recognition, measurement or disclosure of transactions in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third Balance Sheet (Statement of Financial Position), this one being as at the beginning of the comparative period.

(iv) Revised AASB 3 Business Combinations

The revised AASB 3 is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 July 2009. Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at fair value acquisition date with subsequent changes through the Income Statement; measurement of non-controlling (minority) interests at either full fair value or the proportionate share of the fair value of the underlying net assets; and the inclusion of combinations by contract alone and those involving mutuals.

2. 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 Australian Standard 4360 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 risks is monitored by the Head of Risk and this exposure, and any anticipated risk exposure, is regularly reported to the Chief Financial Officer, the Audit and Risk 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

2. Risk management (continued)

management fee and commission fee revenue. Further information in relation to this is contained in the Review of Operations and Financial Condition report in the Annual Report. 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 IOOF Group. There is no direct impact on the net profit or the equity of the IOOF Group as a consequence of changes in markets as they apply to financial instruments held by those funds and trusts at the reporting date.

Similarly the objectives, policies and processes for managing the risks of the IOOF Group of companies are separate and distinct from those for the benefit funds and trusts. The funds and trusts are managed under extensive regulatory requirements, and in accordance with specific investment guidelines, risk management strategies, risk management plans, and product disclosure statements. The IOOF Group of companies are 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 AIFRS requirement to consolidate the benefit funds and controlled trusts in the consolidated financial statements of the IOOF Group is available in Note 1(b) *Principles of Consolidation.*

The following table shows the value of financial instruments held directly and actively managed by the corporate entities within the IOOF Group ('Corporate Entity Sub-group') in relation to its shareholder interests. It shows the 'Shareholder' financial instruments, as reported in the Notes to the financial statements, adjusted to reverse certain 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 Corporate Entity Sub-group.

	IOOF Corporate Entity Sub-group					
	2008			2007		
	Shareholder $'000	Elimination adjustments $'000	Corporate Entity Sub-group $'000	Shareholder $'000	Elimination adjustments $'000	Corporate Entity Sub-group $'000
Financial assets						
Cash and cash equivalents	42,252	11,515	53,767	39,250	7,864	47,114
Receivables (including related entity receivables)	20,967	8,862	29,829	24,580	27,742	52,322
Loans and other receivables	9,043	7,153	16,196	3,041	7,153	10,194
Financial assets at fair value through profit or loss	7,662	–	7,662	266	–	266
Available-for-sale financial assets	3,623	–	3,623	2,342	–	2,342
	83,547	27,530	111,077	69,479	42,759	112,238
Financial liabilities						
Payables (including related entity payables, and excluding employee entitlements)	16,710	848	17,558	22,284	466	22,750
Borrowings	–	–	–	33,500	–	33,500
Share buy-back liabilities	25,125	–	25,125	20,690	–	20,690
	41,835	848	42,683	76,474	466	76,940

The elimination adjustments refer to the inter entity balances between the IOOF Corporate Entity Sub-group and the benefit funds and controlled unit trusts.

2. Risk management (continued)

The Parent entity held the following financial instruments:

	Parent Entity	
	2008 $'000	2007 $'000
Financial assets		
Cash and cash equivalents	6,368	1,202
Receivables	13,417	26,597
Loans and other receivables	47,080	40,902
Available-for-sale financial assets	3,623	–
	70,488	68,701
Financial liabilities		
Payables (excluding employee entitlements)	6,527	2,857
Borrowings	5,000	38,500
	11,527	41,357

The Corporate Entity Sub-group and Parent entity do not hold derivative financial instruments to hedge other market risk exposures, and do not hold or trade derivative financial instruments for speculative purposes.

Financial risks for the IOOF Group include market risk (including fair value risk, interest rate risk and price risk), credit risk, liquidity risk, and 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 Corporate Entity Sub-group that are impacted by price risk consist of investment units held in trusts 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 related party trusts 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 Corporate Entity Sub-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 2008, had the price of the units/shares held by the Corporate Entity Sub-group in unlisted unit trusts/shares in other entities increased/decreased by 1% (2007: 1%) with all other variables held constant, post-tax profit for the year and group equity would increase/decrease by $159,600 (2007: $73,304) as a result of gains/losses recorded through profit or loss.

At 30 June 2008, had the value of the underlying equity in relation to the Share buy-back liabilities increased/decreased by 1% (2007: 1%) with all other variables held constant, post-tax profit for the year and group equity would decrease/increase by $175,870 (2007: $144,830).

Parent entity sensitivity

At 30 June 2008, had the price of the units held by the Parent entity in unlisted unit trusts increased/decreased by 1% with all other variables held constant, post-tax profit for the year and equity would increase/decrease by $14,539 as a result of gains/losses recorded through profit or loss. In 2007, the Parent entity was not exposed to any price risk, as no units were held.

2. Risk management (continued)

(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.

In 2007, the Corporate Entity Sub-group and the Parent entity were exposed to interest rate risk on bank bill borrowings under a line of credit provided by the Westpac Banking Corporation. The Corporate Entity Sub-group was exposed to cash flow interest rate risk as the bank bills mature and were renegotiated.

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 Corporate Entity Sub-group and the Parent 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 2008, 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 $409,136 higher/lower (2007: change of +/- 100 basis points; $113,900 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.

Parent entity sensitivity

At 30 June 2008, 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 $324,597 higher/lower (2007: change of +/- 100 basis points; $24,553 higher/lower), mainly as a result of higher/lower interest income from loans to related entities, 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 Corporate Entity Sub-group and the Parent entity were not exposed to significant foreign exchange risk in relation to financial instruments held at year end (2007: 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 Corporate Entity Sub-group from cash and cash equivalents, receivables, loans and other receivables.

The Corporate Entity Sub-group mitigates its credit risk by ensuring cash deposits are held with high credit quality financial institutions (Westpac Banking Corporation) and other highly liquid investments are held with related-party trusts. Where investments are held as units in a related trust, that trust is subject to the rules of the trust deed and the investment in underlying assets is subject to asset allocation guidelines. Asset allocations are monitored regularly by the subsidiary in its capacity as Responsible Entity for the trust.

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. 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 Corporate Entity Sub-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 Corporate Entity Sub-group and the Parent entity.

The Corporate Entity Sub-group and the Parent entity do not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

Credit risk further arises in relation to financial guarantees given to certain parties, as disclosed in Notes 33 & 34. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

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 in Note 10 *Receivables*.

2. Risk management (continued)

(c) Liquidity risk

Liquidity risk relates to the Corporate Entity Sub-group having insufficient liquid assets to cover current liabilities and unforeseen expenses.

The Corporate Entity Sub-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 Corporate Entity Sub-group had access to undrawn bank borrowing facilities at the balance date, on the terms described and disclosed in Note 18 *Borrowings*.

The Corporate Entity Sub-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 licenced entities in the Group are regularly reviewed and carefully monitored in accordance with those licence requirements.

Maturities of financial liabilities

The tables below analyse the Corporate Entity Sub-group's and the Parent entity'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.

	IOOF Corporate Entity Sub-group					
	<3 months $'000	3 to 6 months $'000	6 months or more $'000	No stated maturity $'000	Total contractual cash flows $'000	Carrying amount $'000
2008						
Payables - excluding employee entitlements	17,558	–	–	–	17,558	17,558
Share buy-back liabilities[1]	–	–	–	25,125	25,125	25,125
	17,558	–	–	25,125	42,683	42,683
2007						
Payables - excluding employee entitlements	22,729	–	–	–	22,729	22,750
Cash advance facility	–	34,060	–	–	34,060	33,500
Share buy-back liabilities[1]	–	–	–	20,690	20,690	20,690
	22,729	34,060	–	20,690	77,479	76,940

(1) 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.

2. Risk management (continued)

	Parent Entity				
	<3 months $'000	3 to 6 months $'000	6 months or more $'000	Total contractual cash flows $'000	Carrying amount $'000
2008					
Payables - excluding employee entitlements	6,527	–	–	6,527	6,527
Loan from controlled entity[1]	5,000	–	–	5,000	5,000
	11,527	–	–	11,527	11,527
2007					
Payables - excluding employee entitlements	2,836	–	–	2,836	2,857
Cash advance facility	–	34,060	–	34,060	33,500
Loan from controlled entity[1]	5,000	–	–	5,000	5,000
	7,836	34,060	–	41,896	41,357

(1) This interest bearing loan from a controlled entity is at call.

(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 approved 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 41 for further details regarding the Life insurance business.

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 ensure these requirements are monitored and adhered to.

(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 (such as trading securities) 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. The estimated fair values resulting from the valuation techniques are reasonable and the most appropriate at the balance sheet date. Changing any of the assumptions to a reasonably possible alternative would not result in a significantly different value.

For details regarding the fair value of available-for-sale assets, refer to Note 3(viii).

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 3(vii) for further details.

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

Notes to the Financial Statements

for the year ended 30 June 2008

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill

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 16 for further details.

(ii) 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 41(d) 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 Company's ability to recover the cost of acquiring new business over the lives of the contracts
- 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.

(iii) 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 Company may not receive amounts due to it and amounts can be reliably measured.

(iv) Deferred Acquisition Costs

Deferred Acquisition Costs which are carried as an asset in the Balance Sheet are progressively amortised in the Income Statement 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.

(v) 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.

3. Critical accounting estimates and judgements (continued)

(vi) 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.

(vii) Loans written down to fair value

Certain loans to Directors of controlled and associate entities have been discounted to approximate their fair value based on the estimated life of these loans using a discounted pre-tax weighted average cost of capital. Judgement and assumptions have been used with regard to the estimated life and discount rates used within this calculation. Refer to Note 11 for further explanation.

(viii) Available-for-sale investment

Judgement and assumptions have been used to quantify the fair value of the available-for-sale investment held as at balance date. The Directors are of the view that the market price at 30 June 2008 represents the fair value of this asset.

(ix) Deferred acquisition settlement liability

The deferred acquisition settlement liability relates to a final payment due to parties from the acquisition of minority interest of Perennial Investment Partners Limited based on the audited 30 June 2009 results. Judgements and assumptions have been used to quantify the profitability of Perennial Investment Partners Limited as at that date.

(x) Useful life of adviser relationships

In determining the useful life of adviser relationships, an attempt has been made to estimate the period of time over which an adviser is likely to work with and contribute positively to the Group. Consideration has been given to the historical trends of adviser exits, and to the incentives remuneration structure in place for advisers which are likely to motivate them to stay. As other factors may make an adviser exit, management use best estimates. As it is impractical to do so, it is implicitly assumed that the benefits that the advisers provide accrue evenly over the estimated period of the useful life of their relationship with the Group.

(b) Critical judgements in applying the accounting policies

It has been determined that no critical accounting judgements other than the items noted above have been made during the year.

4. Revenue

For the year ended 30 June 2008	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Total $'000
(a) Revenue				
Management fees:				
– Investment products	212,998	–	212,998	–
– Benefit funds	18,074	–	18,074	–
– Associated entity	2,083	–	2,083	–
– Related entities	30	5,949	5,979	–
– Other entities	18,331	–	18,331	–
Commission revenue:				
– Non-related entities	18,238	–	18,238	–
Other fee revenue	1,388	–	1,388	–
Service fee income:				
– Controlled entities	–	–	–	13,745
Interest revenue:				
– Directors and Executives of subsidiaries	109	–	109	–
– Other related parties	132	–	132	3,168
– Non-related entities	3,238	24,877	28,115	553
Dividends:				
– Controlled entities	–	–	–	29,250
– Non-related entities	87	897	984	–
Deposits received - investment contracts with DPF	–	20,680	20,680	–
Distributions:				
– Non related parties	25	74,565	74,590	123
	274,733	126,968	401,701	46,839
Life Insurance Revenue				
Direct insurance premiums	–	689	689	–
Insurance claims recovered	–	463	463	–
	–	1,152	1,152	–
Revenue	**274,733**	**128,120**	**402,853**	**46,839**
(b) Other income				
Profit on sale of financial assets	400	–	400	–
Gains on investments	–	–	–	19
Finance income on related party loans	179	–	179	–
Other	708	9	717	5
Other Income	1,287	9	1,296	24
Total Revenue	**276,020**	**128,129**	**404,149**	**46,863**

4. Revenue (continued)

For the year ended 30 June 2007	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Total $'000
(a) Revenue				
Management fees:				
– Investment products	205,550	–	205,550	–
– Benefit funds	17,878	–	17,878	–
– Associated entity	2,095	–	2,095	–
– Related entities	–	6,217	6,217	–
– Other entities	18,511	–	18,511	–
Commission revenue:				
– Non-related entities	19,458	–	19,458	–
Other fee revenue	1,550	–	1,550	–
Service fee income:				
– Controlled entities	–	–	–	18,093
Interest revenue:				
– Directors and Executives of subsidiaries	307	–	307	–
– Other related parties	124	–	124	2,423
– Non-related entities	1,867	23,763	25,630	198
Dividends:				
– Controlled entities	–	–	–	26,617
– Non-related entities	115	12,329	12,444	–
Deposits received - investment contracts with DPF	–	6,103	6,103	–
Distributions:				
– Non related parties	–	51,515	51,515	811
	267,455	99,927	367,382	48,142
Life Insurance Revenue				
Direct insurance premiums	–	679	679	–
Insurance claims recovered	–	233	233	–
	–	912	912	–
Revenue	**267,455**	**100,839**	**368,294**	**48,142**
(b) Other income				
Gains on investments	359	107,571	107,930	196
Other	1,969	–	1,969	233
Other Income	2,328	107,571	109,899	429
Total Revenue	**269,783**	**208,410**	**478,193**	**48,571**

5. Share of profit of associate

	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Total $'000
For the year ended 30 June 2008				
Share of profit of associate	**7,359**	–	**7,359**	–
For the year ended 30 June 2007				
Share of profit of associate	**7,810**	–	**7,810**	–

6. Expenses

For the year ended 30 June 2008	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Total $'000
Profit before income tax includes the following specific expenses:				
Finance costs :				
Interest - non-related entities	296	–	296	638
Discount on deferred settlement payment	(1,280)	–	(1,280)	(1,280)
	(984)	**–**	**(984)**	**(642)**
Expenses, excluding finance costs :				
Net movement in provision for impairment of receivables in respect of amounts receivable from:				
– Related parties	(553)	–	(553)	–
Service fees :				
– Controlled entities	–	–	–	4,849
Depreciation of property and equipment	1,647	–	1,647	301
Amortisation of software and infrastructure projects	612	–	612	–
Amortisation of adviser relationships	851	–	851	–
Goodwill impairment	4,509	–	4,509	–
Fair value losses on other financial assets at fair value through profit or loss	1,033	117,099	118,132	–
Loss on sale of available-for-sale financial assets	1,279	–	1,279	–
Operating lease rental expenses:				
– Non-related entities	4,686	–	4,686	1,121
Occupancy related expenses	779	–	779	201
Net transfers to employee provisions	4,975	–	4,975	325
Salaries and related expenses (Note 6(a))	53,242	–	53,242	3,523
Employee Share-based payments expense	3,055	–	3,055	1,352
Employee Defined contribution plan expense	4,479	–	4,479	482
Employee remuneration costs relating to fair value write down of loans	629	–	629	–
Commission, rebates and management fees:				
– Related entities	30	–	30	–
– Associated entity	13,487	–	13,487	–
– Benefit funds	–	15,738	15,738	–
– Non-related entities	121,508	1,683	123,191	1
Investment contracts with DPF:				
– Benefits and withdrawals paid	–	71,021	71,021	–
– Decrease in policyholder liabilities	–	(39,173)	(39,173)	–
Termination bonuses	–	380	380	–
Distribution to policyholders	10	(26,598)	(26,588)	–
Professional fees	9,256	–	9,256	4,013
Marketing	4,331	–	4,331	94
Deferred acquisition costs amortisation	3,723	–	3,723	–
Computer maintenance and support	7,279	–	7,279	193
Office support	4,895	–	4,895	470
Travel and entertainment	3,608	–	3,608	152
Revaluation of shareholder liabilities	946	–	946	–
Provision for diminution in value of investment	1,100	–	1,100	–
Write down of value in subsidiaries	–	–	–	795
Other expenses	1,843	112	1,955	115
	253,239	140,262	393,501	17,987

6. Expenses (continued)

For the year ended 30 June 2008 (continued)	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Total $'000
Life Insurance operating expenses include:				
Outward reinsurance expense	–	395	395	–
Policy payments/claims	–	552	552	–
Operating expenses	–	90	90	–
	–	1,037	1,037	–
Total expenses, excluding finance costs	**253,239**	**141,299**	**394,538**	**17,987**

For the year ended 30 June 2007	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Total $'000
Profit before income tax includes the following specific expenses:				
Finance costs :				
Interest - non-related entities	952	–	952	1,109
Discount on deferred settlement payment	1,306	–	1,306	1,280
	2,258	**–**	**2,258**	**2,389**
Expenses, excluding finance costs :				
Net movement in provision for impairment of receivables in respect of amounts receivable from:				
– controlled entity	–	–	–	1,550
– Related parties	724	–	724	–
Service fees :				
– Controlled entities	–	–	–	2,306
Depreciation of property and equipment	1,273	–	1,273	634
Loss on disposal of assets	13	–	13	–
Amortisation of software and infrastructure projects	839	–	839	–
Amortisation of adviser relationships	858	–	858	–
Goodwill impairment	99	–	99	–
Operating lease rental expenses:				
– Non-related entities	4,165	–	4,165	–
Occupancy related expenses	461	–	461	2,408
Net transfers to employee provisions	3,542	–	3,542	543
Salaries and related expenses (Note 6(a))	49,633	–	49,633	8,873
Employee Share-based payments expense	3,223	–	3,223	1,650
Employee Defined contribution plan expense	3,674	–	3,674	720
Commission, rebates and management fees:				
– Associated entity	19,771	–	19,771	–
– Benefit funds	–	16,628	16,628	–
– Non-related entities	115,083	4,472	119,555	–

6. Expenses (continued)

	Consolidated			Parent
For the year ended 30 June 2007 (continued)	Shareholder $'000	Statutory $'000	Total $'000	Total $'000
Investment contracts with DPF:				
– Benefits and withdrawals paid	–	85,104	85,104	–
– Decrease in policyholder liabilities	–	(58,822)	(58,822)	–
Termination bonuses	–	681	681	–
Distribution to policyholders	–	123,072	123,072	–
Bad debts written off	135	–	135	135
Professional fees	11,696	22	11,718	4,805
Marketing	4,859	–	4,859	49
Deferred acquisition costs amortisation	3,981	–	3,981	–
Computer maintenance and support	5,527	–	5,527	129
Office support	4,906	–	4,906	1,075
Travel and entertainment	3,331	–	3,331	192
Revaluation of shareholder liabilities	4,132	–	4,132	–
Other expenses	3,964	421	4,385	876
	245,889	171,578	417,467	25,945
Life Insurance operating expenses include:				
Outward reinsurance expense	–	388	388	–
Policy payments/claims	–	284	284	–
Movement in policyholder liabilities	–	(33)	(33)	–
Operating expenses	–	89	89	–
	–	728	728	–
Total expenses, excluding finance costs	**245,889**	**172,306**	**418,195**	**25,945**

7. Income tax expense

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	Total $'000
Income tax expense				
For the year ended 30 June 2008				
Current tax	7,428	28,816	36,244	254
Deferred tax	882	(43,897)	(43,015)	170
Under/(over) provided in prior years	(1,636)	307	(1,329)	3
Income tax expense/(benefit) attributed to Profit from continuing operations	**6,674**	**(14,774)**	**(8,100)**	**427**
Deferred income tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 15)	1,762	(13,792)	(12,030)	167
(Decrease)/increase in deferred tax liabilities (Note 19)	(880)	(30,105)	(30,985)	3
	882	(43,897)	(43,015)	170
For the year ended 30 June 2007				
Current tax	9,244	29,478	38,722	(543)
Deferred tax	30	4,858	4,888	(209)
Recognition of tax losses and deferred tax balances	(1,437)	–	(1,437)	–
Under/(over) provided in prior years	(477)	(660)	(1,137)	52
Income tax expense attributed to Profit from continuing operations	**7,360**	**33,676**	**41,036**	**(700)**
Deferred income tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 15)	751	(339)	412	(195)
(Decrease)/increase in deferred tax liabilities (Note 19)	(721)	5,197	4,476	(14)
	30	4,858	4,888	(209)
Numerical reconciliation of income tax expense to prima facie tax payable				
For the year ended 30 June 2008				
Profit from operations before income tax expense and items eliminated on consolidation	31,124	(13,170)	17,954	29,518
Inter-group interest income eliminated on consolidation	1,470	(1,470)	–	–
Profit from continuing operations before income tax expense	**32,594**	**(14,640)**	**17,954**	**29,518**
Tax at the Australian tax rate of 30%	9,778	(4,392)	5,386	8,855
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
– Share of tax credits with Benefit Funds	2,814	(3,278)	(464)	–
– Tax on distribution to policyholders	–	(7,411)	(7,411)	–
– (Non assessable income)/Non deductible expense	(3,719)	–	(3,719)	344
– Tax losses not recognised and imputation credits	(563)	–	(563)	(8,775)
	8,310	(15,081)	(6,771)	424
Under/(over) provided in prior years	(1,636)	307	(1,329)	3
Income tax expense/(benefit)	**6,674**	**(14,774)**	**(8,100)**	**427**

7. Income tax expense (continued)

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	Total $'000
For the year ended 30 June 2007				
Profit from operations before income tax expense and items eliminated on consolidation	29,446	36,104	65,550	20,237
Inter-group interest income eliminated on consolidation	2,270	(2,270)	–	–
Profit from continuing operations before income tax expense	**31,716**	**33,834**	**65,550**	**20,237**
Tax at the Australian tax rate of 30%	9,515	10,150	19,665	6,071
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
– Share of tax credits with Benefit Funds	2,976	(2,970)	6	–
– Tax on distribution to policyholders	–	27,156	27,156	–
– Recognition of tax losses and deferred tax balances	(1,437)	–	(1,437)	–
– Non assessable income	(3,786)	–	(3,786)	(6,823)
– Tax losses not recognised and imputation credits	569	–	569	–
	7,837	34,336	42,173	(752)
Under/(over) provided in prior years	(477)	(660)	(1,137)	52
Income tax expense/(benefit)	**7,360**	**33,676**	**41,036**	**(700)**

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 Fund. The profit of these funds forms part of the consolidated profit for the calculation of the tax expense.

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	Total $'000
Tax losses				
For the year ended 30 June 2008				
Unused tax losses for which no deferred tax asset has been recognised	173	–	173	–
Potential tax benefit at 30% not recognised	52	–	52	–
For the year ended 30 June 2007				
Unused tax losses for which no deferred tax asset has been recognised	4,862	–	4,862	–
Potential tax benefit at 30% not recognised	1,459	–	1,459	–

8. Change in accounting policy

The initial application of AASB Interpretation 11: AASB 2 – Group and Treasury Share Transactions does not impact the consolidated financial statements of the Group, but does impact the separate financial statements of IOOF Holdings Ltd, the Parent.

For annual reporting periods to 30 June 2007, the employee share-based payment expense in relation to grants of IOOF Holdings Ltd equity instruments to employees of the IOOF Group was borne by the Parent entity. The employing subsidiary did not recognise any expense in relation to these grants.

AASB Interpretation 11: AASB 2 – Group and Treasury Share Transactions states, inter alia, that the employing subsidiary's financial statements shall reflect an expense in relation to the services received from its employees, in accordance with the principles applied by AASB 2 Share-based Payment, with a corresponding increase recognised in equity as a contribution from the Parent.

From 1 July 2007, the Parent entity has subsequently decided to charge its subsidiaries an amount equal to the expense that has been calculated in accordance with AASB 2.

8. Change in accounting policy (continued)

The adoption of this interpretation and change of policy has been applied to these financial statements at 30 June 2008. There has consequently been a retrospective restatement made to the year ended 30 June 2007 comparative figures within the 30 June 2008 separate financial statement of the Parent. The impact of this adjustment to the comparative figures is as follows:

- employee share-based payments expense for the year ended 30 June 2007 has decreased by $649,000, with a corresponding increase in profit for the year (after tax).
- retained earnings to 30 June 2006 has increased by $984,000.
- investment in subsidiaries at 30 June 2007 has increased by $1,633,000.

9. Cash and cash equivalents

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	Total $'000
30 June 2008				
Cash at bank	42,252	10,650	52,902	4,291
Unlisted Unit Trusts - related party	–	530,542	530,542	2,077
	42,252	**541,192**	**583,444**	**6,368**
30 June 2007				
Cash at bank	39,250	18,432	57,682	1,202
Unlisted Unit Trusts - related party	–	451,598	451,598	–
	39,250	**470,030**	**509,280**	**1,202**

Deposits at call

Cash at bank and Deposits at call are interest bearing at a floating rate interest rate averaging 6.61% (2007: 5.43%). The Unlisted Unit Trusts - related party is an investment in Perennial Wholesale Sectoral Unit Trusts.

Interest rate risk exposure

Further information about the Group's and the Parent entity's exposure to interest rate risk is provided in Note 2 *Risk Management*.

10. Receivables

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	Total $'000
30 June 2008				
Receivables	6,208	–	6,208	188
Interest receivable – other	10	1,907	1,917	–
Interest receivable – related parties	47	–	47	–
Amounts receivable from controlled entities	–	–	–	3,385
Provision for impairment of receivables	(153)	–	(153)	(134)
	6,112	1,907	8,019	3,439
Distributions receivable – other non related entities	29	44,216	44,245	–
Distributions receivable – controlled trust	–	–	–	65
Insurance contract asset	–	4	4	–
Gross policy liabilities ceded under reinsurance	–	256	256	–
Amounts receivable from related parties	14,826	–	14,826	9
Tax related receivable from controlled entities	–	–	–	9,904
	20,967	**46,383**	**67,350**	**13,417**

10. Receivables (continued)

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	Total $'000
30 June 2007				
Receivables	9,062	3,250	12,312	242
Interest receivable – other	–	2,122	2,122	–
Interest receivable – related parties	695	–	695	–
Amounts receivable from controlled entities	–	–	–	1,835
Provision for impairment of receivables	(1,488)	–	(1,488)	(1,711)
	8,269	5,372	13,641	366
Distributions receivable – other non related entities	–	29,508	29,508	–
Dividends receivable – other non related entities	–	1,685	1,685	–
Insurance contract asset	–	10	10	–
Gross policy liabilities ceded under reinsurance	–	261	261	–
Amounts receivable from related parties	16,311	–	16,311	–
Tax related receivable from controlled entities	–	–	–	26,231
	24,580	**36,836**	**61,416**	**26,597**
Maturity:				
30 June 2008				
Expected to be realised within 12 months	20,888	46,383	67,271	13,417
Expected to be realised after 12 months	79	–	79	–
	20,967	46,383	67,271	13,417
30 June 2007				
Expected to be realised within 12 months	24,580	36,836	61,416	26,597
Expected to be realised after 12 months	–	–	–	–
	24,580	36,836	61,416	26,597

Impaired receivables

As at 30 June 2008, receivables of the Group with a nominal value of $153,000 (2007: $1,488,000) were impaired. The amount of the impairment provision was $153,000 (2007: $1,488,000). The individually impaired receivables mainly relate to amounts receivable from various dealer groups. These amounts were subject to dispute.

As at 30 June 2008, receivables of the Parent entity with a nominal value of $134,000 (2007: $1,711,000) were impaired. The amount of the impairment provision was $134,000 (2007: $1,711,000). The impaired receivables relates to a receivable asset from a non-related entity.

	Consolidated	
The ageing of these impaired receivables is as follows:	2008 $'000	2007 $'000
0 to 90 days	–	58
91 to 180 days	–	58
181 to 360 days	–	117
1 to 2 years	–	210
2 to 3 years	–	319
Greater than 3 years	153	726
	153	1,488

	Parent entity	
The ageing of these impaired receivables is as follows:	2008 $'000	2007 $'000
2 to 3 years	–	134
Greater than 3 years	134	1,577
	134	1,711

10. Receivables (continued)

	Consolidated	
Movements in the provision for impairment of receivables are as follows:	2008 $'000	2007 $'000
Balance at beginning of the year	1,488	2,145
Provision for impairment recognised	165	779
Receivables written off as uncollectible	(814)	(1,433)
Write-back of provision	(686)	(3)
Balance at end of the year	153	1,488

	Parent entity	
	2008 $'000	2007 $'000
Balance at beginning of the year	1,711	27
Provision for impairment recognised	–	1,684
Receivables written off as uncollectible	(1,577)	–
Balance at end of the year	134	1,711

The amount of the provision for impairment is recognised in the Income Statement 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.

Past due but not impaired

The following receivables were past due but not impaired in relation to the Group and the Parent. The Group does not hold any collateral in relation to these receivables.

	Consolidated	
	2008 $'000	2007 $'000
Up to 3 months	22	49
3 months to 6 months	1	44
Over 6 months	–	42
	23	135

	Parent entity	
	2008 $'000	2007 $'000
Up to 3 months	–	–
3 months to 6 months	–	–
Over 6 months	–	–
	–	–

Fair value

The carrying amount of receivables and interest receivable is assumed to approximate their fair value due to their short-term nature, unless otherwise stated.
There is assessed to be no significant difference in the fair values and carrying values of loans and other receivables.

Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables and loans mentioned above. Further information about the Group's and the Parent entity's exposure to credit risk and interest rate risk is provided in Note 2 Risk Management.

11. Other financial assets

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Investments in subsidiaries – at cost	–	–	–	190,605
Fair value through profit or loss (Note 11(a))				
Shares in listed corporations	5,976	16,722	22,698	–
Certificates of deposit and Bank bills	210	101,390	101,600	–
Debt securities	508	251,007	251,515	–
Unlisted unit trusts	968	157,168	158,136	–
	7,662	526,287	533,949	–
Available-for-sale				
Available-for-sale investment (Note 11(b))	3,623	–	3,623	3,623
	3,623	–	3,623	3,623
Loans and other receivables				
Mortgages (Note 11(c))	103	774	877	103
Loans to Policyholders	–	11,205	11,205	–
Loans to directors of associate entities (Note 37(d))	5,037	–	5,037	–
Loans to directors of controlled entities (Note 37(d))	2,049	–	2,049	–
Loans to executives of related entities (Note 37(f))	1,767	–	1,767	–
Loans to controlled entities (Note 37(g),(i))	–	–	–	44,159
Subordinated loan receivable from controlled entity (Note 37(h))	–	–	–	2,818
Regulatory deposits (Note 11(d))	87	–	87	–
	9,043	11,979	21,022	47,080
	20,328	**538,266**	**558,594**	**241,308**
30 June 2007				
Investments in subsidiaries – at cost	–	–	–	217,533
Fair value through profit or loss				
Shares in listed corporations	–	359,281	359,281	–
Certificates of deposit and Bank bills	–	105,696	105,696	–
Debt securities	–	264,247	264,247	–
Unlisted unit trusts	266	188,294	188,560	–
	266	917,518	917,784	–
Available-for-sale				
Available-for-sale investment	2,342	–	2,342	–
	2,342	–	2,342	–
Loans and other receivables				
Mortgages (Note 11(c))	128	1,518	1,646	128
Loans to Policyholders	–	9,348	9,348	–
Loans to directors of associate entities (Note 37(d))	790	–	790	–
Loan to related parties (Note 37(e))	97	–	97	33
Loans to directors of controlled entities (Note 37(d))	1,060	–	1,060	–
Loans to executives of related entities (Note 37(f))	880	–	880	–
Loans to controlled entities (Note 37(g),(i))	–	–	–	37,923
Subordinated loan receivable from controlled entity (Note 37(h))	–	–	–	2,818
Regulatory deposits (Note 11(d))	86	–	86	–
	3,041	10,866	13,907	40,902
	5,649	**928,384**	**934,033**	**258,435**

11. Other financial assets (continued)

(a) Financial assets at fair value through profit or 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 figures. 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 net profit after tax and the equity of the Group in respect of these investments.

Further information about the Company's exposure to risks arising from other financial assets is provided in Note 2 *Risk Management*.

(b) Available-for-sale financial asset

This available-for-sale investment is carried at fair value. At balance date, an unrealised loss arising from a change in the fair value of this financial asset has been recognised in equity. The Directors are of the view that no evidence exists that this financial asset has experienced a significant or prolonged decline in the fair value. For further information refer to Note 42 *Events Occuring After The Balance Sheet Date.*

(c) Mortgages

Mortgages are stated at fair value and have a fixed interest rate of 7% (2007: 7.89%). They are expected to mature after 12 months from the financial year end.

(d) Regulatory deposits

The amount of $87,200 (2007: $85,570) is held in cash to satisfy Australian Financial Services Licence requirements. This amount is not available for use.

(e) Fair value

The Group has recognised a net fair value write down expense amounting to $449,510 (2007: Nil) during the period. This fair value expense is in relation to loans advanced in 2004 but renegotiated during the year to become interest free effective from 1 July 2007. These loans were advanced to Directors and Executives of the Group for the specific purpose of assisting them to acquire an equity interest in a related party, Perennial Value Management Limited. The total principal payable on these loans is $2,275,918. The current carrying value of these loans is $1,826,408.

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	Total $'000
(f) Maturity:				
30 June 2008				
Expected to be realised within 12 months	3,726	58,025	61,751	3,726
Expected to be realised after 12 months	16,602	480,241	496,843	237,582
	20,328	538,266	558,594	241,308
30 June 2007				
Expected to be realised within 12 months	–	114,648	114,648	2,605
Expected to be realised after 12 months	5,649	813,736	819,385	255,830
	5,649	928,384	934,033	258,435

12. Investments accounted for using the equity method

	Consolidated		
	Shareholder $'000	Statutory $'000	Total $'000
30 June 2008			
Investment in associated companies	**7,260**	**–**	**7,260**
Reconciliation of carrying amounts:			
Balance at beginning of the year	8,369	–	8,369
Dividend received	(8,468)	–	(8,468)
Share of operating profit after tax	7,359	–	7,359
Balance at end of the year	7,260	–	7,260
30 June 2007			
Investment in associated companies	**8,369**	**–**	**8,369**
Reconciliation of carrying amounts:			
Balance at beginning of the year	2,762	–	2,762
Dividend received	(7,428)	–	(7,428)
Share of operating profit after tax	7,810	–	7,810
Balance at end of the year	8,369	–	8,369

At 30 June 2008, Perennial Investment Partners Limited had a 52.4% (30 June 2007: 52.3%) shareholding interest in Perennial Value Management Limited with a 42.4% (30 June 2007: 42.3%) dividend entitlement to the profits of Perennial Value Management Limited. Due to the voting rights associated with different classes of shares in Perennial Value Management Limited, this ownership interest does not result in control. However, Perennial Investment Partners Limited can significantly influence Perennial Value Management Limited under the terms of the agreement between these entities. The principal activity of Perennial Value Management Limited is to act as investment manager.

The Group's consolidated interest in its associate, which is unlisted and incorporated in Australia, is as follows:

	Assets $'000	Liabilities $'000	Revenues $'000	Profit/(Loss) $'000
30 June 2008				
Perennial Value Management Limited	3,586	889	12,943	7,359
30 June 2007				
Perennial Value Management Limited	5,471	1,795	12,848	7,810

The associate does not have any contingent liabilities, capital commitments or lease commitments.

The Group holds an equity investment in a third party, that has greater than 20%, that is not been equity accounted. Other indicators of significant influence such as Board representation, technical or financial dependency and ability to influence policies and procedures have not been satisfied. On this basis, the presumption of significant influence is overcome.

13. Other assets

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Prepayments	2,176	–	2,176	4,803
Deferred acquisition costs (Note 1(l))	8,159	–	8,159	–
	10,335	**–**	**10,335**	**4,803**
30 June 2007				
Prepayments	5,899	–	5,899	10,173
Deferred acquisition costs (Note 1(l))	10,240	–	10,240	–
	16,139	**–**	**16,139**	**10,173**
Maturity:				
30 June 2008				
Expected to be realised within 12 months	2,197	–	2,197	4,803
Expected to be realised after 12 months	8,138	–	8,138	–
	10,335	–	10,335	4,803
30 June 2007				
Expected to be realised within 12 months	8,610	–	8,610	2,542
Expected to be realised after 12 months	7,529	–	7,529	7,631
	16,139	–	16,139	10,173

14. Property and equipment

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Office Equipment				
Cost	6,090	–	6,090	2
Accumulated depreciation	(3,342)	–	(3,342)	(2)
	2,748	–	2,748	–
Leasehold Improvements				
Cost	6,000	–	6,000	76
Accumulated depreciation	(4,441)	–	(4,441)	(76)
	1,559	–	1,559	–
Total Property and Equipment				
Cost	12,090	–	12,090	78
Accumulated depreciation	(7,783)	–	(7,783)	(78)
	4,307	**–**	**4,307**	**–**

14. Property and equipment (continued)

	Consolidated		
	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Reconciliation of movements:			
Carrying amount at beginning of the year	1,713	1,534	3,247
Additions	1,964	743	2,707
Depreciation	(929)	(718)	(1,647)
Carrying amount at end of the year	2,748	1,559	4,307

	Parent		
	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Reconciliation of movements:			
Carrying amount at beginning of the year	58	1,427	1,485
Additions	1	67	68
Disposals/transfers	(45)	(1,207)	(1,252)
Depreciation	(14)	(287)	(301)
Carrying amount at end of the year	–	–	–

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2007				
Office Equipment				
Cost	4,127	–	4,127	157
Accumulated depreciation	(2,414)	–	(2,414)	(99)
	1,713	–	1,713	58
Leasehold Improvements				
Cost	5,257	–	5,257	2,758
Accumulated depreciation	(3,723)	–	(3,723)	(1,331)
	1,534	–	1,534	1,427
Total Property and Equipment				
Cost	9,384	–	9,384	2,915
Accumulated depreciation	(6,137)	–	(6,137)	(1,430)
	3,247	**–**	**3,247**	**1,485**

	Consolidated		
	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Reconciliation of movements:			
Carrying amount at beginning of the year	1,764	831	2,595
Additions	606	1,338	1,944
Disposals	(15)	(4)	(19)
Depreciation	(642)	(631)	(1,273)
Carrying amount at end of the year	1,713	1,534	3,247

14. Property and equipment (continued)

	Parent		
	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Reconciliation of movements:			
Carrying amount at beginning of the year	84	744	828
Additions	6	1,293	1,299
Disposals	–	(8)	(8)
Depreciation	(32)	(602)	(634)
Carrying amount at end of the year	58	1,427	1,485

15. Deferred tax assets

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Deferred tax asset	**8,678**	**14,212**	**22,890**	**5,371**
30 June 2007				
Deferred tax asset	**7,006**	**–**	**7,006**	**4,601**
Deferred tax asset balance comprises temporary differences attributable to:				
30 June 2008				
Employee benefits	3,458	–	3,458	465
Doubtful Debts	40	–	40	40
Provision for legal costs	841	–	841	840
Provisions, accruals and creditors	2,003	9	2,012	618
Fixed assets, computer software and infrastructure projects	1,147	–	1,147	26
Other, mainly income tax losses of subsidiaries	3,657	–	3,657	3,385
Unrealised investment losses	–	14,249	14,249	–
Deferred Tax Asset closing balance at 30 June 2008	11,146	14,258	25,404	5,374
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 19)	(2,468)	(46)	(2,514)	(3)
Net Deferred Tax Asset closing balance at 30 June 2008	8,678	14,212	22,890	5,371
30 June 2007				
Employee benefits	2,458	–	2,458	196
Doubtful Debts	524	–	524	513
Provision for legal costs	782	–	782	782
Provisions, accruals and creditors	2,556	10	2,566	617
Fixed assets, computer software and infrastructure projects	1,536	3	1,539	249
Other, mainly tax losses not previously recognised	2,271	453	2,724	2,244
Deferred Tax Asset closing balance at 30 June 2007	10,127	466	10,593	4,601
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 19)	(3,121)	(466)	(3,587)	–
Net Deferred Tax Asset closing balance at 30 June 2007	7,006	–	7,006	4,601

15. Deferred tax assets (continued)

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
Reconciliation of movements:				
30 June 2008				
Carrying amount at beginning of the year	10,127	466	10,593	4,601
Adjustments to opening balance	1,416	–	1,416	–
Adjustments per Income tax return	202	–	202	4
Tax Losses	876	–	876	876
Credit/(Charge) to Income Statement (Note 7)	(1,762)	13,792	12,030	(167)
Transfers to/from Deferred Tax Liability	41	–	41	(186)
Temporary differences directly attributable to equity	–	–	–	246
Writeback of Deferred Tax Asset	246	–	246	–
Carrying amount at end of the year	11,146	14,258	25,404	5,374
30 June 2007				
Carrying amount at beginning of the year	8,751	127	8,878	2,213
Adjustments to opening balance	551	–	551	–
Adjustments per Income tax return	(286)	–	(286)	3
Tax Losses	2,189	–	2,189	2,190
Credit/(Charge) to Income Statement (Note 7)	(751)	339	(412)	195
Writeback of Deferred Tax Asset	(327)	–	(327)	–
Carrying amount at end of the year	10,127	466	10,593	4,601
Maturity:				
30 June 2008				
Recoverable within 12 months	6,907	11	6,918	3,830
Recoverable after 12 months	4,239	14,247	18,486	1,544
	11,146	14,258	25,404	5,374
30 June 2007				
Recoverable within 12 months	7,453	13	7,466	2,945
Recoverable after 12 months	2,674	453	3,127	1,656
	10,127	466	10,593	4,601

16. Intangible assets

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Computer Software and Infrastructure projects – at cost	7,632	–	7,632	–
Accumulated amortisation	(6,175)	–	(6,175)	–
	1,457	–	1,457	–
Adviser relationships	4,289	–	4,289	–
Accumulated amortisation	(1,878)	–	(1,878)	–
	2,411	–	2,411	–
Goodwill	168,454	–	168,454	–
Accumulated impairment	(4,608)	–	(4,608)	–
	163,846	–	163,846	–
	167,714	**–**	**167,714**	**–**
30 June 2007				
Computer Software and Infrastructure projects – at cost	16,063	–	16,063	–
Accumulated amortisation	(15,070)	–	(15,070)	–
	993	–	993	–
Adviser relationships	4,289	–	4,289	–
Accumulated amortisation	(1,027)	–	(1,027)	–
	3,262	–	3,262	–
Goodwill	193,074	–	193,074	–
Accumulated impairment	(99)	–	(99)	–
	192,975	–	192,975	–
	197,230	**–**	**197,230**	**–**

	Consolidated 2008				Consolidated 2007			
	Software & Projects $'000	Adviser Relationships $'000	Goodwill $'000	Total $'000	Software & Projects $'000	Adviser Relationships $'000	Goodwill $'000	Total $'000
Reconciliation of movements								
Carrying amount at beginning of the year	993	3,262	192,975	197,230	1,642	4,120	85,125	90,887
Additions	1,076	–	5,380	6,456	190	–	107,949	108,139
Amortisation	(612)	(851)	–	(1,463)	(839)	(858)	–	(1,697)
Impairment	–	–	(4,509)	(4,509)	–	–	(99)	(99)
Reversal of previously recognised goodwill	–	–	(30,000)	(30,000)	–	–	–	–
Carrying amount at end of the year	1,457	2,411	163,846	167,714	993	3,262	192,975	197,230

Goodwill was recognised in 2007 upon the acquisition of minority interest shareholding of Perennial Investment Partners Limited. Contributing to the recognition of this goodwill amount was a final deferred settlement payment due to the minority interest of Perennial Investment Partners Limited. This deferred payment is no longer required, therefore the goodwill applicable to this payment has been derecognised. Refer to Note 20 for further details regarding the liability for this payment.

Impairment tests for goodwill

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

16. Intangible assets (continued)

The aggregate carrying amounts of goodwill allocated to each entity are as follows:	2008 $'000	2007 $'000
IOOF Investment Management Limited	54,448	54,448
IOOF Ltd	11,970	11,970
Perennial Group	96,705	125,834
Consultum Financial Advisers Pty Ltd	723	723
	163,846	192,975

The recoverable amounts for IOOF Investment Management Limited and IOOF Ltd have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Further cash flows reflect specific circumstances and risks relating to the relevant CGU as stated below.

For IOOF Investment Management Limited, cash inflows for years 2 - 5 have been increased at an average rate of 4.2% per annum. This rate is in accordance with the observed annual growth rate for Australian Investment Fund assets for the 5 years to March 2006 applied to Funds Under Management and Administration combined with management's expectations for declining average earnings rates on those funds. Cash outflows for years 2 - 5 have been increased at a rate of 3.6% as a blended estimate of expected Australian wages and GDP growth. A growth rate of zero has been applied from Year 5 into perpetuity. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used is 17.5% which reflects the IOOF Group's pre-tax nominal weighted average cost of capital. Management's assessment of goodwill's value-in-use materially exceeds the value of goodwill allocated to these CGUs, therefore any significant changes to assumptions used in management's assessment will not result in impairment.

For IOOF Ltd, cash inflows for years 2 - 5 have been decreased at an average rate of 2.9% per annum. This rate is in accordance with management's expectations given past performance, future expectations and the long-term nature of the products. Cash outflows for years 2 - 5 have been increased at a rate of 3.6% as a blended estimate of expected Australian wages and GDP growth. A growth rate of zero has been applied from Year 5 into perpetuity. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used is 17.5% which reflects the IOOF Group's pre-tax nominal weighted average cost of capital. Management's assessment of goodwill's value-in-use materially exceeds the value of goodwill allocated to these CGUs, therefore any significant changes to assumptions used in management's assessment will not result in impairment.

In respect of the Perennial Group, the goodwill arose from the acquisition of equity in Perennial Investment Partners Limited and Perennial Fixed Interest Partners Pty Ltd. These represent recently concluded arms length transactions between knowledgeable and willing parties attesting to genuine market value. These transactions contain ongoing future settlement terms which impact the carrying value of this goodwill. Management's assessment of goodwill's value-in-use materially exceeds the value of goodwill allocated to these CGUs, therefore any significant changes to assumptions used in management's assessment will not result in impairment.

An additional $23,167,000 of goodwill arose on recognition of the obligation to acquire shares from equity holders under shareholding agreements with Perennial executives. The recoverable amounts have been based on fair value calculations. In respect of Perennial Fixed Interest Partners Pty Ltd, the fair value is derived based on a discounted cashflow model taking into consideration the entities discount rate and risk profile. Cash inflows leading up to and including year 3 is in accordance with management's expectations given past performance, future expectations and the long-term nature of the products while the inflows for years 4 and 5 have been increased at a rate of 5% per annum. A growth rate of 5% has been applied from year 5 into perpetuity. The discount rate applied is 16.5%. An impairment charge arose with regard to Perennial Fixed Interest Partners Pty Ltd goodwill recognised relating to the Group's obligation under its shareholding agreements. This impairment arose based upon the fair value calculation as discussed above. The impairment for the current year was $4,509,000 (2007: Nil).

In respect of Perennial Growth Management Pty Ltd, the fair value is derived based on a discounted cashflow model taking into consideration the entities discount rate and risk profile. Cash inflows leading up to and including year 3 is in accordance with management's expectations given past performance, future expectations and the long-term nature of the products while the inflows for years 4 and 5 have been increased at a rate of 5% per annum. A growth rate of 5% has been applied from Year 5 into perpetuity. The discount rate applied was 13.5%. Management's assessment of goodwill's value-in-use materially exceeds the value of goodwill allocated to these CGUs, therefore any significant changes to assumptions used in management's assessment will not result in impairment.

For Consultum Financial Advisers Pty Ltd, cash flows have been projected for a nine year period beyond the initial financial budget with no ongoing cash flows expected beyond that period of time. Cash inflows and outflows for years 2 – 10 have been increased at a rate of 3% per annum in accordance with management's assessment of past performance and future expectations given the long-term nature of the products. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGU operates. Management's assessment of goodwill's value-in-use materially exceeds the value of goodwill allocated to these CGUs, therefore any significant changes to assumptions used in management's assessment will not result in impairment.

17. Payables

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Accounts payable	15,318	7,218	22,536	1,542
Amounts payable to other related parties	1,392	–	1,392	30
Tax related payable to controlled entities	–	–	–	4,955
Other creditors – employee entitlements	10,377	–	10,377	784
	27,087	**7,218**	**34,305**	**7,311**
30 June 2007				
Accounts payable	21,171	1,703	22,874	1,267
Amounts payable to other related parties	1,113	–	1,113	12
Tax related payable to controlled entities	–	–	–	1,578
Other creditors – employee entitlements	8,822	–	8,822	1,218
	31,106	**1,703**	**32,809**	**4,075**

Payables are non-interest bearing and are expected to be paid within 12 months of financial year end.

Further information about the Group's and the Parent entity's exposure to liquidity risk is provided in Note 2 *Risk Management*.

18. Borrowings

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Unsecured and non-traded				
Cash Advance Facility drawn	–	–	–	–
Loan from controlled entity	–	–	–	5,000
	–	**–**	**–**	**5,000**
30 June 2007				
Unsecured and non-traded				
Cash Advance Facility drawn	33,500	–	33,500	33,500
Loan from controlled entity	–	–	–	5,000
	33,500	**–**	**33,500**	**38,500**

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

	Consolidated	
	2008 $'000	2007 $'000
Total Cash Advance Facility	40,000	35,000
Used at balance date	–	33,500
Unused at balance date	40,000	1,500

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18. Borrowings (continued)

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

During the current and previous financial year, there were no defaults or breaches of loan agreement terms on any borrowings.

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

Further information about the Group's and the Parent entity's exposure to risks arising from borrowings is provided in Note 2 *Risk Management*.

19. Tax liabilities

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Current Income tax payable	**8,099**	**–**	**8,099**	**6,875**
Deferred tax liability	**–**	**–**	**–**	**–**
30 June 2007				
Current Income tax payable	**18,950**	**–**	**18,950**	**18,095**
Deferred tax liability	**–**	**29,713**	**29,713**	**–**
Deferred tax liability comprises temporary differences attributable to:				
30 June 2008				
Deferred acquisition costs	2,448	–	2,448	–
Depreciation	1	–	1	–
Interest receivable	14	1	15	–
Other	5	45	50	3
Deferred Tax Liability closing balance at 30 June 2008	2,468	46	2,514	3
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 15)	(2,468)	(46)	(2,514)	(3)
Net Deferred Tax Liability closing balance at 30 June 2008	–	–	–	–
30 June 2007				
Unrealised gains	–	30,123	30,123	–
Deferred acquisition costs	1,707	–	1,707	–
Prepayments	1	–	1	–
Depreciation	3	–	3	–
Interest receivable	6	56	62	–
Other	1,404	–	1,404	–
Deferred Tax Liability closing balance at 30 June 2007	3,121	30,179	33,300	–
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 15)	(3,121)	(466)	(3,587)	–
Net Deferred Tax Liability closing balance at 30 June 2007	–	29,713	29,713	–

19. Tax liabilities (continued)

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
Reconciliation of movements:				
30 June 2008				
Carrying amount at beginning of the year	3,121	30,179	33,300	–
Writeback of Deferred Tax Liability	190	(28)	162	–
(Credited)/Charged to Income Statement (Note 7)	(880)	(30,105)	(30,985)	3
Transfers to/from Deferred Tax Asset	41	–	41	–
Writeback of Deferred Tax Liability	(4)	–	(4)	–
Carrying amount at end of the year	2,468	46	2,514	3
30 June 2007				
Carrying amount at beginning of the year	3,948	24,982	28,930	14
Adjustments to opening balance	217	–	217	–
Adjustments per income tax return	(323)	–	(323)	–
(Credited)/Charged to Income Statement (Note 7)	(721)	5,197	4,476	(14)
Carrying amount at end of the year	3,121	30,179	33,300	-
Maturity:				
30 June 2008				
Payable within 12 months	625	46	671	–
Payable after 12 months	1,843	–	1,843	3
	2,468	46	2,514	3
30 June 2007				
Payable within 12 months	488	56	544	–
Payable after 12 months	2,633	30,123	32,756	–
	3,121	30,179	33,300	–

20. Provisions

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Employee entitlements	3,959	–	3,959	42
Directors' retirement	726	–	726	726
Other provisions	4,899	–	4,899	3,358
	9,584	**–**	**9,584**	**4,126**
30 June 2007				
Employee entitlements	3,074	–	3,074	335
Directors' retirement	653	–	653	653
Deferred settlement	37,183	–	37,183	37,183
Other provisions	4,210	–	4,210	3,261
	45,120	**–**	**45,120**	**41,432**

20. Provisions (continued)

Description of provisions

Directors' retirement

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

Other provisions

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

Deferred settlement

The deferred settlement relates to a final payment due to parties to the acquisition of minority interest of Perennial Investment Partners Limited due in June 2009. This payment is no longer deemed probable and this provision has been released within the 2008 financial year. Refer to Note 16 for further details regarding the reversal of goodwill associated with this transaction.

Movements in provisions

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

	Consolidated		
	Directors' Retirement $'000	Deferred Settlement $'000	Other Provisions $'000
Balance at beginning of the year	653	37,183	4,210
Additional provisions recognised	73	2,547	1,049
Amounts released from provision	–	(39,730)	(360)
Balance at end of the year	726	–	4,899

	Parent		
	Directors' Retirement $'000	Deferred Settlement $'000	Other Provisions $'000
Balance at beginning of the year	653	37,183	3,261
Additional provisions recognised	73	2,547	192
Amounts released from provision	–	(39,730)	(95)
Balance at end of the year	726	–	3,358

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
Maturity:				
30 June 2008				
Payable within 12 months	4,899	–	4,899	3,358
Payable after 12 months	4,685	–	4,685	768
	9,584	–	9,584	4,126
30 June 2007				
Payable within 12 months	4,324	–	4,324	3,283
Payable after 12 months	40,796	–	40,796	38,149
	45,120	–	45,120	41,432

21. Other financial liabilities

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Share buy-back liabilities	**25,125**	**–**	**25,125**	**–**
30 June 2007				
Share buy-back liabilities	**20,690**	**–**	**20,690**	**–**

A liability has been recognised in respect of an obligation by the Group to buy-back vested shares in some Perennial Group subsidiaries under certain circumstances. The directors do not expect that all the circumstances will occur for the full carrying value of these financial liabilities to crystallise and for the full amount to become payable by the Group. Due to the unpredictable nature of certain circumstances which trigger the full amount becoming payable the above liabilities have a fair value equal to the carrying value.

Further information about the Group's exposure to risks arising from other financial liabilities is provided in Note 2 *Risk Management.*

22. Deferred revenue liability

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Deferred revenue liability	**4,163**	**–**	**4,163**	**–**
30 June 2007				
Deferred revenue liability	**4,967**	**–**	**4,967**	**–**
Maturity:				
30 June 2008				
Expected to be realised within 12 months	833	–	833	–
Expected to be realised after 12 months	3,330	–	3,330	–
	4,163	–	4,163	–
30 June 2007				
Expected to be realised within 12 months	994	–	994	–
Expected to be realised after 12 months	3,973	–	3,973	–
	4,967	–	4,967	–

23. Investment contract liabilities

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Member liabilities – other investment contracts	**–**	**471,438**	**471,438**	**–**
30 June 2007				
Member liabilities – other investment contracts	**–**	**519,644**	**519,644**	**–**
Reconciliation of movements in Investment contract liabilities:				
30 June 2008				
Investment contract liabilities at beginning of the year	–	519,644	519,644	–
Distribution to policyholders	–	(37,466)	(37,466)	–
Investment contract contributions	–	51,579	51,579	–
Investment contract withdrawals	–	(62,319)	(62,319)	–
Investment contract liabilities at end of the year	–	471,438	471,438	–
30 June 2007				
Investment contract liabilities at beginning of the year	–	457,678	457,678	–
Distribution to policyholders	–	(73,583)	(73,583)	–
Investment contract contributions	–	43,783	43,783	–
Investment contract withdrawals	–	(55,400)	(55,400)	–
Investment contract liabilities at end of the year	–	519,644	519,644	–
Maturity:				
30 June 2008				
Expected to be paid within 12 months	–	54,215	54,215	–
Expected to be paid after 12 months	–	417,223	417,223	–
	–	471,438	471,438	–
30 June 2007				
Expected to be paid within 12 months	–	40,532	40,532	–
Expected to be paid after 12 months	–	479,112	479,112	–
	–	519,644	519,644	–

24. Insurance contract liabilities

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Policyholder liabilities – investment contracts with DPF	–	495,050	495,050	–
Policy liabilities ceded under reinsurance	–	343	343	–
	–	**495,393**	**495,393**	**–**
30 June 2007				
Policyholder liabilities – investment contracts with DPF	–	534,218	534,218	–
Policy liabilities ceded under reinsurance	–	348	348	–
	–	**534,566**	**534,566**	**–**
Reconciliation of movements in policyholder liabilities:				
30 June 2008				
Insurance contract liabilities at beginning of the year	–	534,566	534,566	–
Net increase in life insurance contract policy liabilities	–	11,168	11,168	–
Life insurance contract contributions	–	20,680	20,680	–
Life insurance contract withdrawals	–	(71,021)	(71,021)	–
Insurance contract liabilities at end of the year	–	495,393	495,393	–
30 June 2007				
Insurance contract liabilities at beginning of the year	–	593,721	593,721	–
Net increase in life insurance contract policy liabilities	–	19,846	19,846	–
Life insurance contract contributions	–	6,103	6,103	–
Life insurance contract withdrawals	–	(85,104)	(85,104)	–
Insurance contract liabilities at end of the year	–	534,566	534,566	–
Maturity:				
30 June 2008				
Expected to be paid within 12 months	–	49,509	49,509	–
Expected to be paid after 12 months	–	445,884	445,884	–
	–	495,393	495,393	–
30 June 2007				
Expected to be paid within 12 months	–	89,251	89,251	–
Expected to be paid after 12 months	–	445,315	445,315	–
	–	534,566	534,566	–

25. Outside interest in controlled trusts

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Outside interest in controlled trusts	**3,349**	**137,860**	**141,209**	**–**
30 June 2007				
Outside interest in controlled trusts	**–**	**306,856**	**306,856**	**–**

26. Contributed equity

		Consolidated			Parent
	Number of Shares	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008					
Ordinary Shares (Note 26(a))					
Balance at beginning of the year	64,573,768	179,030	–	179,030	179,030
Issued during the year	4,210,527	38,974	–	38,974	38,974
Issued to General Staff Share Plan	37,506	326	–	326	326
Deferred tax benefit on equity raising costs	–	307	–	307	307
Balance at end of the year	**68,821,801**	**218,637**	**–**	**218,637**	**218,637**
Treasury Shares (Note 26(b))					
Balance at beginning of the year	(828,869)	(5,346)	–	(5,346)	–
Employee shares vested during the year (Note 27)	106,063	711	–	711	–
On-market purchase during the year	(13)	(66)	–	(66)	–
Balance at end of the year	**(722,819)**	**(4,701)**	**–**	**(4,701)**	**–**
Redeemable Converting Preference Shares (Note 26(c))					
Balance at beginning of the year	176,012	1,400	–	1,400	1,400
Issued during the year	–	–	–	–	–
Balance at end of the year	**176,012**	**1,400**	**–**	**1,400**	**1,400**
30 June 2007					
Ordinary Shares (Note 26(a))					
Balance at beginning of the year	64,546,226	178,740	–	178,740	178,740
Issued during the year	27,542	290	–	290	290
Balance at end of the year	**64,573,768**	**179,030**	**–**	**179,030**	**179,030**
Treasury Shares (Note 26(b))					
Balance at beginning of the year	(1,298,301)	(7,416)	–	(7,416)	–
Employee shares vested during the year (Note 27)	469,432	2,070	–	2,070	–
Balance at end of the year	**(828,869)**	**(5,346)**	**–**	**(5,346)**	**–**
Redeemable Converting Preference Shares (Note 26(c))					
Balance at beginning of the year	176,012	1,400	–	1,400	1,400
Issued during the year	–	–	–	–	–
Balance at end of the year	**176,012**	**1,400**	**–**	**1,400**	**1,400**

26. Contributed equity (continued)

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. This is subject to the prior entitlements of redeemable converting preference shares.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

In July 2007, the company issued 4,210,527 fully paid ordinary shares through a share placement.

(b) Treasury shares

Treasury shares are shares issued to the IOOF Executive Performance Share Plan Trust in respect of the employee share scheme. The Executive Performance Share Trust is controlled by the IOOF Group and is therefore consolidated.

(c) 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 convert to ordinary shares on 30 April 2009 provided the nominated advisers remain an authorised representative of the IOOF Group. Prior to conversion, the RCP shares will be 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 shall be entitled to a return of the redemption price before any return of capital is made to holders of ordinary shares.

(d) Options

Information relating to options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 36.

(e) Share buy-back

During February 2008, the company announced an on-market buy-back program for the purchase of up to 2,000,000 of its issued ordinary shares over a 12 month period. This on-market buy-back program was commenced for ongoing capital management purposes. To date, no ordinary shares have been bought back.

(f) Capital risk management

The Group's and the Parent entity'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 Parent entity 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

– related unit trusts, as investments

– related 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.

26. Contributed equity (continued)

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 IOOF Group is required to hold as determined by legislative and regulatory requirements in respect of its life insurance business and financial services licenced 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. 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 shortfall in 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 2008, the Group's capital risk management strategy was unchanged from 2007.

Further information in relation to solvency requirements imposed by the *Life Insurance Act 1995* is provided in Note 41(f) *Life Insurance Business – Solvency Requirements.*

27. Reserves

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Reserves				
Asset revaluation reserve	1,071	–	1,071	–
Available-for-sale investment revaluation reserve	(345)	–	(345)	(345)
Share-based payments reserve	4,714	–	4,714	4,528
	5,440	**–**	**5,440**	**4,183**
Movements:				
Asset revaluation reserve				
Balance at beginning of the year	1,071	–	1,071	–
Amount recognised during the year	–	–	–	–
Balance at end of the year	1,071	–	1,071	–
Available-for-sale investment revaluation reserve				
Balance at beginning of the year	–	–	–	–
Amount recognised during the year	(345)	–	(345)	(345)
Balance at end of the year	(345)	–	(345)	(345)
Share-based payments reserve				
Balance at beginning of the year	2,698	–	2,698	2,554
Amount recognised during the year	2,727	–	2,727	2,685
Shares vested during the year (Note 26)	(711)	–	(711)	(711)
Balance at end of the year	4,714	–	4,714	4,528

27. Reserves (continued)

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2007				
Reserves				
Asset revaluation reserve	1,071	–	1,071	–
Share-based payments reserve	2,698	–	2,698	2,554
	3,769	**–**	**3,769**	**2,554**
Movements:				
Asset revaluation reserve				
Balance at beginning of the year	1,071	–	1,071	–
Amount recognised during the year	–	–	–	–
Balance at end of the year	1,071	–	1,071	–
Share-based payments reserve				
Balance at beginning of the year	2,615	–	2,615	2,615
Amount recognised during the year	2,153	–	2,153	2,009
Shares vested during the year (Note 26)	(2,070)	–	(2,070)	(2,070)
Balance at end of the year	2,698	–	2,698	2,554

Nature and purpose of reserves:

Asset revaluation reserve

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

The available-for-sale investment revaluation reserve has arisen on the change in fair value of a financial asset. The Directors believe that the change in the fair value of this asset is not a significant or prolonged decline in the fair value but rather one of a temporary nature and has therefore recognised the change within this equity reserve.

Share-based payments reserve

The share-based payments reserve is used to recognise:

– the fair value of options issued to employees but not exercised;

– the fair value of shares issued to employees;

– with regard to the Group, the issue of shares held by the IOOF Executive Performance Share Plan Trust to employees; and

– with regard to the parent entity, the fair value of shares and options issued to employees of subsidiaries and the funding of the share purchase by the IOOF Executive Performance Share Plan Trust.

28. Retained profits

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Retained Profits				
Balance at the beginning of the year	9,808	497	10,305	17,407
Net profit attributable to equity holders of IOOF Holdings Ltd	21,736	1,604	23,340	29,091
Dividends paid	(22,567)	–	(22,567)	(22,763)
Balance at the end of the year	**8,977**	**2,101**	**11,078**	**23,735**
30 June 2007				
Retained Profits				
Balance at the beginning of the year	6,775	339	7,114	15,889
Net profit attributable to equity holders of IOOF Holdings Ltd	22,186	158	22,344	20,937
Dividends paid	(19,153)	–	(19,153)	(19,419)
Balance at the end of the year	**9,808**	**497**	**10,305**	**17,407**

29. Minority interest

	Consolidated			Parent
	Shareholder $'000	Statutory $'000	Total $'000	$'000
30 June 2008				
Minority Interest	**724**	**–**	**724**	**–**
30 June 2007				
Minority Interest	**747**	**–**	**747**	**–**

30. Dividends

	Parent	
	2008 $'000	2007 $'000
A final dividend of 18 cents (2007: 15 cents) per ordinary share franked to 100% based on tax paid at 30% was paid in October 2007 (2007: October 2006) in respect of the financial year ended 30 June 2007.	12,413	9,708
An interim dividend of 15 cents (2007: 15 cents) per ordinary share franked to 100% based on tax paid at 30% was paid in April 2008 (2007: April 2007) in respect of the financial year ended 30 June 2008.	10,350	9,712
The Directors have recommended the payment of a final dividend of 15 cents per ordinary share franked to 100% based on tax at 30%. The aggregate amount of the proposed dividend expected to be paid in October 2008 is out of retained profits, and has not been recognised as a liability as at year end.	10,350	12,413

30. Dividends (continued)

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%).	25,994	26,908	24,118	25,245

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

(d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $4,140,000 (2007: $4,995,000).

31. Auditors' remuneration

Auditors' remuneration paid by members of the IOOF Holdings Ltd Group during the year and for the comparative prior period:

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Auditing the financial reports				
PricewaterhouseCoopers				
– Parent entity	286,738	398,459	286,738	398,459
– Controlled entities	267,097	378,705	–	–
– Other related parties	1,013,204	806,218	–	–
	1,567,039	1,583,382	286,738	398,459
Other services				
PricewaterhouseCoopers				
– Audit of regulatory returns	418,090	354,108	2,511	10,723
– Other assurance services	–	–	–	–
	418,090	354,108	2,511	10,723

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

The Board of Directors has considered the policy regarding use of its auditors for non-audit services in the context of CLERP 9 and in accordance with the advice received from the Audit Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

32. Earnings per share

	Consolidated 2008	Consolidated 2007
	Cents	Cents
Basic earnings per share	34.2	35.0
Diluted earnings per share	33.8	34.4
Reconciliations of earnings used in calculating earnings per share	$'000	$'000
Profit after income tax	26,054	24,514
(Profit) /loss attributable to minority interests	(2,714)	(2,170)
Dividends on Redeemable Converting Preference Shares	(51)	(58)
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	23,289	22,286
Weighted average number of shares used in the calculation of earnings per share	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	68,161,896	63,647,407
Adjustments for calculation of diluted earnings per share:		
Unvested shares held in IOOF Executive Performance Share Plan Trust	574,074	913,904
Redeemable Converting Preference Shares	176,012	176,012
Unvested shares granted to advisers	77,976	30,000
Options[1]	–	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**68,989,958**	**64,767,323**

(1) Options granted during the year are not included in the determination of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2008. These options could potentially dilute basic earnings per share in the future. Refer to Note 36(b)(i) for further details.

33. Contingent liabilities

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

The Group has provided indemnities for contingent obligations to Westpac Banking Corporation Limited in respect of bankers undertakings provided by Westpac to various parties. The total contingent obligation at 30 June 2008 was $978,057 (2007: $325,345).

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

34. Capital commitments

During prior years, a subsidiary acquired interests in various dealer group entities and has part paid the agreed purchase price. Under the terms of the agreements with these dealer entities, the Group has a contingent commitment to contribute the remaining purchase price. The amount of the additional purchase price is contingent on the dealer entities reaching agreed levels of funds under management and administration.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
The maximum contingent consideration payable in respect of the dealer group agreements due within 12 months is:	–	604	–	–

35. Other commitments

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Non-cancellable operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
– not later than one year	4,564	5,097	2,587	2,177
– later than one year, not later than five years	5,511	5,908	4,136	3,318
– later than five years	18	–	–	–
	10,093	11,005	6,723	5,495

The Group leases various offices under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases various office equipment under non-cancellable operating leases, with buy-out options. The terms of these leases are up to five years.

36. Key Management Personnel

(a) Details of compensation

AASB 124 Related Party Disclosures defines Key Management Personnel ('KMP') as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity. The following is a list of all Non-executive and Executive Directors, CEO and other KMP of IOOF Holdings Ltd who held office during the year:

Name	Position	Employer
Non-executive Directors		
Mr I Blair	Chairman	
Dr R Sexton	Deputy Chairman	
Mr R Harper	Non-executive Director	
Ms J Harvey	Non-executive Director	
Mr J Pfeiffer	Non-executive Director	
Ms K Spargo	Non-executive Director	
Executive Directors		
Mr A Robinson	Chief Executive Officer	IOOF Holdings Ltd
Mr A Hodges	Managing Director – Investor Solutions	IOOF Services Pty Ltd
Key Management Personnel		
Mr S Abley	Head of Consultum Financial Advisers	IOOF Services Pty Ltd
Mr J Billington	General Manager – Portfolio Solutions	IOOF Services Pty Ltd
Mr M Blackburn	Chief Financial Officer	IOOF Holdings Ltd
Mr M Crivelli	Executive Chairman – Perennial Investment Partners Limited (Director of IOOF Holdings Ltd to 17 December 2007)	Perennial Investment Partners Limited
Mr R Mota	General Manager – Investor Solutions	IOOF Services Pty Ltd
Mr A Patterson	Managing Director – Perennial Investment Partners Limited	Perennial Investment Partners Limited

All of the above persons were also key management persons for all or part of the year ended 30 June 2007. In addition to the above, Ms A Bisogni, Mr M Stephen and Mr P Wallbridge were also key management personnel for the year ended 30 June 2007. Ms A Bisogni, Mr M Stephen and Mr P Wallbridge were not key management persons for the year ended 30 June 2008.

36. Key Management Personnel (continued)

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Key Management Personnel compensation				
Short-term employee benefits	5,122,839	5,494,565	1,224,938	2,041,843
Post-employment benefits	353,074	744,263	206,923	215,670
Other long-term benefits	539,361	266,311	10,977	31,156
Termination benefits	–	1,588,790	–	930,435
Share-based payments	1,388,156	1,727,074	597,266	714,956
Total	7,403,430	9,821,003	2,040,104	3,934,060

Further detailed remuneration information can be found in the Remuneration Report contained in the Directors' Report.

(b) Equity holdings and transactions for ordinary shareholdings in the Company relating to KMP

i) Options

Shareholder approval was obtained in November 2007 to grant Mr Robinson an entitlement of 675,000 options provided in three equal tranches (which vest subject to achievement of performance conditions that are to be tested over two, three and four year performance periods respectively for each tranche, all commencing on 1 July 2007). The options will be exercisable for a period of two years following their vesting date.

Share options with a total incentive opportunity value of $375,000 were granted to Mr Billington on 31 December 2007. They are subject to the achievement of service conditions and performance conditions tested over two and three year performance periods. The options vest on either 1 July 2011 or 1 July 2012. The exercise period for each tranche of options will be between the vesting date and 1 January 2013. The exercise price will be determined based on the Volume Weighted Average Price of IOOF Holdings Ltd shares during the first week of December 2008.

ii) Share holdings

Shareholder approval was obtained in November 2007 to grant Mr Robinson an annual allocation of 50,000 performance shares under the IOOF Executive Performance Share Plan (which vest subject to the achievement of performance conditions tested over a three year period from allotment date).

Shares with a total incentive opportunity value of $375,000 were granted to Mr Billington on 31 December 2007. They are subject to the achievement of service conditions and performance conditions tested over two and three year performance periods. The shares vest on either 1 July 2011 or 1 July 2012.

The number of ordinary shares in the company held during the financial year by each director of IOOF Holdings Ltd and other KMP of the consolidated entity, including their personally related entities, are set out on the following page:

36. Key Management Personnel (continued)

Equity holdings and transactions for ordinary shareholdings in the Company relating to KMP

Name		Balance of shareholding at start of the year	Ordinary shares vested or salary sacrificed during period as remuneration Note 36 (b)[1]	Change as result of other transactions	Balance of shareholding at end of the year
		Number	Number	Number	Number
Directors					
Mr I Blair	2008	15,289	3,231	–	18,520
	2007	12,626	2,663	–	15,289
Dr R Sexton	2008	15,989	3,231	–	19,220
	2007	13,326	2,663	–	15,989
Ms J Harvey	2008	1,350	2,014	–	3,364
	2007	–	1,350	–	1,350
Mr A Hodges	2008	408,769	25,511	–	434,280
	2007	708,769	50,000	(350,000)	408,769
Mr J Pfeiffer	2008	2,888	6,058	–	8,946
	2007	–	2,888	–	2,888
Mr A Robinson	2008	7,500	–	–	7,500
	2007	–	–	7,500	7,500
Ms K Spargo	2008	5,855	1,615	–	7,470
	2007	4,524	1,331	–	5,855
Other Key Management Personnel of the Group					
Mr S Abley	2008	–	4,015	–	4,015
	2007	–	–	–	–
Mr M Blackburn	2008	1,800	36,330	–	38,130
	2007	1,800	–	–	1,800
Mr M Crivelli	2008	9,534	–	–	9,534
	2007	9,534	–	–	9,534
Mr R Mota	2008	3,878	–	–	3,878
	2007	–	–	3,878	3,878
Mr A Patterson	2008	430	–	–	430
	2007	430	–	–	430

(1) Ordinary shares vested during the current year may include shares related to performance incentives accruing to previous years. Although vested, the shares may not have yet been released from the Executive Performance Share Plan Trust during the period.

36. Key Management Personnel (continued)

Equity holdings and transactions for ordinary shareholdings in subsidiary companies

The number of shares in Perennial Investment Partners Limited held during the financial year by each director and other KMP of the consolidated entity, including their personally related entities, are set out below. During the 2007 financial year, the shareholdings in Perennial Investment Partners Limited were acquired by entities in the IOOF Group.

Name		Balance of shareholding at start of the year	Net change as result of other transactions	Balance of shareholding at end of the year
		Number	Number	Number
Other Key Management Personnel of the Group				
Mr M Crivelli	2008	–	–	–
	2007	4,140	(4,140)	–
Mr A Patterson	2008	–	–	–
	2007	7,335	(7,335)	–

The number of shares in Perennial Investment Partners Asia Limited held during the financial year by each director and other KMP of the consolidated entity, including their personally related entities, are set out below:

Name		Balance of shareholding at start of the year	Net change as result of other transactions	Balance of shareholding at end of the year
		Number	Number	Number
Other Key Management Personnel of the Group				
Mr M Crivelli	2008	5,000	–	5,000
	2007	5,000	–	5,000

Equity holdings and transactions for ordinary shareholdings in other related parties

The number of shares in Perennial Value Management Limited held during the financial year by each director and other KMP of the consolidated entity, including their personally related entities, are set out below:

Name		Balance of shareholding at start of the year	Net change as result of other transactions	Balance of shareholding at end of the year
		Number	Number	Number
Other Key Management Personnel of the Group				
Mr A Patterson (Class B)	2008	450	32	482
	2007	450	–	450
Mr A Patterson (Class C)	2008	340	–	340
	2007	340	–	340

36. Key Management Personnel (continued)

(c) Loans to Key Management Personnel

Details of loans made to directors of IOOF Holdings Ltd, KMP and other named executives of the consolidated entity, including their personally related entities, are set out below:

Aggregates for Key Management Personnel		Balance of loans at start of the year	Interest paid and payable	Balance of loans at end of the year	Number of individuals within group at end of the year
		$	$	$	
Directors[1]					
	2008	–	–	–	–
	2007	22,261	788	–	1
Other Key Management Personnel of the Group					
	2008	1,155,624	249,574	1,562,721	1
	2007	2,295,767	128,123	1,155,624	2

Individuals with loans above $100,000 during the financial year		Balance of loans at start of the year	Interest paid and payable	Balance of loans at end of the year	Higher indebtedness during the year
		$	$	$	$
Other Key Management Personnel of the Group					
Mr A Patterson[2]	2008	1,155,624	249,574	1,562,721	1,804,730
	2007	2,273,506	127,335	1,155,624	2,367,258

Terms and Conditions of Loans Issued

(1) The unsecured loan issued to Mr Crivelli on 18 August 1999 was fully repaid during the 2007 financial year.

(2) Amounts outstanding as at 30 June 2008, include a loan advanced in 2004 to assist Mr Patterson acquire shares in Perennial Value Management Limited, an associated entity of the IOOF Group. This 2004 loan to Mr A Patterson was renegotiated during the year and became an interest free loan effective from 1 July 2007. All other terms and conditions remain unchanged.

During the current financial year, additional amounts were advanced to Mr Patterson for the specific purpose of assisting him to acquire additional equity in Perennial Value Management Limited from a departing executive of that entity. Mr Patterson is permitted to discharge this loan by transferring the shares acquired to the lender. This interest bearing loan was made on commercial terms and conditions.

The loan advanced to Mr Patterson to assist him acquire equity in Perennial Investment Partners Limited was fully repaid in the 2007 financial year.

(d) Other transactions with Key Management Personnel

During the year KMP and their personally related entities may have entered into transactions with the disclosing entity or its subsidiaries. All of these transactions occur within a normal employee, customer or supplier relationship at arms length. Information about such transactions does not have the potential to impact decisions made by the users of this financial report.

37. Related party disclosures

(a) Identities of related parties

Controlled entities are detailed in Note 38. Other related parties were:

- IOOF unit trusts including IOOF superannuation products
- IOOF Benefit Funds

Directors and Key Management Personnel are set out in Note 36.

(b) Controlled entities

The ownership interest in controlled entities is set out in Note 38.

The following related party transactions occurred between entities in the IOOF Holdings Ltd Group during the year:

- payment of management fees on normal terms and conditions
- provision of administrative services to and from controlled entities based on cost and/or agreed charges. Services include accounting, secretarial, payroll, taxation, group management, legal, computer and investment management
- provision of office accommodation on normal terms and conditions
- reimbursement of expenses and disbursements made on behalf of controlled entities
- loan facilities made at market rates
- subscription of shares in controlled entities.

(c) Other transactions with related parties

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Investments in related party trusts:				
IOOF Sectoral Unit Trusts – related parties	530,541,836	451,597,965	–	–
Number of units held 492,297,805 (2007: 438,694,524)				
Aggregate amounts included in the determination of profit from ordinary activities before related income tax that resulted from transactions with related parties as disclosed in Note 4 to Note 6:				
Receipt of management fees from:				
– Benefit funds	18,074,001	17,877,680	–	–
– Associated entity	2,083,116	2,094,724	–	–
– Related entities	5,949,009	6,216,758	–	–
Receipt of service fees from controlled entities	–	–	13,745,198	9,380,651
Receipt of interest revenue from:				
– Directors and Executives of subsidiaries	109,460	306,756	–	–
– Other related parties	131,970	123,698	3,167,662	2,422,706
Receipt of dividends from:				
– Controlled entities	–	–	29,249,546	26,617,009
Payment of commission and management fees to:				
– Associated entity	13,486,759	19,771,156	–	–
– Benefit funds	15,738,395	16,627,744	–	–
Payment of service fees to controlled entities	–	–	4,849,277	–
Amounts receivable from controlled entities	–	–	3,384,615	3,179,490
Amounts receivable from related parties	14,826,300	16,310,949	9,050	–
Interest receivable – related parties	46,758	709,242	–	–
Tax related receivable from controlled entities	–	–	9,903,592	26,230,865
Amounts payable to other related parties	1,391,587	1,113,094	29,795	12,445
Tax related payable to controlled entities	–	–	4,954,950	1,577,708

37. Related party disclosures (continued)

(d) Unsecured loans to Directors of IOOF Holdings Ltd, subsidiaries and related entities

	Notes	Consolidated		Parent	
		2008 $	2007 $	2008 $	2007 $
The aggregate value of loans to Directors of the IOOF Group made by the IOOF Group as at balance date amounted to:					
Directors of associated entities from IOOF Group	(d) (i)	5,037,011	790,181	–	–
Directors of controlled entities from IOOF Group	(d) (ii)	2,385,691	1,060,211	–	–
		7,422,702	1,850,392	–	–
Interest revenue of the IOOF Group on loans to:					
Directors of associated entities from IOOF Group		131,970	122,111	–	–
Directors of controlled entities from IOOF Group		40,122	180,906	–	–
Past Directors from IOOF Group		–	3,739	–	–
		172,092	306,756	–	–
Loans made to Directors of the IOOF Group during the year:					
Directors of associated entities from IOOF Group	(d) (iii)	4,246,830	–	–	–
Directors of controlled entities from IOOF Group	(d) (iv)	1,460,040	375,000	–	–
		5,706,870	375,000		
Interest repaid on loans from IOOF Group during the year:					
Directors of associated entities from IOOF Group		318,738	144,146	–	–
Directors of controlled entities from IOOF Group		269,695	214,628	–	–
		588,433	358,774	–	–
Interest written off on loans to Directors from IOOF Group:					
Directors of associated entities from IOOF Group		–	3,061	–	–
Directors of controlled entities from IOOF Group		–	29,378	–	–
Past Directors from IOOF Group		–	6,006	–	–
		–	38,445	–	–
Interest on loans to Directors from the IOOF Group provided against during the year:					
Directors of associated entities from IOOF Group		–	201,245	–	–
Directors of controlled entities from IOOF Group		–	229,974	–	–
		–	431,219	–	–
Interest receivable balance on loans to Directors from IOOF Group as at balance date:					
Directors of associated entities as at balance date		13,581	201,245	–	–
Directors of controlled entities as at balance date		8,619	241,967	–	–
		22,200	443,212	–	–
Loans to Directors from IOOF Group repaid during the year:					
Directors of associated entities from IOOF Group		–	999,639	–	–
Directors of controlled entities from IOOF Group	(d) (v)	134,560	1,709,563	–	–
Past Directors from IOOF Group		–	19,988	–	–
		134,560	2,729,190	–	–

37. Related party disclosures (continued)

(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 Limited and IOOF Investment Management Limited for the specific purpose of assisting him to acquire an equity interest in another related party, Perennial Value Management Limited. 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.

(ii) The loans referred to above relate to the Directors, Mr A Patterson, Mr A Mulcahy, Mr L Mickelburough, Mr N Murphy and Mr R MacDougall. The amounts were advanced by Perennial Investment Partners Limited to Directors for the specific purpose of assisting Directors to acquire an equity interest in subsidiaries of the Company or in the case of Mr A Patterson another related party, Perennial Value Management Limited. 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.

The loans advanced in 2004 to Mr A Patterson and Mr J Murray were renegotiated during the year and became interest free effective from 1 July 2007. All other terms and conditions remain unchanged.

(iii) The Director of an associate entity who received the loan referred to above, was Mr J Murray. The amount was advanced for the specific purpose of assisting him to acquire existing Class 'B' shares in Perennial Value Management Limited. The unsecured interest bearing loan was based on commercial terms and conditions.

(iv) The Directors who received the loans referred to above, were Mr A Patterson, Mr L Mickelburough, Mr A Mulcahy and Mr R Macdougall. During the current year, a loan amounting to $635,040, were advanced to Mr A Patterson, for the specific purpose of assisting him to acquire existing Class 'B' shares in Perennial Value Management Limited. Loans of $825,000 were also issued to Mr L Mickelburough, Mr A Mulcahy and Mr R Macdougall, for the specific purpose of assisting them to acquire vested shares from an existing shareholder, Mr K West. These unsecured interest bearing loans were based on commercial terms and conditions.

(v) Mr N Murphy, Mr A Mulcahy and Mr L Mickelburough fully repaid their existing loans on 24 August 2007 while Mr R MacDougall fully repaid his existing loan on 23 November 2007.

(e) Unsecured loans to other related parties of IOOF Holdings Ltd, subsidiaries and related entities

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
The aggregate value of loans to related parties of IOOF Holdings Ltd, subsidiaries and related entities made by the IOOF Group as at balance date amounted to	–	96,958	–	32,958
Interest revenue on loans	3,589	12,545	288	5,824
Interest repaid during the year	3,589	12,545	288	5,824
Loan repaid during the year	96,958	87,042	32,958	51,042

The loans were made to a related entity and advisers to the Group on normal commercial terms and conditions. The above loans were fully repaid during the period.

37. Related party disclosures (continued)

(f) Unsecured loans to executives of the IOOF Group

	Notes	Consolidated		Parent	
		2008 $	2007 $	2008 $	2007 $
The aggregate value of loans to Executives of the IOOF Group made by the IOOF Group as at balance date amounted to	(f) (i)	1,880,149	879,620	–	–
Interest revenue of IOOF Group on loans to Executives		69,297	111,153	–	–
Loans made to Executives of the IOOF Group during the year by the IOOF Group	(f) (ii)	1,330,535	125,000	–	–
Interest repaid during the year		176,185	64,458	–	–
Interest written off during the year	(f) (iii)	124,685	6,256	–	–
Interest provided against during the year		–	247,679	–	–
Interest receivable balance as at balance date		20,779	252,352	–	–
Loans repaid during the year	(f) (iv)	330,006	609,254	–	–

(i) The Executives who received the loans referred to above were Mr P Durham, Mr S Bruce, Mr A McLachlan, and Mr A Sutherland. The amounts were advanced by Perennial Investment Partners Limited 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 Limited. 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.

The loans advanced in 2004 to Mr P Durham and Mr S Bruce were renegotiated during the year and became interest free loans effective from 1 July 2007. All other terms and conditions remain unchanged.

(ii) The loans referred above were advanced to Mr P Durham, Mr S Bruce, Mr G Oshry and Mr D Cottier. The loans advanced to Mr P Durham and Mr S Bruce were for the specific purpose of assisting them to acquire existing Class 'B' shares in a related entity. The loans to Mr G Oshry and Mr D Cottier were used to purchase new 'C' class shares in a related entity. These unsecured interest bearing loans were based on commercial terms and conditions.

(iii) The amounts of interest written off during the year relates to interest accrued on the loans of Mr H Giddy and Mr H Bencke.

(iv) Mr K West fully repaid his loan on 24 August 2007, while Mr A McLachlan and Mr A Sutherland fully repaid their loans on 23 November 2007. In addition Mr H Giddy repaid the principal component of his loan on the 20 March 2008.

(g) Loans to subsidiaries of the IOOF Group

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
The aggregate value of loans to IOOF Investment Holdings Ltd by IOOF Holdings Ltd as at balance date amounted to	–	–	32,175,344	32,698,004
Interest revenue on loans to IOOF Investment Holdings Ltd	–	–	2,210,998	2,060,111
Loans made during the year	–	–	266,342	245,746
Interest repaid during the year	–	–	2,210,998	2,060,111
Loan repaid during the year	–	–	789,002	939,889

An amount owing to IOOF Holdings Ltd by a controlled entity, IOOF Investment Holdings Ltd, was issued on commercial terms and conditions effective 1 July 2005. The amount related to loans provided by IOOF Holdings Ltd to fund the purchase of AM Corporation. IOOF Investment Holdings Ltd repays $250,000 of this loan with interest every month. Interest is calculated at a rate equal to the cash rate, set monthly and paid in arrears.

37. Related party disclosures (continued)

(h) Subordinated loan advanced to a controlled entity from the ultimate parent entity

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
The aggregate value of the loan owed by Perennial Investment Partners Limited as at balance date amounted to	–	–	2,817,738	2,817,738
Interest revenue on subordinated loans	–	–	265,002	237,744

IOOF Holdings Ltd, approved a Subordinated loan of $4,875,284 to Perennial Investment Partners Limited on 29 June 2004. Of this loan $2,817,738 (2007: $2,817,738) was advanced to Perennial Investment Partners Limited. The loan is for a period of 5 years with interest payable quarterly in arrears at the one year swap rate plus 2% determined quarterly. The deed of subordination has been approved by the Australian Securities and Investments Commission. Interest during the year was charged on the amount of loan funded and amounted to $265,002 (2007: $237,744).

(i) Loan advanced to Perennial Investment Partners Limited from the ultimate parent entity

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
The aggregate value of the loan owed by Perennial Investment Partners Limited as at balance date amounted to	–	–	11,983,768	5,225,113
The net value of the above amount, advanced to Perennial Investment Partners Limited during the year amounted to	–	–	6,758,655	5,225,113
Interest paid or payable for the year	–	–	689,734	124,851

IOOF Holdings Ltd, the ultimate parent entity approved and advanced a loan of $5,225,113 to Perennial Investment Partners Limited on 20 March 2007. The amount was advanced for the specific purpose of assisting the subsidiary to acquire an additional equity interest in a related party. The loan is interest bearing payable monthly in arrears at the one year swap rate plus 2% determined monthly.

IOOF Holdings Ltd approved and advance two additional loans of $5,933,655 and $825,000, to Perennial Investment Partners Limited on 7 March 2008 and 15 April 2008 respectively. The amounts were advanced for the specific purpose of assisting the subsidiary to fund loans advanced to the Directors and Executives of related entities. The loans are interest bearing payable monthly in arrears at the one year bank bill swap rate plus 2% determined monthly.

(j) Ultimate parent entity

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

38. Controlled entities

	Note	Country of Incorporation	Company's Equity Holding 2008 %	Company's Equity Holding 2007 %
Parent entity:				
IOOF Holdings Ltd		Australia		
Controlled entities:				
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 Limited		Australia	100.0	100.0

38. Controlled entities (continued)

	Note	Country of Incorporation	Company's Equity Holding 2008 %	Company's Equity Holding 2007 %
Controlled entities: (continued)				
Security Management Services Pty Ltd		Australia	100.0	100.0
OutScope Ltd		Australia	100.0	100.0
Consultum Financial Advisers Pty Ltd		Australia	100.0	100.0
Financial Partnership Pty Ltd		Australia	100.0	100.0
August Management Services Pty Limited		Australia	100.0	100.0
IOOF Services Pty Ltd		Australia	100.0	–
Perennial Investment Partners Limited		Australia	100.0	100.0
Perennial Investment Partners Asia Limited		Australia	94.9	94.9
Perennial Fixed Interest Partners Pty Ltd		Australia	67.3	67.3
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) Limited		United Kingdom	100.0	100.0
Perennial Investment Partners (U.S.) Inc.		USA	100.0	–
Perennial Cash Enhanced Wholesale Trust	(38(m))		61.6	65.1
Perennial Growth Shares Wholesale Trust	(38(m))		–	50.6
Perennial Socially Responsive Shares Wholesale Trust	(38(m))		89.1	87.6
Perennial Growth High Conviction Shares Trust	(38(m))		67.6	97.1
IOOF Executive Performance Share Plan Trust	(38(m))		100.0	100.0
Perennial Partners Trust	(38(m))		56.6	–

IOOF Group Restructuring

(a) On 30 November 2007, IOOF Holdings Ltd acquired shares (both ordinary and preference) of the following subsidiaries:

- 90.6% of Perennial Investment Partners Limited issued shares at their carrying value from IOOF Investment Management Limited; ($72,666,168)
- all of the issued shares of IOOF Investment Management Limited at their carrying value from IOOF Life Ltd; ($121,997,244)
- all of the issued shares of IOOF Investment Holdings Ltd at their carrying value from IOOF Life Ltd; ($Nil).

In line with the above Group restructuring, from 1 December 2008, the Parent directly holds a 100% shareholding in the following entities:

- Perennial Investment Partners Limited (2007: 90.6% through IOOF Investment Management Limited)
- IOOF Investment Management Limited (2007: 100% through IOOF Life Ltd)
- IOOF Investment Holdings Ltd (2007: 100% through IOOF Life Ltd).

(b) The investment in IOOF Ltd (including the benefit funds) is through IOOF Life Ltd which directly holds a 100% (2007: 100%) shareholding in this entity.

(c) The Parent directly holds a 100% (2007: 100%) shareholding in OutScope Ltd.

(d) The investment in Consultum Financial Advisers Pty Ltd is through OutScope Ltd which directly holds a 100% (2007: 100%) shareholding in the entity.

(e) The investment in August Management Services Pty Limited is through IOOF Investment Holdings Ltd which directly holds a 100% (2007: 100%) shareholding in the entity.

(f) The investment in Financial Partnership Pty Ltd is through OutScope Ltd which directly holds 100% (2007: 100%) shareholding in the entity.

(g) The investment in Perennial Investment Partners Asia Limited is through Perennial Investment Partners Limited which directly holds a 94.9% (2007: 94.9%) shareholding in this entity.

38. Controlled entities (continued)

(h) The investment in Perennial Fixed Interest Partners Pty Ltd is through Perennial Investment Partners Limited which directly holds a 62.8% (2007: 62.8%) shareholding in this entity and through IOOF Holdings Ltd which directly holds a 4.5% (2007: 4.5%) shareholding in this entity.

(i) The investment in Perennial Growth Management Pty Ltd is through Perennial Investment Partners Limited which directly holds a 60.0% (2007: 60.0%) shareholding in this entity.

(j) The investment in Perennial Real Estate Investments Pty Ltd is through Perennial Investment Partners Limited which directly holds a 50.0% (2007: 50.0%) shareholding in this entity.

(k) The investment in Perennial Investment Partners (UK) Limited is through Perennial Investment Partners Limited which directly holds 100% shareholding in the entity. The entity did not trade during the financial year.

(l) The investment in Perennial Investment Partners (U.S.) Inc. is through Perennial Investment Partners Limited which directly holds a 100% shareholding in this entity.

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

39. Segment information

Primary reporting – business segments	Wholesale and Retail Funds	Portfolio Solutions	Investor Solutions	Consultum Adviser Group	Statutory, Unallocated and Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2008						
Operating revenue	46,103	117,249	38,167	30,333	–	231,852
Other revenue	179	–	–	1,108	–	1,287
Benefit fund revenue	–	–	–	–	128,129	128,129
Inter-segment sales	–	–	–	–	42,881	42,881
Total Revenue	46,282	117,249	38,167	31,441	171,010	404,149
Share of net profits of associates	7,359	–	–	–	–	7,359
Total Segment Revenue	53,641	117,249	38,167	31,441	171,010	411,508
Operating expenses:						
– Commissions and management expenses	(2,776)	(53,935)	(12,813)	(26,548)	(56,374)	(152,446)
– Depreciation	(67)	(16)	(1)	(6)	(1,557)	(1,647)
– Amortisation of deferred acquisition costs	–	–	–	–	(3,723)	(3,723)
– Benefit fund expenses	–	–	–	–	(141,299)	(141,299)
– Other expenses	(33,890)	(41,909)	(11,301)	(9,569)	2,230	(94,439)
Total Segment Expenses	(36,733)	(95,860)	(24,115)	(36,123)	(200,723)	(393,554)
Profit from ordinary activities before income tax expense	16,908	21,389	14,052	(4,682)	(29,713)	17,954
Income tax credit/(expense)	(2,007)	–	(57)	36	10,128	8,100
Profit/(Loss) for the year	14,901	21,389	13,995	(4,646)	(19,585)	26,054
Segment assets	65,855	14,257	76,556	10,570	1,254,656	1,421,894
Inter-segment assets	(6,668)	–	(56,647)	(872)	64,187	–
Total assets	59,187	14,257	19,909	9,698	1,318,843	1,421,894
Segment liabilities	57,990	5,218	7,037	3,190	1,115,881	1,189,316
Inter-segment liabilities	(20,627)	–	(483)	(1,231)	22,341	–
Total liabilities	37,363	5,218	6,554	1,959	1,138,222	1,189,316
Investments in associates and joint venture partnerships	7,260	–	–	–	–	7,260
Acquisition of property and equipment, intangibles and other non-current segment assets	53	–	–	–	2,654	2,707

39. Segment information (continued)

Primary reporting – business segments	Wholesale and Retail Funds	Portfolio Solutions	Investor Solutions	Consultum Adviser Group	Statutory, Unallocated and Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2007						
Operating revenue	38,122	121,329	33,132	31,042	–	223,625
Other revenue	819	67	984	458	107,571	109,899
Benefit fund revenue	–	–	–	–	100,839	100,839
Inter-segment sales	–	–	–	–	43,830	43,830
Total Revenue	38,941	121,396	34,116	31,500	252,240	478,193
Share of net profits of associates	7,810	–	–	–	–	7,810
Total Segment Revenue	46,751	121,396	34,116	31,500	252,240	486,003
Operating expenses:						
– Commissions and management expenses	(1,694)	(58,130)	(8,716)	(26,880)	(60,533)	(155,953)
– Depreciation	(50)	(46)	(1)	(15)	(1,161)	(1,273)
– Amortisation of deferred acquisition costs	–	–	–	–	(3,981)	(3,981)
– Benefit fund expenses	–	–	–	–	(151,206)	(151,206)
– Other expenses	(31,698)	(34,502)	(9,529)	(8,223)	(24,088)	(108,040)
Total Segment Expenses	(33,442)	(92,678)	(18,246)	(35,118)	(240,969)	(420,453)
Profit from ordinary activities before income tax expense	13,309	28,718	15,870	(3,618)	11,271	65,550
Income tax credit/(expense)	(1,876)	–	(68)	501	(39,593)	(41,036)
Profit/(Loss) for the year	11,433	28,718	15,802	(3,117)	(28,322)	24,514
Segment assets	56,002	17,109	199,657	12,555	1,451,397	1,736,720
Inter-segment assets	(6,866)	–	(38,811)	(426)	46,103	–
Total assets	49,136	17,109	160,846	12,129	1,497,500	1,736,720
Segment liabilities	43,203	6,847	8,547	4,201	1,484,017	1,546,815
Inter-segment liabilities	(7,464)	–	(857)	(358)	8,679	–
Total liabilities	35,739	6,847	7,690	3,843	1,492,696	1,546,815
Investments in associates and joint venture partnerships	8,369	–	–	–	–	8,369
Acquisition of property and equipment, intangibles and other non-current segment assets	45	565	–	6	1,328	1,944

Secondary reporting – geographical segments

The Group operates in the one geographical segment of Australia. This is consistent with 2007.

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the segment reporting accounting standard, AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property and equipment, goodwill and other intangibles, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, and employee benefits. Segment assets and liabilities do not include income taxes.

39. Segment information (continued)

(b) Inter-segment eliminations

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

(c) Segments

The Group is organised into the following business segments by product and service type:

- *Wholesale and retail funds*
  Management and investment of monies on behalf of corporate, superannuation, institutional clients and private individual investor clients.
- *Portfolio Solutions*
  Comprises a comprehensive range of investment solutions for both employers and investors. The portfolio administration system supports investment, superannuation and pension requirements with access to a diverse range of wholesale managed fund options with product and account features.
- *Investor Solutions*
  Comprises investment administration services for investors and advisers.
- *Consultum Adviser Group*
  Distribution and administration of retail funds including financial planning and back office services to dealer groups aligned to the Group.
- *Statutory, corporate unallocated and inter segment eliminations*
  Segment revenues, expenses and results include transfers between segments, corporate unallocated costs and of consolidated Benefit Funds. Corporate unallocated costs include those of a strategic, shareholder or governance nature necessarily incurred in carrying business as a listed entity managing multiple business units.

(d) Comparative information

Where appropriate, reclassification of prior year segment information is made to reflect current year presentation.

40. Notes to the Cash Flow Statements

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
a. Reconciliation of Cash and Cash Equivalents				
Cash and Cash Equivalents at the end of the financial year as shown in the cash flow statements is reconciled to the related items in the balance sheets as follows:				
Cash	52,902	57,682	4,291	1,202
Units in IOOF Sectoral Unit Trusts	530,542	451,598	2,077	–
	583,444	**509,280**	**6,368**	**1,202**

40. Notes to the Cash Flow Statements (continued)

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
b. Reconciliation of net cash provided by/(used in) operating activities to profit after income tax				
Profit after income tax	26,054	24,514	29,091	20,937
Net depreciation on property and equipment	1,647	1,273	301	634
Net amortisation of intangible assets	1,463	1,697	–	–
Impairment of intangible assets	4,509	99	–	–
(Profit)/loss on disposal of assets	879	13	–	–
Provision for diminution in value of investments	1,100	–	795	–
Net change in fair value of related party loans	449	–	–	–
Share of profit in associated investment excluding dividends	1,109	(382)	–	–
Non cash expense for issue of shares to executives	2,989	3,223	2,300	1,650
Non cash adjustment for deferred settlement costs	(1,280)	1,306	(1,280)	1,280
Non cash salary adjustment - subsidiary acquisition costs	(1,332)	–	(1,333)	–
Shareholder buy-back liabilities revaluation	946	–	–	–
Non cash adjustment to provision for impairment of receivables	(553)	859	–	1,684
Non cash adjustment to prepayments	(4,568)	–	–	–
Non cash adjustment to deferred tax assets	300	–	–	–
Changes in net operating assets and liabilities:				
(Increase)/decrease in receivables	(5,379)	(5,956)	13,177	1,214
(Increase)/decrease in other assets	5,804	3,089	802	1,146
(Increase)/decrease in deferred tax asset	(15,884)	(2,193)	(466)	(2,402)
(Increase)/decrease in other financial assets	384,604	(7,413)	25	(12)
Increase/(decrease) in payables and deferred revenue liabilities	693	2,539	3,236	(1,978)
Increase/(decrease) in policy liabilities and outside equity interests	(253,031)	58,330	–	–
Increase/(decrease) in provisions	1,647	1,105	(123)	614
Increase/(decrease) in income tax payable	(10,851)	(7,728)	(11,220)	(6,311)
Increase/(decrease) in deferred tax liability	(29,713)	4,848	3	–
Net cash provided by operating activities	**111,602**	**79,223**	**35,308**	**18,456**

41. Life insurance business

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Components of profit related to movements in:				
Life Insurance liabilities				
Planned margins of revenue over expenses released	70	34	–	–
Difference between actuarial and assumed experience	19	85	–	–
Investment earnings on assets in excess of policy liabilities	45	40	–	–
	134	159	–	–
Life Investment liabilities	–	–	–	–
(b) Components of net life insurance liabilities:				
Unrecouped Acquisition Expenses	–	–	–	–

IOOF Holdings Ltd

Notes to the Financial Statements

for the year ended 30 June 2008

41. Life insurance business (continued)

(c) Disaggregated Information of Life Insurance Business by Fund

STATUTORY Non-Investment Linked

	Estate Essentials	Supersaver Death Assurance	Deferred Annuity Capital Guaranteed	Supersaver Capital Guaranteed	Guaranteed Personal Income Plan	Capital Builder Bond	Capital Guaranteed Superannuation Bond	IOOF Term Annuity Fund	IOOF Life: Statutory Fund No. 1	Total Non-Investment Linked
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
2008										
Financial assets	74,212	4	6,012	378,616	–	7,786	–	–	1,203	**467,833**
Other assets	2,390	26	311	33,313	–	271	–	–	265	**36,576**
Policy liabilities	76,509	–	6,162	404,487	–	7,892	–	–	339	**495,389**
Other liabilities	93	30	161	7,442	–	165	–	–	495	**8,386**
Retained earnings	–	–	–	–	–	–	–	–	637	**637**
Premium revenue	1,438	16	211	19,028	–	3	–	–	689	**21,385**
Reinsurance Recoveries	–	–	–	–	–	–	–	–	463	**463**
Investment revenue	(3,368)	–	(286)	(18,773)	–	(370)	–	–	77	**(22,720)**
Claims expense	55	–	9	303	–	13	–	–	552	**932**
Other operating expenses including movements in policyholder liabilities	12,427	16	2,477	143,542	–	3,326	–	–	485	**162,273**
Operating profit before tax	–	–	31	4,782	–	–	–	–	192	**5,005**
Operating profit after tax	–	–	–	–	–	–	–	–	135	**135**
2007										
Financial assets	75,473	8	6,891	441,489	–	8,887	–	1	1,079	**533,828**
Other assets	1,746	24	49	7,027	75	128	–	–	361	**9,410**
Policy liabilities	77,134	–	6,889	441,189	–	9,006	–	–	338	**534,556**
Other liabilities	85	32	51	7,327	75	9	–	1	600	**8,180**
Retained earnings	–	–	–	–	–	–	–	–	502	**502**
Premium revenue	54	9	17	5,973	–	58	–	–	679	**6,790**
Investment revenue	4,759	–	462	29,840	4	580	9	–	299	**35,953**
Claims expense	77	–	14	569	4	16	8	–	251	**939**
Other operating expenses including movements in policyholder liabilities	4,736	9	410	27,659	–	622	1	–	501	**33,938**
Operating profit before tax	–	–	55	7,585	–	–	–	–	226	**7,866**
Operating profit after tax	–	–	–	–	–	–	–	–	159	**159**

STATUTORY Investment Linked

	Supersaver Fixed Interest Fund	Supersaver Australian Equities Fund	Supersaver Capital Stable Fund	Supersaver Balanced Fund	Deferred Annuity Managed Fund	Deferred Annuity Capital Stable Fund	Deferred Annuity Cash Management Fund	Total Investment Linked	Total Statutory	Total Shareholder
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
2008										
Financial assets	21,470	203,676	47,755	137,536	18,507	2,038	312	**431,294**	**899,127**	**83,547**
Other assets	1,339	29,521	4,535	10,977	1,681	146	13	**48,212**	**84,788**	**198,294**
Policy liabilities	22,784	227,049	51,813	147,131	20,155	2,181	325	**471,438**	**966,827**	**–**
Other liabilities	25	6,148	477	1,382	33	3	–	**8,068**	**16,454**	**77,407**
Retained earnings	–	–	–	–	–	–	–	**–**	**637**	**8,977**
Premium revenue	1,649	27,354	9,287	13,101	80	46	45	**51,562**	**72,947**	**–**
Reinsurance Recoveries	–	–	–	–	–	–	–	**–**	**463**	**–**
Investment revenue	(611)	35,209	1,732	15,529	1,649	14	(15)	**53,507**	**30,787**	**3,482**
Claims expense	–	–	–	–	–	–	–	**–**	**932**	**–**
Other operating expenses including movements in policyholder liabilities	9,112	(17,775)	6,025	1,757	6,199	650	104	**6,072**	**168,345**	**252,255**
Operating profit before tax	138	(13,258)	(762)	(5,455)	(302)	(10)	2	**(19,647)**	**(14,642)**	**32,594**
Operating profit after tax	–	–	–	–	–	–	–	**–**	**135**	**25,920**
2007										
Financial assets	25,218	256,123	52,349	168,316	24,776	2,428	327	**529,537**	**1,063,365**	**69,479**
Other assets	830	27,380	2,187	7,470	1,403	113	7	**39,390**	**48,800**	**231,991**
Policy liabilities	25,676	250,899	52,461	162,197	25,576	2,502	333	**519,644**	**1,054,200**	**–**
Other liabilities	372	32,604	2,075	13,589	603	39	1	**49,283**	**57,463**	**100,143**
Retained earnings	–	–	–	–	–	–	–	**–**	**502**	**9,808**
Premium revenue	284	20,874	7,548	14,732	210	–	–	**43,648**	**50,438**	**–**
Investment revenue	1,450	66,579	5,758	24,996	3,971	265	21	**103,040**	**138,993**	**2,342**
Claims expense	–	–	–	–	–	–	–	**–**	**939**	**–**
Other operating expenses including movements in policyholder liabilities	1,364	69,876	11,797	33,134	4,009	257	19	**120,456**	**154,394**	**248,147**
Operating profit before tax	370	17,307	1,509	6,594	172	8	2	**25,962**	**33,828**	**31,716**
Operating profit after tax	–	–	–	–	–	–	–	**–**	**159**	**24,356**

(d) Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2008. The actuarial reports for IOOF Ltd and IOOF Life Ltd were prepared by Mr G C Martin, BA, FIAA, ASIA and were both dated 15 August 2008. The actuarial reports indicate that Mr Martin 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*.

41. Life insurance business (continued)

(d) Actuarial assumptions and methods (continued)

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 9% 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 (i.e. there is no loss recognition concerns for the business). This assumption has been adopted on the basis that, based on the current actual experience of the business, the policies are producing satisfactory profits for the business and there are no circumstances known that would indicate that the current position (i.e. general experience levels and ongoing profitability) will not continue into the future.

Sensitivity analysis

The policy liabilities are not sensitive to changes in variables within a moderate range.

Solvency requirements

Solvency reserves are required to meet the prudential standards determined in accordance with Actuarial Standard AS 2.03 'Solvency Standard' issued by the Australian Prudential Regulatory Authority under Section 65 of the *Life Insurance Act 1995*. Solvency reserves provide additional protection to policyholders 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 Insurance Act 1995* 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 Actuarial Standard AS 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 policyholders against the impact of fluctuations and unexpected adverse circumstances on the Company.

41. Life insurance business (continued)

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	
		2008 $'000	2007 $'000
Solvency Requirement[1][3]	'A'	982,059	1,113,216
Represented by:			
– Minimum Termination Value[2]		966,814	1,053,219
– Other Liabilities		8,118	56,958
– Solvency Reserve	'B'	7,127	3,039
		982,059	1,113,216
Assets Available for Solvency	'C'	**8,200**	**9,090**
Comprised as:			
– Excess of Net Policy Liability over Minimum Termination Value		(22)	(1,254)
– Liability for policy owners' retained profits at end of year		35	2,291
– Net Assets		8,187	8,053
		8,200	**9,090**
Solvency Reserve %	(B / (A – B)) x 100	**0.73%**	**0.27%**
Coverage of Solvency Reserve	C/ B	**1.15**	**2.99**

(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.

42. Events occurring after the Balance Sheet date

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

In June 2008, following the culmination of lengthy negotiations, the Company entered into a business alliance agreement with MacArthur Cook Limited (MCK). This agreement incorporated the placement of 13% of MCK's issued capital for consideration of $4.0m. AMP Capital Investors Limited, a wholly owned subsidiary of AMP Limited, lodged a preliminary conditional takeover proposal with MCK in the same month. A Takeovers Panel directive dated 9 July 2008 (and as amended on 23 July 2008), requires that MCK shareholders approve before 1 September 2008:

- the placement of the shares with the Company
- the restriction on the Company disposing of the MCK shares for two years
- the option of the Company underwriting the MCK dividend re-investment plan.

A meeting of the MCK shareholders is to be held on 27 August 2008 to vote on these resolutions. All three resolutions are supported by five of the six directors of MCK.

We do not anticipate that the outcome of the above event will materially change either the classification or measurement of the available for sale financial asset recorded at balance date.

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.

IOOF Holdings Ltd

Directors' Declaration

for the year ended 30 June 2008

In the Directors' opinion:

(a) the financial statements and notes set out on pages 54 to 127 are in accordance with the *Corporations Act 2001*, including:

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

(ii) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

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

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

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

Mr I Blair
Chairman of the Board

Mr A Robinson
Director and Chief Executive Officer

Melbourne, 27 August 2008

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Independent Auditor's Report

to the members of IOOF Holdings Ltd

Report on the Financial Report

We have audited the accompanying financial report of IOOF Holdings Ltd (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both IOOF Holdings Ltd and the IOOF Holdings Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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 controls 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our web site http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

PRICEWATERHOUSECOOPERS

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Independent Auditor's Report (continued)

to the members of IOOF Holdings Ltd

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their 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*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 51 of the Directors' Report for the period ended 30 June 2008. 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 Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of IOOF Holdings Ltd for the period ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and Remuneration Report of IOOF Holdings Ltd (the company) for the year ended 30 June 2008 included on IOOF Holdings Ltd's web site. The company's directors are responsible for the integrity of the IOOF Holdings Ltd's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and Remuneration Report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the Remuneration Report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and Remuneration Report to confirm the information included in the audited financial report and Remuneration Report presented on this web site.

PricewaterhouseCoopers

J F Power
Partner

Melbourne, 27 August 2008

Shareholder information

The number of shares on issue as at Tuesday 2 September 2008 is 68,821,801 ordinary shares and 176,012 redeemable converting preference shares. These are the only classes of shares currently issued. Only the ordinary shares are quoted on the ASX.

Substantial Shareholders

The shareholdings of each person known by us to be the owner of more than 5% of our voting securities, as at Tuesday 2 September 2008, is shown in the table 'Twenty largest ordinary shareholders as at Tuesday 2 September 2008'.

Distribution of shares

The following table summarises the distribution of our listed shares as at Tuesday 2 September 2008.

Range	Investors	Securities	% Issued Capital
1 – 1,000	17,096	7,896,466	11.46
1,001 – 5,000	10,262	21,649,213	31.46
5,001 – 10,000	1,050	7,481,880	10.87
10,001 – 100,000	411	8,507,214	12.36
100,001 and over	27	23,287,028	33.84
Total	**28,846**	**68,821,801**	**100.00**

The number of investors holding less than a marketable parcel of 90 securities ($5.540 as at 2 September 2008) is 198 and they hold a total of 12,179 securities.

Twenty largest ordinary shareholders as at Tuesday 2 September 2008

Rank	Investor	Current Balance	% Issued Capital
1	Bendigo Bank Limited	5,348,632	7.77
2	Bell Potter Nominees Ltd <BB Nominees A/C>	3,384,421	4.92
3	National Nominees Limited	1,642,451	2.39
4	UBS Wealth Management Australia Nominees Pty Ltd	1,566,201	2.28
5	RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	1,411,826	2.05
6	J P Morgan Nominees Australia Limited	1,188,713	1.73
7	ANZ Nominees Limited <Cash Income A/C>	1,045,984	1.52
8	IOOF Holdings Trustee Pty Ltd <IOOF Foundation A/C>	977,897	1.42
9	Citicorp Nominees Pty Limited	897,531	1.30
10	IOOF Investment Management Ltd <IOOF Executive Performance Share Plan A/C>	722,819	1.05
11	Diversified United Investment Limited	700,000	1.02
12	UBS Nominees Pty Ltd	549,580	0.80
13	Australian United Investment Company Limited	500,000	0.73
14	HSBC Custody Nominees (Australia) Limited	429,762	0.62
15	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	407,499	0.59
16	Cogent Nominees Pty Limited	390,249	0.57
17	Sandhurst Trustees Ltd <TBK Investment A/C>	353,174	0.51
18	Invia Custodian Pty Limited <Wilson Invmt Fund Ltd A/C>	327,000	0.48
19	Queensland Investment Corp	211,872	0.31
20	Equity Trustees Limited <James Gardiner Tru1020 A/C>	200,000	0.29

The redeemable converting preference shares are held by a single shareholder, FP Nominees Pty Ltd as trustee of the Financial Partnership Advisers Trust.

Shareholder information
(continued)

Voting rights

At a general meeting, on a show of hands, each ordinary shareholder present in person or by properly appointed representative, proxy or attorney has one vote (except that joint shareholders may only exercise one vote between them).

On a poll, each ordinary shareholder present in person or by properly appointed representative, proxy or attorney has one vote for each fully paid share held.

On a poll, only ordinary shareholders present in person or by properly appointed representative, proxy or attorney may vote unless, consistent with the *Corporations Act 2001*, the Board has approved other means (including electronic) for the casting and recording of votes by ordinary shareholders on any resolution to be put to a general meeting.

These voting arrangement are subject to certain minor exceptions.

The redeemable converting preference shareholders have no voting rights at a general meeting of the company except in limited circumstances.

Securities Exchange listing

IOOF Holdings Ltd ordinary shares are listed on the ASX. The home branch is Melbourne.

Final dividend

The redeemable converting shares are entitled to dividends declared in respect of the ordinary shares. The final dividend of 15 cents per share fully franked, will be paid on 10 October 2008 to both ordinary and redeemable converting preference shareholders entitled to receive dividends and registered on 24 September 2008 being the record date.

Direct payment into shareholders' accounts

In future, any dividends IOOF pays will be paid only to shareholders who register their Australian bank account details with the Share Registry. Direct credit is a cost effective and secure way of paying dividends.

Paying dividends by direct credit offers you many benefits beyond convenience and security. You will receive your dividend quickly, without the processing delay associated with cheque payments. Dividend payments will be deposited and cleared on the date of payment making the funds immediately available for you to use.

You can choose to have your dividends paid to your account or any other Australian bank account, credit union or building society. We will continue to send you notification of the dividend payment through the mail.

If you have not yet provided your bank account details, you will receive a dividend cheque along with a request for direct credit of payments form. Please complete this form and return it to the share registry in the enclosed reply paid envelope.

Request for annual report mailing

This Annual Report may be viewed in full on the IOOF web site at **www.ioof.com.au**

If you are an IOOF shareholder and wish to receive a hard copy version of the Annual Report in future, you can contact the Share Registry (see contact details below) and ask to be included on the mailing list.

Enquiries

If you have any questions about your shareholding, dividend payments, tax file number or change of address etc. please contact our share registry, Link Market Services or visit their web site at **www.linkmarketservices.com.au**

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CONSUMER

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