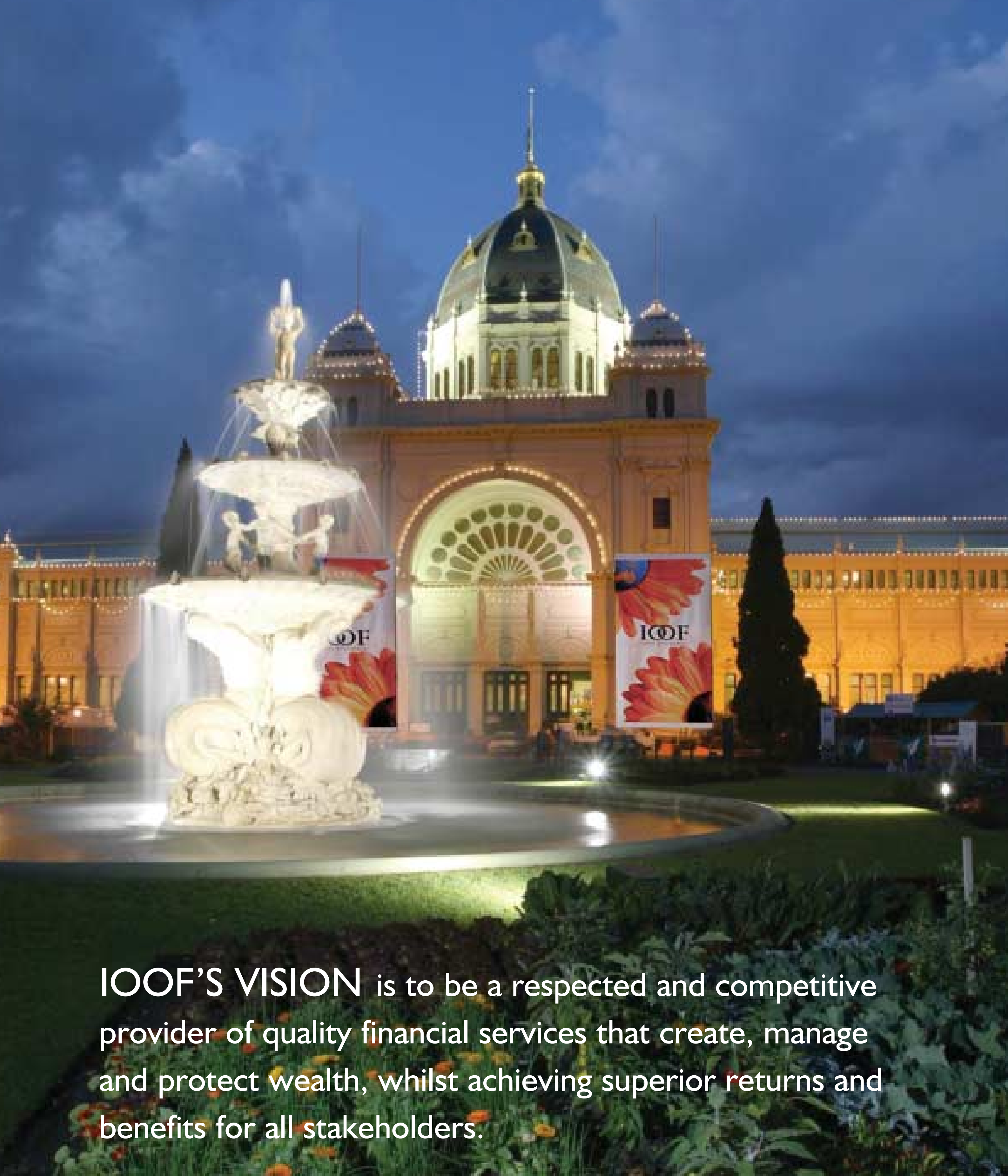
ANNUAL REPORT 2003

IOOF Holdings Limited ABN 49 100 103 722



IOOF'S VISION is to be a respected and competitive provider of quality financial services that create, manage and protect wealth, whilst achieving superior returns and benefits for all stakeholders.

IOOF – Well Placed for Growth

A growing specialist funds management business

New business inflows $3.6b

Core Products:

Investment Management

IOOF/Perennial awarded the Morningstar 'Fund Manager of the Year' Award for 2002

Masterfund Platform

5th largest inflows

Three Core Businesses

$11.8b Funds Under Management and Administration

Retail Funds Management

- Retail investment products
- Masterfund administration platform (IOOF Portfolio Service)

Corporate Superannuation

- 100,000+ plan members administered by IOOF

Asset Management

- IOOF Multi Investment Manager
- Perennial Investment Partners

Valued Clients and Shareholders

- 300,000+ clients
- 60,000 + shareholders

Strong Distribution Network

- Active relationships with 3500+ Financial Planners and Advisers

Financial Strength

- Net Profit of $34.7m
- Net Assets $164m

Employer of Choice within the Financial Services Community

A team of 380 proud, passionate and professional staff – many highly qualified industry specialists.

IOOF PERFORMANCE OVERVIEW 2003

REVENUE UP

32% UP

Revenue has increased from
$121.0 million to $159.7 million

NEW BUSINESS INFLOWS UP

133% UP

Inflows have increased from
$1.54 billion to $3.6 billion

FUM/FUA UP*

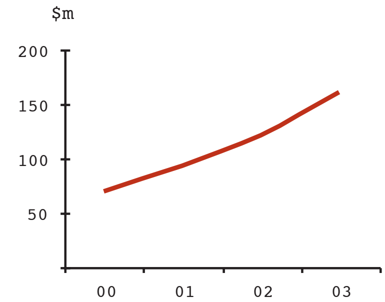
203% UP

FUM/FUA have increased from
$3.9 billion to $11.8 billion

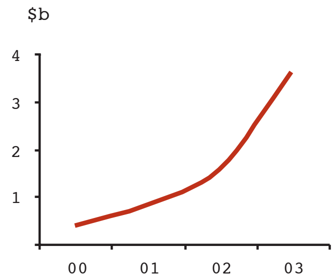
* Funds under management & administration

SCORECARD – FOUR YEAR PERFORMANCE

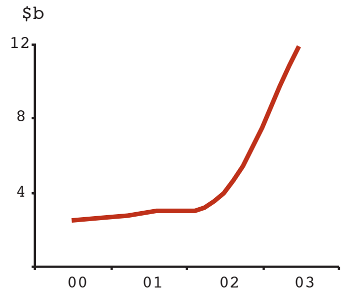
Revenue



Inflows



FUM/FUA



IOOF HIGHLIGHTS

IOOF/Perennial awarded the coveted Morningstar Fund Manager of the Year Award for 2002.

Also awarded Morningstar Australian Fixed Interest Manager of the Year and Morningstar Multi Sector Manager of the Year.

Fund Manager of the Year
Australia

Fund Manager of the Year
Australian Fixed Interest

Fund Manager of the Year
Multi-Sector, Australia

OPERATING EXPENSES TO REVENUE DOWN

13%

DOWN

Operating expenses to revenue has decreased from 92% to 78%

NET ASSETS UP

27%

UP

Net Assets have increased from $129.5 million to $164.4 million

NET PROFIT UP

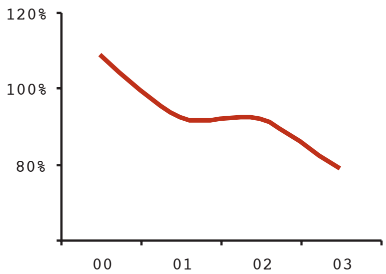
122%

UP

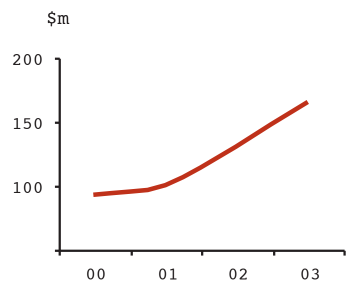
Net profit has increased from $15.6 million to $34.7 million

SCORECARD – FOUR YEAR PERFORMANCE

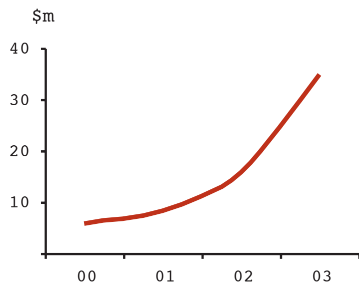
Operating Expense to Revenue



Net Assets



Net Profit after Tax



The acquisition of AM Corporation's Investment and Superannuation businesses provided $5b of funds under management & administration, a strong national retail distribution network and entry into the large corporate superannuation market. Importantly the acquisition provides scale benefits.

OUR REAL STRENGTH – OUR PEOPLE

" Our success is due to the passion and commitment of our people.

The year has been a milestone in the company's 157-year history, with substantial strategic progress and record profits.

I wish to thank all staff for these results."

ROBERT J TURNER
GROUP MANAGING DIRECTOR

IOOF – OUR PEOPLE AND CULTURE

From bright young graduates just commencing their careers to highly regarded industry experts, the professionalism and expertise of our people is the most critical factor for our customers in choosing to place their trust in IOOF.

Because we are a relatively small organisation we operate as one team, with each staff member aware that we have a significant responsibility in looking after our customers' future prosperity. This influences all facets of how we conduct business externally and amongst ourselves.

We believe that our clients, be they financial advisers, retail investors, companies or institutions, expect us to demonstrate three key characteristics:

- Superior knowledge and expertise;
- A high level of performance;
- Empathy, understanding and exemplary service.

We strive to continually 'raise the bar'. The flow-on effect is a high performance culture where the qualities of professionalism and client service are deeply embedded in the way we conduct business.

THE RECRUITMENT 'FILTER'

As we have grown and developed as a specialist funds management organisation we have also emerged as an employer of choice, targeted by financial services professionals wanting to 'make a difference' in a smaller, less bureaucratic organisation. However, we are highly discerning, recognising that cultural fit and customer focus are always as important as technical proficiency. All new staff must pass the 'five point' test, and demonstrate appropriate skills in:

- Client focus;
- Continuous improvement;
- Teamwork;
- Capacity to develop, broaden and continuously learn, essential in an industry where regulations and legislation change constantly.
- Passion, is particularly important to IOOF. Passion is pride, professionalism and above all, the ingredient which encourages our people to go 'over and above'.

A highly structured recruitment process ensures that all new staff possess these fundamentals. We maintain a strong merit based approach to promotion, always seeking to appoint the best person to any job. We are proud of the number of women in senior management and team leadership roles and for a number of years have received excellent reports from the Equal Opportunity for Women in the Workplace Agency.

Targeted training and a rigorous performance assessment process facilitates the further professional development of our people. We selectively utilise 360 degree assessment to help determine leadership potential, and stretch assignments are provided to key staff to assist

their succession potential and broader exposure to the business.

CONTINUOUS LEARNING

Customers expect to receive the highest quality of investment and administration services. To ensure this, we sponsor a significant number of staff to undertake further study to update their professional and industry qualifications. Whilst staff who provide formal advice under the definitions of relevant legislation are appropriately qualified, many more are undertaking programmes such as the Diploma of Financial Planning, Graduate Diploma of Investments (Securities Institute), Certificate in Superannuation Management (ASFA) and other recognised industry qualifications.

For IOOF this is an investment in our organisational capability and competitive edge. For our staff it is an opportunity to reach their full potential.

THE IOOF SUCCESS BEHAVIOURS

Capability and performance are important to IOOF, with individual and team assessment processes formalised through our performance appraisal programme. All staff have agreed 'key performance indicators', formally assessed on at least a bi-annual basis.

However, we place equal importance on the 'IOOF Success Behaviours', the qualities and traits which complement technical skills in ensuring that our staff maintain quality relationships, a strong 'sense of urgency', and above all, the highest levels of respect and professionalism in dealing with each other and our clients.

CORE VALUES

Underpinning the way our people conduct business is a simple set of values and differentiators. They define what we strive for, and the qualities which distinguish us in a highly competitive industry. They are the aspects of IOOF which don't change, and which help us to clarify our purpose.

In summary, these are:

Our professionalism:

- We pride ourselves in our knowledge and expertise in chosen fields – we keep promises and fulfil commitments.

Our integrity:

- We treat people respectfully and equitably, working in the best interests of our clients.

Our teamwork;

- We work together to solve increasingly complex problems, sharing expertise and information.

Continuous improvement and business leadership:

- We constantly seek to improve the way we do things, keeping informed of best practice and new advancements where it can give us a competitive advantage.

Risk management:

- We recognise that we assume a significant responsibility in managing our clients' investments, and devote significant resources to ensure high levels of compliance with legal and regulatory obligations.

IOOF is proudly Australian. Our size means our clients don't have to work through multiple channels to obtain information. Senior managers are accessible. Above all, we genuinely enjoy and value the relationships we have with our clients.

PRIDEPASSIONPROFESSIONALISM

Key qualities, so important to all of IOOF's people.

Raymond J Schoer
Chairman

2002/03 – A significant year for IOOF. IOOF has reported a profit after tax of $34.7m, an increase of 122% over last year, and made significant strategic progress.

The Group achieved a record profit of $34.7 million for the year ended 30 June 2003, which included a one-off profit of $7 million from the sale of the IOOF Health Fund whilst delivering satisfactory investment returns to investors.

The results were achieved in difficult market conditions resulting from global instability and low investor confidence, exacerbated by corporate failures in Australia and overseas. The US and UK stock markets fell for the third year in succession. The size of Australian investment markets for 2002/03 were marginally higher with a 5% increase on the previous year. IOOF assets under management and administration were 70% higher than the previous year (200% including the AM business acquisition).

A major highlight during the year was the acquisition of the superannuation and investment business of the Sydney-based AM Corporation in March 2003. The business added $5b of Funds Under Management and Administration, a leading position in corporate superannuation and considerably enlarged the IOOF distribution network.

The integration is proceeding on plan and the returns are ahead of expectations. The business acquired is an excellent strategic fit and very much meets our acquisition criteria.

The acquisition of the former AM business has fundamentally improved the scale of our main operating business of Retail Funds Management, with immediate improvement in earnings. Our retail, corporate superannuation and asset management businesses are well positioned to maintain the current growth momentum.

The IOOF strategy has demonstrated effectiveness in the difficult trading period over the last twelve months. We continue to review strategic opportunities, however, our very strict acquisition and financial criteria eliminates many opportunities in what is still, in our view, a generally overpriced market.

The sale of the IOOF Health Services business in March 2003 completed our non-core business divestment program over the past few years. Our focus is firmly on the funds management business sector.

Our affiliate, Perennial Investment Partners, a boutique asset manager, has experienced rapid growth over the past twelve months and at 30 June 2003, had $5b of Funds Under Management, up from $2.5b in the previous year.

The IOOF Board has continued to work hard to ensure the Group observes the highest corporate governance standards. The Board has a majority of non-executive Directors with a mix of skills and experience. Further details of the Group's approach are outlined on page 15 in the Corporate Governance section.

The Board would like to thank our shareholders for their loyalty and support following the demutualisation in June 2002 and the planned listing of IOOF shares on the Australian Stock Exchange. The path to listing is a major exercise involving considerable Director time and the involvement of external consultants and advisers. This critical process cannot be rushed. However, your Directors are confident we are nearing completion, enabling a listing in the not too distant future. All shareholders will receive a prospectus before the listing.

The Board believes the Company is well placed to maximise its opportunities and address the challenges ahead.

RAYMOND J SCHOER
CHAIRMAN

IOOF MANAGING DIRECTOR'S REVIEW

Our businesses are performing well and we are ready to take advantage of many future opportunities. We are excited about what lies ahead.

Mr Robert Turner
Managing Director

PROGRESS

IOOF made significant progress in 2002/03 with an 122% increase in net profit to 34.7 million along with gains in our competitive position and volume gains in all of our business markets.

ACHIEVEMENTS

The year was one of significant achievement, both through organic and acquisition growth. Australian Retail market inflows were 55% lower than the previous year in contrast to IOOF where organic growth inflows increased by 21%.

Importantly, our business scale has strengthened enormously with the growth of Funds Under Management and Administration increasing to $11.8b at June 2003. The Group is now one of Australia's largest fund managers outside the large banks and life companies following the acquisition of AM Corporation's superannuation and investment businesses.

CORE BUSINESS

The business strategy is entirely focused on the wealth management sector in three core areas:

1. Retail Funds Management, including an important retail distribution capability.
2. Corporate Superannuation.
3. Asset Management
   - IOOF Multi-Investment Manager
   - Perennial Investment Partners

All three segments performed well with a number of notable successes, including IOOF/Perennial being awarded the coveted Morningstar Fund Manager of the Year for 2002. This also included winning the best Australian Fixed Interest Manager (for the second year) and also winning the Australian Multi-Manager award.

Despite static industry markets, IOOF achieved 72% organic growth and 200% growth in assets under management (including acquisition).

INTEGRATION SUCCESS

In March 2003 the superannuation and investment business of AM Corporation was acquired and by early 2004, we expect the business to be fully integrated into IOOF. This has been a significant step in our strategic growth plans.

Considerable synergies have been achieved to date and the integration is on schedule.

TECHNOLOGY

The Group continues to invest in leading technology, including our IOOF Portfolio Service, a leading Master Fund platform rated fifth largest for inflows in 2002/03.

Technology and the attendant service provided to financial advisers and clients is a critical success factor and the Group is proud of its achievements.

Numerous projects are underway to ensure IOOF maintains its competitive advantage in the retail market.

RETAIL DISTRIBUTION

IOOF has current relationships with approximately 3,500 financial advisers. Winchcombe Carson, our wholly owned national dealer group with over 100 advisers, contributed strongly throughout the year. Along with investments in small dealer groups and other alliances, inflows from aligned groups were 43% of retail inflows for the year ended June 2003. Support continues to grow in the broader market.

A key success has been the inclusion of IOOF/Perennial investment products on third party platforms, including many of the largest institutions.

FUTURE

I am pleased with our substantial progress over the past few years as management and staff have put in place the fundamentals to firmly position the Group for future growth.

ROBERT J TURNER
MANAGING DIRECTOR

IOOF CORE BUSINESS

- **RETAIL FUNDS MANAGEMENT & DISTRIBUTION**
- **CORPORATE SUPERANNUATION**
- **ASSET MANAGEMENT**
  - **IOOF MULTI-INVESTMENT MANAGER (MIM)**
  - **PERENNIAL INVESTMENT PARTNERS**

Leading companies are re-designing their business models to position themselves for the future.

In an environment of increasing competition and reducing margins, the companies that succeed will:

(a) develop a profitable growth model by focusing on the appropriate mix of products, channels and clients and rationalising the unprofitable business segments;

(b) complement organic growth by acquisitions that improve the business mix.

IOOF is very much aware of the key determinants for profitable growth and management is focussed on achieving steady and sustainable improvements in profitability.

RETAIL FUNDS MANAGEMENT & DISTRIBUTION

OVERVIEW

Australian retail funds management market conditions were extremely difficult in the past year with total market inflows 55% lower than the previous year.

However, IOOF retail inflows were 21% higher, demonstrating the strength of the IOOF product offerings and distribution network.

Gross retail inflows were $1.26b, up from $1.04b in the previous year.

PRODUCTS

- The IOOF Portfolio Service (previously called MAX) had an outstanding year and was the fifth largest discretionary Master Fund based on inflows. Master Funds are the fastest growing retail product thus, IOOF is well positioned in this market.
- IOOF/Perennial investment product gross inflows were 44% above the previous year.

The market has recognised the outstanding investment performance of our affiliate boutique asset manager, Perennial Investment Partners.

Strong support was received from financial advisers, particularly from third party fund manager platforms which dominate the retail market. IOOF/Perennial is now represented on most major fund manager platforms.

DISTRIBUTION

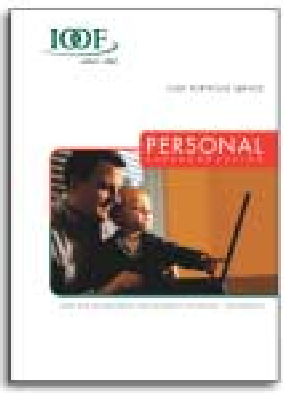
Retail funds management success depends largely on the strength of the distribution network supporting the product offering.

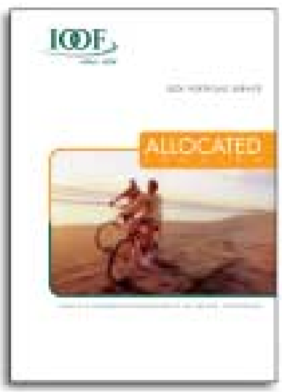
IOOF continued in the past year to expand adviser relations in the broader market, whilst also increasing our aligned distribution. Our wholly owned dealer group, Winchcombe Carson, increased adviser numbers to over 100 and further investments were made in small dealer groups. Inflows from aligned distribution, including some major national alliances, were 43% of total retail inflows, up from 37% in the previous year.

An important initiative has been the establishment of our subsidiary, Australian Financial Planning Network, providing administration, accounting and compliance services to our aligned advisers which now total in excess of 200 advisers.

KEY PRIORITIES IN 2003/04

- Continue to build on our strong relationships with financial advisers by providing leading products and industry best service.
- Expand aligned distribution.
- Increase penetration on third party platforms and the volume of inflows from this distribution channel.
- Strengthen the competitiveness of products offered.





WINCHCOMBE CARSON
Financial Planning

afpn
australian financial planning network

IOOF BUSINESS OVERVIEW

CORPORATE SUPERANNUATION

OVERVIEW

The size of the IOOF corporate superannuation business increased substantially during the year with the acquisition of the AM superannuation business.

Funds Under Management and Administration now total $1.2 billion which includes 17,000 employers and over 100,000 members. IOOF clients include some of Australia's largest corporations.

IOOF is one of the largest providers of superannuation services.

IOOF is well positioned to leverage existing capabilities and technologies to capitalise on the growing trend by corporates to outsource their superannuation funds to master fund platforms.

IOOF has a dedicated team of superannuation specialists targeting new business opportunities in the small to medium corporate superannuation market.

SERVICE

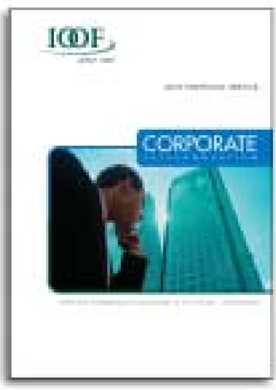
The strength of IOOF's corporate superannuation offering is the strong service commitment to employers and employees, including user-friendly on-line technology available to clients.

Experienced in managing the superannuation for large (national) employers, such as Flight Centre, Optus, Bostik, Goulburn Valley Orchards, Star Track Express and Stegbar.

OPPORTUNITIES

Greater member awareness and legislative changes has led to enhanced member options and complexity with companies outsourcing superannuation to specialists such as IOOF.

Specific growth opportunities exist amongst smaller employer funds, an area in which financial advisers play a critical role and also in larger funds where consultants are influential.



EDUCATION

WITH A BROAD RANGE OF INVESTMENT OPTIONS AND THE INCREASED AWARENESS OF THE IMPORTANCE OF SAVINGS AND INVESTMENT, IT IS ESSENTIAL THAT MEMBERS RECEIVE TIMELY, FOCUSSED AND ONGOING EDUCATION; AND IOOF WILL DEVELOP, IN CONJUNCTION WITH A CLIENTS' FINANCIAL ADVISER, AN EDUCATION PROGRAM DESIGNED TO MEET CLIENT NEEDS.

IOOF BUSINESS OVERVIEW

ASSET MANAGEMENT

IOOF MULTI-INVESTMENT MANAGER (MIM)

OVERVIEW

- $2.2 billion of funds under management at 30 June 2003.

  There is a growing trend by financial advisers and clients to choose multi-manager funds as the preferred means of investing and diversifying risk.

  Each investment choice offered through the MIM range offers diverse investment styles.

  The IOOF MIM fund provides investors with access to:

  - a range of the best performing domestic and global investment managers. Current investment managers include:
    - Domestic – Maple Brown Abbott, Perpetual, Perennial
    - Global – Capital International, Wellington, Bank of Ireland

INVESTMENT PERFORMANCE (AS AT 31 AUGUST 2003)

	One Year			3 Years		
IOOF MIM Options	**Return p.a.**	**Excess over benchmark**	**Quartile Ranking[3]**	**Return p.a.**	**Excess over benchmark**	**Quartile Ranking[3]**
Balanced Growth Fund[1]	4.75%	-0.08%	2	1.32%	0.23%	2
Global Hi-Growth Fund[1]	3.57%	2.84%	2	-3.79%	2.01%	4
Australian Equities Fund[2]	7.65%	0.36%	2	6.16%	3.24%	2
Boutique Australian Equities Fund[2]	7.95%	0.67%	2	5.19%	2.27%	2
International Equities Fund[2]	-5.36%	1.62%	2	-15.5%	0.19%	2

1 Net return after taxes and fees.
2. Gross Returns.
3. Quartile ranking denotes position among peer group.
Source: Intech Research Pty Ltd.

- IOOF makes available 135 different investment options, including:
  - 13 multi-manager options called IOOF 'Multi-Investment Manager' (MIM) options;
  - 99 options from well known managers such as Credit Suisse, Perennial, ING, Colonial First State, Deutsche, AMP and Citigroup; and 23 Listed company share funds.

PERENNIAL INVESTMENT PARTNERS LIMITED (PIPL)

OVERVIEW

PIPL is a boutique asset manager, established in 1999 by IOOF and a group of prominent industry professionals and has quickly established an impressive record of growth and award winning performance.

IOOF held a 70.4% shareholding in the Perennial Holding Company at 30 June 2003 with a 65.6% effective PIPL group shareholding. The remaining shareholdings are held by key staff.

The Perennial structure combines the merits of a boutique environment with institutional support provided by IOOF. Unlike some boutiques, it is not a "single offering" firm but focuses on the asset classes of fixed interest, Australian equities (two styles) and international equities.

Perennial manages investment funds from the wholesale institutional markets along with retail funds from IOOF. Today its principal mandate is $2.0 billion of IOOF's retail investment business. Over the last three years Perennial has been systematically pursuing and winning external mandates with total assets under management of approximately $5 billion at 30 June 2003.

PERENNIAL'S INVESTMENT PERFORMANCE (TO 31 AUGUST 2003)

	One Year			3 Years		
	Return p.a.	Excess over benchmark	Quartile Ranking	Return p.a.	Excess over benchmark	Quartile Ranking
Fixed Interest	7.5%	0.9%	1	8.0%	0.6%	1
International Equities	-4.0%	1.8%	2	-8.4%	7.0%	1
Australian Equities:						
Growth	8.6%	1.3%	2	1.6%	-1.3%	4
Value	11.0%	3.7%	1	14.4%	11.5%	1
Asian Equities	1.6%	2.1%	n/a	1.7%	9.5%	n/a
Balanced[1]	5.7%	1.4%	1	2.4%	1.8%	1

1 Net return composite after taxes and fees. All other returns are gross composite returns before taxes and fees. Excess over benchmark denotes performance relative to fund benchmarks. Quartile ranking denotes postion among peer group.
Source: Intech Research Pty Ltd

STRATEGIC PROGRESS

After four years, Perennial has now completed its start-up phase. At 30 June 2003 it employed 39 experienced professionals in Sydney and Melbourne as well as in US and UK offices.

A strong and clear investment process, essential to ensure the consistency of performance sought by wholesale and retail investors, is now well established. A best practice compliance environment has also been implemented.

This year industry recognition has come from various expert sources, including Morningstar, the independent managed fund-rating company used by many financial advisers. Morningstar rates fund managers not only quantitatively (ie return and risk calculations) but also qualitatively, considering factors including quality of investment professionals, corporate strength, performance stability and investment processes. In February 2003 IOOF/Perennial received the ultimate accolade in the Morningstar 2002 Fund Manager Awards :

- Overall Fund Manager of the Year 2002;
- Australian Fixed Interest Manager of the Year 2002 (and 2001); and
- Multi Sector Fund Manager of the Year 2002

MORNINGSTAR 2002 Fund Manager of the Year Australia

IOOF SENIOR MANAGEMENT

Mr Robert Turner
Managing Director
B.Comm., FAICD

After 30 years business career in Australia & overseas, Mr Turner was appointed Group Managing Director in 1996. Under Mr Turner's leadership, IOOF has expanded rapidly and is now a leading financial services group, about to list on the ASX.

Mr Anthony (Tony) Hodges
Head of Strategy
Dip FP., FAICD (Dip)., FSIA

Mr Hodges has 30 years experience in the securities and investment management industry and the last 18 years with IOOF. Mr Hodges moved to Head of Group Strategy during 2001/2002. Mr Hodges' primary responsibility is the development of group strategy, evaluation of strategic opportunities and their implementation.

Mr Darren Booth
General Manager Operations
B.Sc

With over 15 years experience in the funds management industry, Mr Booth has responsibility for information technology, back office and client services.

Ms Mary Latham
Company Secretary
B.Fin Admin, CA, ASIA

Ms Latham has over 21 years experience in chartered accounting and the financial services industry. Ms Latham joined IOOF in 1998 and has responsibility for company secretarial, compliance and legal.

Mr Mark Knight
Head of Retail Investment Products
B.Ec.

Mr Knight has 13 years experience in funds management. Mr Knight is responsible for managing the IOOF retail investment product business.

Mr Paul Forbes
Head of Portfolio Services
Grad. Dip EC, B.Bus Mktg, Dip FP

After 18 years experience in the funds management business, Mr Forbes joined IOOF in 2003 with the AM business acquisition. Mr Forbes has responsibility for the IOOF platform business.

Mr Alan Mollison
Chief Financial Officer
FCPA, AAIBF

Mr Mollison has over 20 years experience in finance roles, including 16 years in the Financial Services industry, both in Australia and offshore.

Mr Mollison's role encompasses Group Finance, tax and risk management.

Mr Peter Wallbridge
General Manager, Human Resources
B.Ed., Grad. Dip Bus (HR)

With more than 15 years experience in human resources, Mr Wallbridge was appointed Head of IOOF's Human Resources in 1998. Mr Wallbridge is responsible for human resource strategy and policy.

IOOF BOARD OF DIRECTORS

Mr Raymond J Schoer
Chairman
B.Admin., FCPA, FAICD, FCIS, FAIM.

Mr Schoer has been a Non-Executive Director of IOOF Holdings Ltd since 2002 and was appointed Chairman in August 2003. A non-executive director of IOOF Ltd from 1994 to 2002. Currently Chairman of IOOF Investment Management Ltd and a director of IOOF Life Ltd. His other directorships include Chairman of Rabinov Diversified Property Trust and Blue Tongue Entertainment Ltd, and a director of Ferngrove Vineyards Ltd, Australian Property Exchange Ltd and Tambour Ltd.

Dr Roger Sexton
Deputy Chairman
B.Econ. (Hons), M.Econ.
Ph.D (Econ)., FAICD, FAIM.

A Non-Executive Director of IOOF Holdings Ltd since 2002. A non-executive director of IOOF Ltd from 1996 to 2002. He is currently a director of Perennial Investment Partners Ltd. Dr Sexton is Chairman of the Venture Capital Board in South Australia; Deputy Chairman of the Beston Wine Industry Trust and a director of IBIS World Pty Ltd.

Mr Ian Blair O.A.M
M.Mgt FCA

A Non-Executive Director of IOOF Holdings Ltd since 2002. A non-executive director of IOOF Ltd from 2000 to 2002 and he was previously a director of IOOF Australia Trustees Ltd. He is currently a director of Perennial Investment Partners Ltd. He is also a director of SAS Trustee Corporation (NSW State Superannuation Fund), Mt Eliza Business School Ltd and Sisters of Charity Health Service Ltd.

Mr Michael U R Crivelli
B.Ec., ASA, ASIA

An Executive Director of IOOF Holdings Ltd since 2002. A non-executive director of IOOF Ltd from 1997 to 1999, and an executive director from 1999 to 2002. Mr Crivelli is currently Chairman of Perennial Investment Partners Ltd, Perennial Investment Partners Asia Ltd and Perennial Value Management Ltd.

Mr Michael Parkinson
B.A (Hons)., MBA. (Stanford)

A Non-Executive Director of IOOF Holdings Ltd since 2002. A non-executive director of IOOF Ltd from 1996 to 2002. He is currently a director of IOOF Investment Management Ltd, IOOF Life Ltd and Chairman of Australian Financial Planning Network Ltd.

Ms Kate Spargo
LL.B. (Hons)., B.A., FAICD.

A Non-Executive Director of IOOF Holdings Ltd since 2002 and a non-executive director of IOOF Ltd from 1999 to 2002. Ms Spargo is chairman of PrimeGro Ltd, a director of Uniseed Pty Ltd, Melbourne University Private Ltd, Australian Pork Ltd, Fulton Hogan Ltd and HomeStart Finance.

Mr Robert Turner
Managing Director
B.Com., FAICD.

Mr Turner was appointed IOOF Group Managing Director in 1996. An Executive Director of IOOF Holdings Ltd since 2002, and has also been an executive director of IOOF Ltd since 1996. Mr Turner is currently a director of IOOF Investment Management Ltd and a number of other Group subsidiaries. He is also an honorary director of the Richmond Football Club.

IOOF CORPORATE GOVERNANCE

The IOOF Group's corporate governance system aims to ensure that the IOOF Group is managed in an ethical and effective manner for the benefit of shareholders and other stakeholders. The process governs the conduct of the IOOF Group's Board of Directors and its managers and their relationship with the Shareholders.

The IOOF Group has noted and endorsed the 'Principles of Good Corporate Governance and Best Practice Recommendations' issued by the ASX Corporate Governance Council in March 2003. The IOOF Group has conducted a detailed review of its corporate governance arrangements in line with these principles and already demonstrates best practice in several areas. A program has been put in place to ensure that the IOOF Group meets best practice in the remaining areas by 31 December 2003.

ROLE OF BOARD MEMBERS

The Board of Directors is responsible for the overall corporate governance of the IOOF Group. The IOOF Group promotes high ethical and professional standards throughout all areas of the business. The Board meets regularly to review aspects of the IOOF Group's affairs including performance, strategic issues, budgets and business plans. The performance of both the Board and individual Directors is subject to regular review.

Directors are required to undergo continual training and education.

BOARD COMPOSITION

The Board comprises a majority of Non-Executive Directors being, Mr Raymond Schoer (Chairman), Dr Roger Sexton (Deputy Chairman), Mr Ian Blair, Mr Michael Parkinson

IOOF Group meets 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 the IOOF Group's expense.

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.'

IOOF has adopted a continuous disclosure protocol as part of its broad compliance program. The Company Secretary has been appointed as the disclosure officer and will be responsible for liaising with the Board in monitoring share price sensitive information and disclosing it when necessary.

Once listed, IOOF will have a written policy on compliance with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. The policy will require disclosure to the ASX of any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the shares. Certain exemptions from the obligation to disclose apply.

and Ms Kate Spargo, and two Executive Directors, Mr Robert Turner (Managing Director) and Mr Michael Crivelli.

BOARD COMMITTEES

The Board has a number of committees to which it has delegated various functions. These committees are either entirely comprised of, or consist of a majority of, independent Non-Executive Directors or other external parties.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in fulfilling its responsibilities relating to accounting, internal control systems, reporting practices and risk management.

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 Audit and Risk Committee believes special attention is required. The current internal and external auditors were both appointed as a result of external tender processes conducted in 1999 and 2000 respectively. These appointments will each be reviewed at an appropriate time.

The Audit and Risk Committee also reviews the effectiveness of administrative, operating and accounting controls.

The IOOF Group has risk-management policies and procedures in place to identify and manage its business risks including:

- A business continuity plan aimed at preventing significant disruption to the business. This plan is tested on an annual basis.
- An insurance programme to meet insurable risks. The programme is specifically tailored to the IOOF Group's individual requirements.
- A formal risk management framework which is aimed at identifying and controlling risk and reporting them to the Board via the Audit and Risk Committe. This framework includes market risk, liquidity risk, credit risk, transaction and technology risk and operational risk.
- Controls on the use and maintenance of derivative instruments as part of its investment operations.
- Compliance plans which cover each product line of the IOOF Group's business. In addition to the compliance plans required under legislation, the IOOF Group has introduced additional plans as a matter of good practice.

The Audit and Risk Committee operates under an agreed charter which is subject to periodic review.

The Audit and Risk Committee comprises of three Non-Executive Directors. They are Mr I Blair (Chairman), Mr R Schoer and Ms K Spargo.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is responsible to the Board for nominating and recommending the appointment of Non-Executive Directors and the

Managing Director and for the establishment of Director fee and management salary and reward arrangements.

The Board composition is reviewed annually to ensure that it has the requisite skills, experience, continuity and balance. When a vacancy arises, the Remuneration and Nomination Committee prepares a specification and, usually with the advice of an external consultant, a panel of candidates is compiled for consideration and appointment.

The Remuneration and Nomination Committee makes recommendations to the Board concerning fees for Non-Executive Directors of IOOF and the boards of its subsidiaries and controlled entities. These fees are set within the limit of the total fees approved by the Company's Shareholders. The policy is to adopt remuneration levels which enable the IOOF Group to attract Directors with the requisite qualities and skills and to compensate Directors for their time and personal financial risks incurred. External independent advice is obtained when Board fees are reviewed.

The Remuneration and Nomination Committee is also responsible for recommending that competitive remuneration and reward programmes are established for the Managing Director, additionally IOOF has adopted:

- An appraisal process to assess staff performance against pre-determined business objectives and to measure the extent to which the staff-members' values and behaviours are congruent with the vision and values of the IOOF Group.
- Succession plans for the Managing Director and other senior management.
- Recruitment guidelines to ensure appropriate hiring of senior management and the appointment of Directors with appropriate skills and expertise.

The Remuneration and Nomination Committee operates under an agreed charter which is subject to periodic review.

The Remuneration and Nomination Committee comprises three Non-Executive Directors. They are Dr R Sexton (Chairman), Mr M Parkinson and Ms K Spargo.

LISTING DUE DILIGENCE COMMITTEE

The Listing Due Diligence Committee was established to coordinate and supervise a due diligence inquiry in connection with the preparation of a prospectus to be issued in connection with the listing of IOOF on the ASX. The Listing Due Diligence Committee was formed in March 2003 and will be disbanded after the completion of the listing process.

The Listing Due Diligence Committee comprises two Non-Executive Directors. They are Mr R Schoer (Chairman) and Dr R Sexton. The following are also members:

- Mr R Turner and Mr A Hodges - representatives of senior management of IOOF.
- External legal and accounting representatives.

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 the advice and the

IOOF HOLDINGS LTD A.B.N. 49 100 103 722

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2003

DIRECTORS' REPORT

The Directors of IOOF Holdings Ltd ("the Company") present the annual financial report for IOOF Holdings Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2003.

DIRECTORS

The names and particulars of the Directors of the Company during the whole financial year and up to the date of the report are:

Director	Age	Qualifications	Occupation
Mr R J Schoer (Chairman)	69	B.Admin, FCPA, FAICD, FCIS, FAIM	Business Consultant and Company Director
Dr R N Sexton (Deputy Chairman)	54	B.Ec. (Hons.), M. Ec, Ph.D. (Econ.), FAICD, FAIM	Banker
Mr I Blair	56	M.Mgt, FCA	Chartered Accountant
Mr M U R Crivelli	64	B.Ec., ASA, ASIA	Executive Director and Investment Manager
Mr M W Parkinson, CBE	60	B.A. (Hons.), MBA.	Merchant Banker
Ms K D Spargo	51	LL.B. (Hons.), BA	Business Consultant and Company Director
Mr R J Turner	60	B. Com., FAICD	Managing Director

The name and particulars of a Director of the Company who was appointed and resigned during the financial year and up to the date of this report is:

Mr C Macek (Chairman) (Appointed 20 August 2002) (Resigned 19 August 2003)	56	B.Ec., M Admin, FCPA, FSIA, FAIM, FAICD	Company Director

The name and particulars of a Director of the Company who retired during the financial year is:

Mr L A Bytheway (Retired 17 December 2002)	71	AAUQ, FCPA, FAICD	Company Director

PRINCIPAL ACTIVITIES

The principal activities of the economic entity referred to as the IOOF Holdings Ltd Group (comprising the Company, as the chief entity, and controlled entities), ("IOOF Group") are:

- to develop and offer a range of financial products and portfolio administration services including investments, superannuation, immediate and deferred annuities and investment trusts; and
- to provide financial planning and advisory services.

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:

On 28 March 2003, a company within the IOOF Group acquired various assets and liabilities and shares in subsidiaries from AM Corporation Limited and the superannuation and funds management business of AM Corporation Limited. As part of the purchase, IOOF Investment Management Limited replaced LifeTrack Management Limited as the Approved Trustee and as the Responsible Entity for the superannuation and funds management business acquired.

On 30 April, 2003, the Company divested its holding in IOOF Health Services Limited.

CONSOLIDATED RESULTS

The consolidated net profit for the year attributable to members of the IOOF Group was $34,693,000 (2002: Nil – see below). This profit result includes a profit on sale of the health business sold on 30 April 2003 of $7.3m and an increase in the excess of net market value over the net assets of controlled entities of $30.9m. As a life company in the group holds investments in controlled entities it is mandatory that the movement in the Excess of market value over net assets be reflected in the Consolidated Statement of Financial Performance.

IOOF Holdings Ltd became the parent entity in the IOOF Group on 30 June 2002. As a consequence of the IOOF Group being formed on this date, this newly formed group did not trade in the year ended 30 June 2002 and there are no comparatives in the Statement of Financial Performance. For comparative purposes, the consolidated net profit attributable to members of the IOOF Ltd Group prior to IOOF Holdings Ltd becoming the parent was $15,576,000.

DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the financial year ended 30 June 2003.

REVIEW OF OPERATIONS

Comments on the operating performance of the IOOF Group for the year ended 30 June 2003 are contained in the Chairman's and Managing Director's reviews in the Annual Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The parent entity, IOOF Holdings Ltd, has decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office will be notified of this decision when the consolidated tax return for the year ended 30 June 2004 is lodged. Wholly owned subsidiaries will become part of the tax consolidated group and will therefore no longer be subject to income tax. The tax consolidated entities intend to enter into tax sharing agreements with the parent entity but details of this agreement are yet to be finalised.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, or the accompanying financial statements and notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the IOOF Group, the results of those operations, or the state of affairs of the IOOF Group in subsequent financial years.

FUTURE DEVELOPMENTS

The integration of the superannuation and life insurance business acquired during the year will continue with further rationalisation of operating expenses and development of a single administration platform. Savings in occupancy and salary and related expenses in line with the established restructure plan is expected to deliver additional profits to the Group.

During the year, the IOOF Group has been planning for the listing of IOOF Holdings Ltd and this should be achieved before the end of the calendar year.

DIRECTORS' BENEFITS

During or since the end of the financial year, no Director of the Company has received or become entitled to receive a benefit because of a contract that the Director, or a firm of which the Director is a member, or an entity in which the Director has a substantial financial interest, made with the Company or an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit other than:

a. a benefit included in the aggregate amounts received or due and receivable by the Directors shown in Note 29; and
b. the fixed salary of a full time employee of the Company or an entity that the Company controlled or a related body corporate.

INDEMNIFICATION

There is a Directors' and Officers' Liability and Company Reimbursement Insurance policy which indemnifies all the Directors and Officers of the IOOF Group against liabilities to persons outside the IOOF Group that arise out of performance of their normal duties. The insurance policy stipulates that the underwriter will indemnify Directors and Officers of the IOOF Group against any liabilities, costs and expenses in accordance with the terms of the policy. The terms of the policy prohibit disclosure of the nature of the liability and the amount of the premium.

DIRECTORS' MEETINGS

The number of Directors' meetings and the number of meetings attended by the Company's Directors during the financial year were:

	Directors' Meetings		Committee Meetings		Subsidiary Board Meetings
Director	Meetings held (a)	Meetings attended (b)	Meetings held (a)	Meetings attended (b)	Number of Meetings attended by Directors
Mr R J Schoer	13	12	7	6	16
Dr R N Sexton	13	13	13	13	10
Mr I Blair	13	12	7	7	10
Mr M U R Crivelli	13	13	-	-	11
Mr M W Parkinson	13	13	-	-	21
Ms K D Spargo	13	12	12	12	4
Mr R J Turner	13	13	4	4	29
Mr L A Bytheway	6	6	7	5	11
Mr C Macek	12	10	5	5	2

a. Reflects the number of meetings held during the time the Director held office during the year.
b. Reflects the number of meetings attended during the year.
Note, 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.

ENVIRONMENTAL REGULATION

IOOF Group is not subject to significant environmental regulation.

ROUNDING OFF OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.
Signed in accordance with a resolution of the Directors.

R J Schoer
Chairman of the Board

R J Turner
Managing Director

Melbourne, 2 September 2003

IOOF HOLDINGS LTD

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Revenues from ordinary activities	2,3	159,712	-	15,717	-
Expenses from ordinary activities, excluding borrowing costs expense	2,4	(125,288)	-	(11,361)	-
Borrowing costs expense	2,4	(92)	-	-	-
Share of Net Profits/(Losses) of associated entities accounted for using the equity method	2,4	(83)	-	-	-
Profit from ordinary activities before income tax expense		34,249	-	4,356	-
Income tax (expense)/benefit	2,5	424	-	(828)	-
Net Profit		34,673	-	3,528	-
Net Loss attributable to outside equity interest		20	-	-	-
Net Profit attributable to members of IOOF Holdings Ltd		34,693	-	3,528	-
Total revenues, expenses and valuation adjustments attributable to members of IOOF Holdings Ltd and recognised directly in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		34,693	-	3,528	-
		Cents	**Cents**		
Basic earnings per share		71.91	-		

The above statements of financial performance should be read in conjunction with the accompanying notes.

IOOF HOLDINGS LTD

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Assets					
Cash assets	6	24,356	39,244	5,436	24,539
Receivables	7	14,523	13,330	18,544	786
Investments accounted for using the equity method	8	4,263	2,000	-	-
Other financial assets	9	38,815	42,046	115,179	109,062
Other assets	10	15,724	14,744	39	633
Plant and equipment	11	2,186	2,224	16	103
Tax assets	12	3,891	5,046	1,522	1,817
Gross policy liabilities ceded under reinsurance	35	551	-	-	-
Intangible assets	13	9,474	4,553	-	4,149
Excess of net market value over net assets of controlled entities	14	93,986	34,656	-	-
Total Assets		207,769	157,843	140,736	141,089
Liabilities					
Payables	15	16,029	15,947	2,136	4,389
Tax liabilities	16	1,027	786	43	-
Provisions	17	24,335	11,575	5,647	7,318
Policy liabilities	35	685	-	-	-
Interest bearing liabilities	18	1,315	-	-	-
Total Liabilities		43,391	28,308	7,826	11,707
NET ASSETS		164,378	129,535	132,910	129,382
Equity					
Parent entity interest					
Contributed capital	19	129,382	129,382	129,382	129,382
Retained profits	20	34,693	-	3,528	-
Total Parent Entity Interest		164,075	129,382	132,910	129,382
Outside equity interests	21	303	153	-	-
TOTAL EQUITY		164,378	129,535	132,910	129,382

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Cash flows from operating activities					
Management fees received		85,371	-	6,227	-
Premium income received		14,142	-	-	-
Commission income received		10,733	-	-	-
Payments to suppliers and employees		(127,304)	-	(14,045)	-
Dividends/distributions received		1,891	-	910	-
Interest income received		1,042	-	250	-
Other income received		1,280	-	403	-
Income tax benefit received/(tax paid)		1,259	-	(489)	-
Net cash provided by/(used in) operating activities	33(b)	(11,586)	-	(6,744)	-
Cash flows from financing activities					
Proceeds from issue of shares to minority interests		172	-	-	-
Funds provided to controlled entity		-	-	(17,826)	-
Net cash provided by/(used in) financing activities		172	-	(17,826)	-
Cash flows from investing activities					
Cash acquired on acquisition of controlled entity		458	60,206	-	-
Dividend received from controlled entity		-	-	-	116,163
Payment for purchase of investment securities		(105)	-	-	-
Proceeds from sale of investment securities		423	-	-	-
Proceeds for sale of shares in controlled entity net of cash disposed		4,233	-	13,768	-
Payment for purchase of shares in controlled entity		-	-	(11,700)	-
Payment for purchase of shares in associated entity		(4,217)	-	-	-
Payment for purchase of funds management business		(3,416)	-	-	(91,624)
Proceeds from repayment of loans		63	-	108	-
Payment for purchase of plant and equipment		(5,500)	-	-	-
Proceeds from sale of options		15	-	-	-
Loans to directors of subsidiary companies		(80)	-	-	-
Loans to employees of subsidiary companies		(92)	-	-	-
Proceeds from disposal of plant and equipment		3	-	4,233	-
Net cash provided by/(used in) investing activities		(8,215)	60,206	6,409	24,539
Net increase/(decrease) in cash held		(19,629)	60,206	(18,161)	24,539
Cash at the beginning of the financial year		60,206	-	24,539	-
Cash at the end of the financial year	33(a)	40,577	60,206	6,378	24,539

The above statements of cash flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Framework

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

Significant Accounting Policies

Accounting policies prescribed by Accounting Standards and Urgent Issues Group Consensus Views have been adopted. The following significant accounting policies have been applied in the preparation and presentation of the financial report.

a. Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being the Company and its controlled entities as defined in accounting standard AASB 1024 Consolidated Accounts. A list of controlled entities appears in Note 31 to the financial statements. Consistent accounting policies have been employed across all entities comprising the economic entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance 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 financial statements of controlled life insurance entities, comprising policyholder funds and shareholders' funds are included in the consolidated financial report on a line by line basis except that, in the consolidated entity's statement of financial position, the following are separately identified:

- gross policy liabilities ceded under reinsurance,
- life insurance policy liabilities measured at net present value; and
- excess of net market value over net assets of controlled entities

b. Shareholders entitlement to monies held in Statutory Funds

Monies held in the Statutory Funds are subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995.

c. Claims Recognition

Claims on non investment linked business are recognised when the event is notified to the company and an actuarial estimate is used as the basis to value claims not yet notified.

d. Other Financial Assets

Investments held by non life entities have been valued as follows:

Controlled Entities

Investments in controlled entities of the Company are recorded at lower of cost and recoverable amount.

Equity Securities

Shares and equity options are recorded at the lower of cost and recoverable amount.

Investments in associated entities have been accounted for under the equity method.

Unlisted Unit Trusts

Net market value of units in unlisted unit trusts is determined at the net asset value per unit at balance date. The net asset value is calculated by deducting from the value of the unit trust's gross assets, the value of liabilities of the unit trust.

The investments of life insurance entities have been valued as follows:

Controlled Entities

Investments held by life entities are recorded at net market value based on independent valuations and Directors' valuations. On consolidation of the controlled entities, any excess in the net market value of these controlled entities over net assets is disclosed in the consolidated financial report as a separate asset entitled "Excess of net market value over net assets of controlled entities". Any change in the excess of net market value over net assets is recognised in the Statement of Financial Performance in the period in which the change occurs.

Debt Securities

Interest bearing securities are recorded at market value.

Equity Securities

Shares and equity options are recorded at their net market values as quoted on stock exchanges or, where the investment is unlisted, at the lower of cost and recoverable amount.

Mortgage Securities

Mortgage securities are recognised at recoverable amount, after assessing required provisions for impairment. Bad debts are written off when identified.

Unlisted Unit Trusts

Net market value of units in unlisted unit trusts is determined at the net asset value per unit at balance date. The net asset value is calculated by deducting from the value of the unit trust's gross assets, the value of liabilities of the unit trust.

e. Revenue

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.

Interest income, dividend income, distribution income and rental income are brought to account on an accruals basis.

Commission income from the provision of financial advisory services is earned on lodgement of investment application.

Health premiums are treated as earned from the date of the attachment of risk or obligation. Unearned premiums are determined by apportioning the premiums received over the "paid to" period to which the premiums relate.

Life insurance premiums with no due date are recognised as revenue 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.

Changes in the net market value of financial assets and liabilities are recognised as revenues or expenses in the Statement of Financial Performance in the period in which the changes occur.

f. Income Tax

Tax effect accounting principles have been adopted whereby income tax expense/benefit is matched with accounting profit/loss after allowing for permanent differences. The tax effect of timing differences, which occur when items are included for income tax purposes in a period different to that for accounting in the provision for deferred income tax and future income tax benefit, is shown at taxation rates expected to apply, depending on the timing of their reversal. (Note 5)

The applicable rates of income tax vary depending upon the fund or entity involved. Segregated superannuation and rollover fund business attracts income tax at the rate of 15% (2002:15%) and the ordinary business of the Company is taxed at the rate of 30% (2002:30%).

g. Depreciation and Amortisation

Plant and equipment are depreciated on a straight line basis designed to write off the net cost of each asset over its estimated useful life. The expected useful life of each asset class is as follows:
Plant and Equipment – 3-10 years

Costs associated with major software development and major projects are capitalised where it is probable that future economic benefits will eventuate. Capitalised costs are amortised over 3 years.

h. Receivables

All trade debtors are recognised at the amounts receivable. They are due for settlement at terms which vary between 14 days and, in exceptional circumstances, 180 days from the date of recognition.
The collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off to the Statement of Financial Performance. A provision for doubtful debts is raised where some doubt as to collection exists, based on the amount that is expected to be doubtful of recovery.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Accounts Payable

Liabilities are recognised for amounts to be paid in the future, for goods and services received up to the reporting 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.

j. Recoverable Amount of Non-Current Assets

Non-current assets are written down to their recoverable amounts where the carrying amount of any non-current asset exceeds its recoverable amount. Recoverable amounts are determined as the amounts expected to be recovered through the cash inflows and outflows arising from the continued use and subsequent disposal of the non-current assets, which have been discounted where appropriate.

k. Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident 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 and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at reporting date are being amortised over periods ranging from 1 to 5 years.

Other operating lease payments are charged to the Statement of Financial Performance in periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

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 consolidated entity. Each lease payment is allocated between the liability and the finance charge.

l. Employee Entitlements

Wages, Salaries and Annual Leave

The provision for employee entitlements to wages, salaries and annual leave represent the amount which the IOOF Holdings Ltd Group ("IOOF Group") has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated using remuneration rates expected to be paid when obligations are settled and includes related on-costs.

Long Service Leave

The liability for employee entitlements to long service leave 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.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using rates attaching to Commonwealth Government securities, which most closely match the terms of maturity of the related liabilities at balance date.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and experience with employee departures.

m. Deferred Acquisition Costs

Deferred acquisition costs relate only to commissions paid on nil entry fee business and are deferred as an asset in recognition that they relate to a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount.

Deferred acquisition costs which are carried as an asset in the Statement of Financial Position, are progressively amortised in the Statement of Financial Performance over the period of time future benefits are expected to be received.

n. Goods and Services Tax

Revenue and expense items are recorded net of GST. GST input tax credits are recorded as an asset and GST collected is recorded as a liability. The GST portion relating to financial supplies and non deductible expenditure, for which an input tax credit cannot be claimed is expensed.

o. Rounding off of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

p. Comparatives

The liabilities for wages and salaries, annual leave and related on costs expected to be settled within 12 months of reporting date have been classified from provisions to other creditors in the current year as a result of the adoption of the new accounting standard, AASB1044 Provisions, Contingent Liabilities and Contingent Assets. The Directors do not believe there are any significant uncertainties relating to the amount and timing of future payments included in the liabilities for these employee benefits, therefore they do not meet the definition of a provision under the new standard. Comparative amounts have also been reclassified to ensure comparability with the current reporting period.

The IOOF Holdings Ltd Group("IOOF Group") was formed on 30 June 2002, following the acquisition of the IOOF Ltd Group by IOOF Holdings Ltd. The new group did not trade for the period ended 30 June 2002 and recorded a nil profit. In order to provide a meaningful comparison of the financial performance of the group, the notes to the financial statements include a Statement of Financial Performance with the comparatives relating to the period prior to acquisition and the profit and loss notes also include information relating to the pre acquisition period.

2. COMPARATIVE INFORMATION

The IOOF Holdings Ltd Group was formed on 30 June 2002, following the acquisition of the IOOF Ltd Group. The new group did not trade for the period ended 30 June 2002 and recorded a nil profit. Immediately following the acquisition, the demutualisation of IOOF Ltd and reorganisation of the IOOF Holdings Ltd Group occurred. In order to provide a meaningful comparison of the financial performance of the group to the previous year, the consolidated Statement of Financial Performance relating to the period prior to the IOOF Ltd demutualisation is included for information.

		Consolidated	Pre IOOF Ltd Demutualisation Consolidated
	Notes	2003 $'000	2002 $'000
Revenues from operating activities		116,810	91,866
Change in excess of net market value over net assets of controlled entities		30,896	17,141
Profit on sale of the health business		7,323	-
Other revenue		4,683	12,008
Revenues from ordinary activities	3	159,712	121,015
Expenses from ordinary activities, excluding borrowing costs expense	4	(125,288)	(110,791)
Borrowing costs expense	4	(92)	(14)
Share of Net Profits/(Losses) of associated entities accounted for using the equity method	4	(83)	425
Profit from ordinary activities before income tax benefit		34,249	10,635
Income tax benefit	5	424	4,942
Net Profit		34,673	15,577
Net Loss/(Profit) attributable to outside equity interest		20	(1)
Net Profit attributable to members of IOOF Holdings Ltd		34,693	15,576
Total revenues, expenses and valuation adjustments attributable to members of IOOF Holdings Ltd and recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		34,693	15,576

3. REVENUE

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000	Pre IOOF Ltd Demutualisation Consolidated 2002 $'000
Revenue from operating activities					
Management fees:					
Benefit funds	17,864	-	-	-	19,585
Other managed funds	69,403	-	-	-	41,946
Related entities	-	-	6,227	-	-
Non-related entities	4,300	-	-	-	227
Commission revenue:					
Non-related entities	10,610	-	-	-	13,636
Premium income (Note 1(e))	14,198	-	-	-	16,472
Other fees	284	-	-	-	-
	116,659	-	6,227	-	91,866
Revenue from outside the operating activities					
Interest revenue:					
Directors	29	-	10	-	16
Other related parties	146	-	-	-	189
Non-related entities	950	-	118	-	698
	1,125	-	128	-	903
Dividends:					
Non-related entities	475	-	475	-	540
Distributions:					
Other related parties	1,160	-	259	-	1,894
Operating lease rental revenue:					
Non-related entities	192	-	-	-	831
Realised gains on investments	204	-	128	-	458
Unrealised gains/(losses) on investments	(36)	-	(1)	-	1,400
Change in excess of net market value over net assets of controlled entities	30,896	-	-	-	17,141
Profit on sale of health business	7,323	-	8,096	-	-
Proceeds from legal settlement	-	-	-	-	5,000
Other	1,563	-	405	-	982
	41,777	-	9,362	-	28,246
Life Insurance Revenue					
Direct insurance premiums	151	-	-	-	-
Revenues from ordinary activities	159,712	-	15,717	-	121,015

4. EXPENSES

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000	Pre IOOF Ltd Demutualisation Consolidated 2002 $'000
Profit from ordinary activities before income tax includes the following specific expenses:					
Non-life operating expenses includes:					
Borrowing costs expense					
Interest:					
Non-related entities	92	-	-	-	14
Share of (Net Profits)/Losses of associated entities:					
Share of associated entities' operating (profit)/loss after income tax	83	-	-	-	(425)
Expenses from ordinary activities, excluding borrowing costs expense:					
Net movement in provision for doubtful debts in respect of amounts receivable from:					
Non-related entities	(25)	-	-	-	25
Depreciation of plant and equipment	1,176	-	3	-	993
Amortisation of software and infrastructure projects	2,232	-	-	-	564
Loss on disposal of plant and equipment	-	-	-	-	951
Loss on disposal of investment	-	-	-	-	103
Operating lease rental expenses:					
Non-related entities	2,413	-	293	-	3,280
Surplus lease space	74	-	-	-	(63)
Occupancy related expenses	1,276	-	106	-	482
Net transfers to employee provisions	3,184	-	617	-	1,904
Salaries and related expenses	32,820	-	3,893	-	27,252
Commission and management fees:					
Non-related entities	45,373	-	-	-	34,889
Professional fees	8,032	-	3,256	-	9,689
Marketing	3,275	-	46	-	3,002
Health benefits paid	11,181	-	-	-	12,703
Deferred acquisition costs amortisation	4,121	-	-	-	3,372
Computer maintenance and support	2,454	-	439	-	4,082
Office support	3,014	-	1,360	-	2,779
Other expenses from ordinary activities	4,575	-	1,348	-	4,784
	125,175	-	11,361	-	110,791
Life insurance operating expenses includes:					
Outward reinsurance expense	79	-	-	-	-
Policy payments					
death and disability claims	-	-	-	-	-
surrenders and terminations	-	-	-	-	-
Increase/ decrease in policy liabilities	-	-	-	-	-
Operating expenses	34	-	-	-	-
	113	-	-	-	-
Total expenses from ordinary activities, excluding borrowing costs expense	125,288	-	11,361	-	110,791

5. INCOME TAX EXPENSE

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000	Pre IOOF Ltd Demutualisation Consolidated 2002 $'000
Profit/(loss) from ordinary activities before income tax	34,249	-	4,356	-	10,635
Prima facie income tax benefit/(expense) calculated on profit before tax	(10,280)	-	(1,307)	-	(3,190)
Permanent differences					
Share of tax credits with benefit funds	(3,662)	-	-	-	(4,630)
(Non-deductible expenditure)/non assessable income	13,337	-	(541)	-	7,944
Over provision in prior years	269	-	-	-	1,739
Recognition of Future Income Tax Benefit and Provision for Deferred Income Tax not previously brought to account	-	-	-	-	1,679
Other	760	-	1,020	-	1,400
Income tax (expense)/benefit	424	-	(828)	-	4,942

6. CASH ASSETS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Cash	22,019	8,174	4,864	11
Deposits on call	2,337	31,070	572	24,528
	24,356	39,244	5,436	24,539

7. RECEIVABLES

Receivables	7,216	5,644	1,413	639
Provision for doubtful debts	(761)	(786)	(351)	(351)
	6,455	4,858	1,062	288
Interest receivable	55	47	47	43
Rent receivable	-	2	-	2
Amounts receivable from other related parties	7,077	7,537	17,158	-
Distributions receivable	358	291	13	-
Dividends receivable	97	286	97	286
Loan to related party	92	-	-	-
Loans to directors of controlled entities (Note 29 (c))	389	309	167	167
	14,523	13,330	18,544	786

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2003 $'000	Consolidated 2002 $'000
Investment in associated companies (Note 8 (a))	4,263	2,000
Reconciliation of carrying amounts:		
Balance at beginning of financial year	2,000	-
Additions during the year	2,346	2,000
Share of operating loss after income tax	(83)	-
	4,263	2,000

a. As part of the IOOF Group's distribution strategy, the economic entity holds a 50% share and voting interest in Workforce Financial Services Pty Ltd. This entity's principal activity is to provide financial planning and advisory services. During the year, the investment in this entity was increased.

During the year, the economic entity acquired a 5% interest in Financial Partnership Pty Ltd. The entity is equity accounted on the basis that it is economically dependent on the IOOF Group.

9. OTHER FINANCIAL ASSETS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Debt securities				
Unlisted unit trusts – other related parties	15,932	19,752	1,105	-
Other debt securities	300	308	300	300
Total Debt Securities	16,232	20,060	1,405	300
Equity investments				
Shares in listed corporations	10,585	10,585	10,585	10,585
Shares in other corporations	3,254	1,337	-	-
Shares in controlled entities	-	-	102,339	97,140
Equity investment in member funds	7,192	7,192	-	-
Unlisted unit trusts – other related parties	537	1,207	537	812
Total Equity Securities	21,568	20,321	113,461	108,537
Property Securities				
Mortgages	228	225	228	225
Unlisted unit trusts - other related parties	40	-	40	-
Total Property Securities	268	225	268	225
Other				
Unlisted unit trusts - other related parties	497	1,210	45	-
Unlisted unit trusts	150	150	-	-
Regulatory deposits	100	80	-	-
Total Other	747	1,440	45	-
Total	38,815	42,046	115,179	109,062

Cash not available for use.

$100,000 (2002: $80,000) is held in cash to satisfy dealers licence requirements. This amount is not available for use.

10. OTHER ASSETS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Prepayments	1,175	724	38	618
Deferred acquisition costs (Note 1(m))	14,480	13,957	-	-
Lease bond deposit	2	15	1	15
Other	67	48	-	-
	15,724	14,744	39	633

11. PLANT AND EQUIPMENT

Plant and Equipment

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Cost	4,451	3,068	19	103
Accumulated depreciation	(2,265)	(844)	(3)	-
	2,186	2,224	16	103

Reconciliations

	Consolidated Plant & Equipment 2003 $'000	Consolidated Plant & Equipment 2002 $'000
Carrying amount at start of year	2,224	-
Additions	1,186	2,224
Disposals	(48)	-
Depreciation	(1,176)	-
Carrying amount at end of year	2,186	2,224

	Parent Plant & Equipment 2003 $'000	Parent Plant & Equipment 2002 $'000
Carrying amount at start of year	103	-
Additions	19	103
Disposals	(103)	-
Depreciation/amortisation	(3)	-
Carrying amount at end of year	16	103

12. TAX ASSETS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Tax refund due	364	1,779	-	-
Future income tax benefit (Note 12(a))	3,527	3,267	1,522	1,817
	3,891	5,046	1,522	1,817
a. Future income tax benefits carried forward comprise:				
Timing differences	3,527	3,259	1,522	1,817
Tax losses	-	8	-	-
	3,527	3,267	1,522	1,817
Reconciliation of the carrying amounts of future income tax benefits at the beginning and end of the current financial year are set out below:				
Carrying amount at start of year	3,267	-	1,817	-
Acquired on acquisition of subsidiary assets	331	3,267	-	1,817
Disposed on sale of business	(150)	-	-	-
Transfer of FITB (to)/from other group company	(20)	-	(410)	-
Tax return adjustments	(29)	-	(145)	-
Amount arising during the year	21	-	260	-
Adjustment to opening balance	107	-	-	-
Carrying amount at end of year	3,527	3,267	1,522	1,817
b. Certain future income tax benefits have not been recognised as an asset:				
Attributable to timing differences, the benefits of which are not assured beyond reasonable doubt.	1,529	1,675	-	-
Attributable to tax losses, the benefits of which are not virtually certain.	8,195	7,323	-	-
	9,724	8,998	-	-

The future income tax benefits will only be realised if:

i. the IOOF Holdings Ltd Group derives assessable income of a nature and of sufficient amount to enable the benefit from the deductions to be realised;
ii. the IOOF Holdings Ltd Group continues to comply with the conditions for deductibility imposed by the law; and
iii. there is no change in legislation which would affect the IOOF Holdings Ltd Group's ability to realise the benefit.

Future benefits of tax losses have been brought to account where there is virtual certainty as to their recovery.

c. IOOF Holdings Ltd and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office will be notified of this decision when the consolidated tax return for the year ended 30 June 2004 is lodged. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised.

As a consequence, IOOF Holdings Ltd, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable and payable under the tax sharing agreement will be recognised separately by IOOF Holdings Ltd as tax related amounts receivable or payable. The impact on the income tax expense and results of the Company is unlikely to be material because of the tax sharing agreement. This is not expected to have a material impact on the consolidated assets and liabilities and results.

In accordance with Urgent Issues Group Guideline UIG 39, the financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003.

13. INTANGIBLE ASSETS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Computer Software and Infrastructure projects – at cost	19,258	4,626	-	4,406
Accumulated Depreciation	(9,784)	(428)	-	(257)
	9,474	4,198	-	4,149
Goodwill on acquisition	-	355	-	-
	9,474	4,553	-	4,149

14. EXCESS OF NET MARKET VALUE OVER NET ASSETS OF CONTROLLED ENTITIES

Excess of net market value over net assets of controlled entities (Note 14(a))	93,986	34,656	-	-

a. The movement in Excess of net market value over net assets of controlled entities is summarised as follows:

	Consolidated 2003 $'000	Consolidated 2002 $'000	Movement 2003 $'000
IOOF Investment Management Limited	48,652	21,356	27,296
IOOF Investment Holdings Ltd	28,434	-	28,434
IOOF Ltd	16,900	13,300	3,600
	93,986	34,656	59,330
Superannuation and funds management business acquired from AM Corporation Limited			(28,434)
Movement in excess of net market value over net assets recognised in the Statement of Financial Performance			30,896

15. PAYABLES

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Contributions in advance	-	2,645	-	-
Accounts payable	13,194	9,140	848	3,292
Amounts payable to other related parties	479	2,614	1,017	3
Other creditors – employee entitlements	2,356	1,548	271	1,094
	16,029	15,947	2,136	4,389

16. TAX LIABILITIES

Provision for income tax	274	412	-	-
Provision for deferred income tax	753	374	43	-
	1,027	786	43	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

17. PROVISIONS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Provision for employee entitlements	4,279	4,003	1,638	2,881
Provision for Directors' retirement	294	351	294	351
Provision for acquisition costs	6,011	-	-	-
Provision for restructure	4,052	-	-	-
Provision for outstanding health claims	-	2,473	-	-
Other provisions	9,699	4,748	3,715	4,086
	24,335	11,575	5,647	7,318
Employee Numbers				
Number of employees at the end of the financial year	402	265	31	-

Movements in provisions

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

	Directors' Retirement	Acquisition Costs	Restructure Costs	Health Claims	Other Provisions
Consolidated – 2003					
Balance at beginning of financial year	351	-	-	2,473	4,748
Additional provisions recognised	172	6,083	6,182	-	5,526
Reductions for provisions no longer required	-	-	-	-	(575)
Provisions disposed	-	-	-	(1,538)	-
Payments/other sacrifices of economic benefits	(229)	(72)	(2,130)	(935)	-
Balance at end of the financial year	294	6,011	4,052	-	9,699
Parent – 2003					
Balance at beginning of financial year	351	-	-	-	4,086
Additional provisions recognised	172	-	-	-	-
Reductions for provisions no longer required	-	-	-	-	(371)
Payments/other sacrifices of economic benefits	(229)	-	-	-	-
	294	-	-	-	3,715

18. INTEREST BEARING LIABILITIES

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Finance lease liability	1,315	-	-	-

19. CONTRIBUTED CAPITAL

Date	Details	Number of Shares				
1-Jul-02	Opening balance	47,278,973	129,382	-	129,382	-
Issued during the financial year		1,983,496	-	-	-	-
Cancelled during the financial year		(51,889)	-	-	-	-
New issue		-	-	129,382	-	129,382
Closing Balance		49,210,580	129,382	129,382	129,382	129,382

On 30 June 2002, at the date of demutualisation of IOOF Ltd, shares in IOOF Holdings Ltd were issued to members of IOOF Ltd based on predetermined entitlements. A charitable foundation was established as part of the demutualisation and in July 2003, the Company resolved to issue 1,969,957 ordinary shares to the IOOF Foundation. During the year, as a result of ongoing review of the share allocation, a further 13,539 shares were issued and 51,889 shares were cancelled.

20. RETAINED PROFITS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Retained Profits				
Balance at beginning of financial year	-	-	-	-
Net profit attributable to members of IOOF Holdings Ltd	34,693	-	3,528	-
Balance at end of the financial year	34,693	-	3,528	-

21. OUTSIDE EQUITY INTEREST IN CONTROLLED ENTITIES

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Interest in:				
Share capital	314	142	-	-
Retained earnings	(11)	11	-	-
	303	153	-	-

22. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the financial year ended 30 June 2003.

23. EARNINGS PER SHARE

	Consolidated 2003 Cents	Consolidated 2002 Cents
Basic earnings per share	71.91	-

	Consolidated 2003 $'000	Consolidated 2002 $'000
Reconciliation of earnings used in calculating earnings per share		
Net profit	34,673	-
Net loss attributable to outside equity interests	20	-
Earnings used in calculating earnings per share	34,693	-

24. DISCONTINUING OPERATIONS

During December 2002 IOOF Holdings Ltd announced its intention to sell the Health business and thereby discontinue its operations in the Health business segment (see note 32). Following a tender process, the business was sold on 30 April 2003 and is reported in this financial report as a discontinuing operation.

Financial information relating to the discontinuing operation for the reporting period to the date of disposal is set out below. Further information is set out in note 32 – Segment Information.

	Consolidated	Consolidated
	30 April 03 $'000	30 June 02 $'000
Financial performance information for the 10 months ended 30 April 2003 and the year ended 30 June 2002		
Revenue from ordinary activities, excluding the sale of the division	14,611	16,930
Revenue from the sale of the division	14,596	-
Total revenue from ordinary activities	29,207	16,930
Expenses from ordinary activities, excluding the carrying amount of assets of the division sold	(13,507)	(15,408)
Carrying amount of net assets of the division sold	(7,273)	-
Total expenses from ordinary activities	(20,780)	(15,408)
Profit from ordinary activities before income tax	8,427	1,522
Income tax expense	(331)	(475)
Net Profit	8,096	1,047
Represented by:		
Profit from operations to date of sale	773	1,047
Profit on sale of division	7,323	-
	8,096	1,047
Carrying amount of assets and liabilities as at 30 April 2003 and 30 June 2002		
Cash assets	9,535	813
Receivables	1,973	1,221
Other financial assets	-	9,578
Plant and equipment	92	65
Tax assets	105	149
Goodwill on consolidation	355	355
Total Assets	12,060	12,181
Payables	408	219
Tax liabilities	194	344
Provisions	4,185	5,118
Total Liabilities	4,787	5,681
Net Assets	7,273	6,500
Cash flow information for the 10 months ended 30 April 2003 and the year ended 30 June 2002		
Net cash inflow/(outflow) from ordinary activities	(804)	1,183
Net cash inflow/(outflow) from investing activities	(52)	(67)
Net increase/(decrease) in cash generated by the division	(856)	1,116
Details of the sale of Health Services are as follows:		
Consideration received or receivable	828	
Cash	13,768	
	14,596	
Carrying amount of net assets sold	7,273	
Gain on sale before income tax	7,323	
Income tax expense	(2,197)	
Gain on sale after income tax expense	5,126	

25. AUDITORS' REMUNERATION

Auditors' remuneration paid by members of the IOOF Holdings Ltd Group during the year and for the comparative period prior to IOOF Holdings Ltd becoming the parent entity on 30 June 2002.

	Consolidated	Consolidated	Parent	Parent
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
a. Auditing the financial reports				
i. PricewaterhouseCoopers				
Parent entity	146	161	-	-
Controlled entities	204	137	-	-
Other related parties	680	311	-	-
ii. Deloitte Touche Tohmatsu				
Other related parties	-	3	-	-
	1,030	612	-	-
b. Other services				
i. PricewaterhouseCoopers				
Audit related services	149	124	-	-
Consulting and advisory services	311	19	-	-
Taxation consulting	263	181	-	-
Due diligence demutualisation	-	270	-	-
	723	594	-	-

26. CONTINGENT LIABILITIES

The Company has provided a warranty capped at $2.5million in relation to the sale of IOOF Health Services Ltd. This warranty expires on 31 December 2004.

As part of the series of transactions involved with the acquisition of AM Life Ltd, the Company has provided Australian Prudential Regulation Authority (APRA) with an undertaking that should APRA determine there is a need for extra capital to be injected into AM Life Limited, a wholly owned subsidiary, the extra capital will be contributed within seven days of the receipt of APRA's written determination, or such period as allowed by APRA. Refer Note 35.

The Company has provided a letter of support to the Board of Perennial Investment Partners Ltd indicating that it will continue to fund the Perennial business beyond 30 June 2003.

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

27. CAPITAL COMMITMENTS

	Consolidated	Consolidated	Parent	Parent
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
During the year, 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 IOOF Holdings Ltd 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.				
The maximum contingent consideration payable in respect of the dealer group agreements is:	3,318	3,300	-	-
Pursuant to a Share and Business sale agreement, the Company acquired the shares in AM Life Ltd and business of AM Corporation Ltd. The consideration included a deferred payment which is contingent on retention of prescribed levels of funds under management.				
The maximum contingent consideration payable in respect of this contract is:	12,600	-	-	-

28. OTHER COMMITMENTS

Operating Leases

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
- not later than one year	4,707	2,712	1,733	2,426
- later than one year, not later than five years	7,156	4,414	2,483	3,965
- later than five years	261	-	-	-
	12,124	7,126	4,216	6,391
Less: Liability recognised for surplus lease space under non cancellable operating leases	(409)	-	-	-
Commitments not recognised in the financial statements	11,715	7,126	4,216	6,391

Finance Leases

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Commitments in relation to finance leases are payable as follows:				
- within one year	1,377	-	-	-
- later than one year, not later than five years	-	-	-	-
- later than five years	-	-	-	-
Minimum lease payments	1,377	-	-	-
Less future finance charges	(62)	-	-	-
Total lease liability recognised as a liability	1,315	-	-	-

29. DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors' Remuneration

The Directors of the Company during the financial year were:

Mr R J Schoer
Dr R N Sexton
Mr I Blair
Mr M U R Crivelli – Executive Director
Mr M W Parkinson, C.B.E.
Ms K D Spargo
Mr R J Turner – Managing Director
Mr C Macek (appointed 20 August 2002)
Mr L A Bytheway (retired 17 December 2002)

			Pre IOOF Ltd Demutualisation Consolidated
	2003 $	2002 $	2002 $
Non Executive Directors			
Total of the fees paid and payable to Non-Executive Directors in respect of the management of the affairs of the Company.	408,840	-	434,973
Total remuneration paid and payable to Non-Executive Directors in respect of the management of the affairs of controlled entities	57,906	-	51,950
Health benefits paid and payable to Non-Executive Directors in respect of the management of the affairs of the Company and subsidiaries	7,503	-	12,645
Total Non Executive Director remuneration (Directors' fees approved at the Annual General Meeting held on 28 November 2002 were $650,000.)	474,249	-	499,568
Superannuation benefits paid and payable to Non-Executive Directors in respect of the management of the affairs of the Company and subsidiaries	37,408	-	31,598
Total retirement benefits paid and payable at the end of the year to Non-Executive Directors of the Company, by the Company or by controlled entities or by any related party.	228,540	-	49,498
	740,197	-	580,664
Total remuneration paid and payable to Non-Executive Directors (other than Company Directors) in respect of the management of the affairs of controlled entities.	18,167	-	21,600
Total Remuneration for each Non Executive Director in respect of management of the affairs of the Company and its subsidiaries is as follows:			
Mr R J Schoer	73,831	-	72,111
Dr R N Sexton	80,608	-	80,812
Mr I Blair	74,825	-	70,650
Mr M W Parkinson, C.B.E.	69,211	-	66,936
Ms K D Spargo	64,218	-	60,700
Mr C Macek	81,744	-	-
Mr L A Bytheway (including retirement benefit of $228,540)	295,760	-	133,332
Mr L L'Huillier	-	-	26,550
Dr N L Scheinkestel (including retirement benefit of $49,498)	-	-	69,573
	740,197	-	580,664
Executive Directors			
Total remuneration paid and payable to Executive Directors in respect of the management of the affairs of the Company and controlled entities	779,634	-	915,329
Total remuneration paid and payable to Executive Directors (other than Company Directors) in respect of the management of the affairs of controlled entities.	1,132,824	-	1,163,623
Total Remuneration to Executive Directors	1,912,458	-	2,078,952

29. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Number of Directors of the Company whose income from the Company or from controlled entities or from any related party was within the following bands (including salaries of Executive Directors):

			Pre IOOF Ltd Demutualisation Consolidated
	2003 Number	2002 Number	2002 Number
$ 20,000 - $ 29,999	-	-	1
$ 60,000 - $ 69,999	2	-	3
$ 70,000 - $ 79,999	2	-	2
$ 80,000 - $ 89,999	2	-	1
$ 130,000 - $ 139,999	-	-	1
$ 180,000 - $ 189,999	1	-	-
$ 210,000 - $ 219,999	-	-	1
$ 290,000 - $ 299,999	1	-	-
$ 590,000 - $ 599,999	1	-	-
$ 690,000 - $ 699,999	-	-	1
	9	-	10

During the previous year, an Executive Director received long term incentives in accordance with his terms of employment. These incentives had accumulated over previous periods.

Executives' Remuneration

Executive remuneration includes cash, all prescribed benefits, superannuation and bonuses.

Executive Officers include the Group Managing Director and Executive Managers reporting to the Group Managing Director.

	Consolidated	Consolidated	Pre IOOF Ltd Demutualisation Consolidated
	2003 $	2002 $	2002 $
The aggregate remuneration of executive officers of the economic entity receiving $100,000 or more from the entity for which they are executive officers or from any related party including termination payments paid by entities in the IOOF Holdings Ltd Group:	3,986,836	-	4,160,896
Number of executive officers of the Group whose remuneration falls within each successive $10,000 band of income (commencing at $100,000):	Number	Number	Number
$ 120,000 - $ 129,999	-	-	1
$ 160,000 - $ 169,999	-	-	2
$ 180,000 - $ 189,999	1	-	1
$ 200,000 - $ 209,999	-	-	2
$ 210,000 - $ 219,999	1	-	2
$ 220,000 - $ 229,999	1	-	-
$ 230,000 - $ 239,999	1	-	-
$ 280,000 - $ 289,999	-	-	1
$ 300,000 - $ 309,999	2	-	2
$ 310,000 - $ 319,999	1	-	-
$ 320,000 - $ 329,999	1	-	-
$ 330,000 - $ 339,999	-	-	2
$ 370,000 - $ 379,999	1	-	-
$ 390,000 - $ 399,999	1	-	-
$ 420,000 - $ 429,999	-	-	1
$ 510,000 - $ 519,999	1	-	-
$ 590,000 - $ 599,999	1	-	-
$ 690,000 - $ 699,999	-	-	1
	12	-	15

This schedule includes amounts paid as termination benefits to executives.

In the prior year, an Executive Director received long term incentives in accordance with his terms of employment. These incentives had accumulated over previous periods.

30. RELATED PARTIES

a. Identities of Related Parties

Controlled entities are detailed in Note 31
IOOF unit trusts
IOOF Benefit Funds

Directors in office during the year ended 30 June 2003 were:

Mr R J Schoer	Mr M U R Crivelli	Ms K D Spargo
Dr R N Sexton	Mr L A Bytheway	Mr R J Turner
Mr I Blair	Mr M W Parkinson	Mr C Macek

b. Controlled Entities

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.
- Acquisition of assets from subsidiary.
- Subscription of shares in controlled entities.

c. Other Related Parties

	Consolidated	Consolidated	Parent	Parent
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Investments in related party trusts:				
IOOF Wholesale Cash & Short Term Securities Fund				
15,241,444 units (2002: 19,749,191 units)	16,221	20,962	942	-
IOOF Balanced Trust				
844,891 units (2002: 794,593 units)	785	812	785	812
IOOF Dimension Series				
Nil units (2002: 400,000 units)	-	395	-	-
Unsecured Loans to Executive Directors of Controlled Entities				
The aggregate value of loans to Executive Directors of controlled entities at balance date amounted to:	389	309	167	167
Loans made to Directors of controlled entities during the year and the comparative period prior to IOOF Holdings Ltd becoming the parent entity:	80	167	-	-

Directors who received the loans referred to were Mr M Crivelli, Mr I Macoun, Mr K Series, Mr A Hodges and Mr J Murray. These loans were made on commercial terms and conditions. One loan was advanced for the purpose of providing mortgage finance and the other loans were made for the specific purpose of assisting Directors to acquire an equity interest in subsidiary entities.

d. Other transactions of Directors and Director-related entities concerning shares

	Consolidated and Parent	
	2003 Number	2002 Number
Aggregate number of shares of IOOF Holdings Ltd held by Directors of the Company.	5,324	5,324

e. Ultimate parent entity

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

31. CONTROLLED ENTITIES

	Company's Equity Holding 2003 %	Company's Equity Holding 2002 %
Parent entity:		
IOOF Holdings Ltd		
Controlled entities:		
IOOF Life Ltd	100.0	100.0
IOOF Ltd	100.0	100.0
Security Management Services Pty Ltd	100.0	100.0
IOOF Investment Holdings Ltd	100.0	100.0
IOOF Investment Management Limited	100.0	100.0
Perennial Investment Partners Limited	70.4	73.9
Perennial Value Management Limited	49.7	55.4
Perennial Investment Partners Asia Limited	67.1	70.2
Perennial Fixed Interest Partners Pty Ltd	70.4	73.9
Perennial Capital Management Pty Ltd	70.4	73.9
Perennial International Equities Management Pty Ltd	70.4	73.9
Australian Financial Planning Network Ltd	100.0	100.0
Winchcombe Carson Financial Planning Pty Ltd	100.0	100.0
Pinnacle Partners Pty Ltd	100.0	100.0
IOOF Health Services Ltd	-	100.0
AM Life Ltd	100.0	-
August Management Services Pty Limited	100.0	-

All companies are incorporated and carry on business in Australia.

a. The investment in IOOF Investment Management Limited, IOOF Ltd and IOOF Investment Holdings Ltd is through IOOF Life Ltd which directly holds a 100% shareholding in these entities.

b. The investment in Perennial Investment Partners Limited is through IOOF Investment Management Limited which directly holds a 70.4% (2002:73.9%) shareholding in Perennial Investment Partners Limited. During the year, Perennial Investment Partners Limited issued shares to a minority interest.

c. The investment in Perennial Value Management Limited is through Perennial Investment Partners Limited which directly holds a 70.6% (2002: 75%) shareholding in Perennial Value Management Limited. During the year, Perennial Value Management Limited issued shares to a minority interest and in March 2003, a commitment was made to reduce the shareholding by Perennial Investment Partners Limited in Perennial Value Management Limited to 50% following the proposed transfer of ordinary shares to a Director and related parties after 30 June 2003.

d. The investment in Perennial Investment Partners Asia Limited is through Perennial Investment Partners Limited which directly holds a 95% shareholding in Perennial Investment Partners Asia Limited.

e. The investment in Perennial Fixed Interest Partners Pty Ltd, Perennial Capital Management Pty Ltd and Perennial International Equities Management Pty Limited is through Perennial Investment Partners Ltd which directly holds a 100% interest in these entities.

f. The investment in Winchcombe Carson Financial Planning Pty Ltd and Pinnacle Partners Pty Ltd is through Australian Financial Planning Network Ltd which directly holds a 100% shareholding in these entities.

g. Security Management Services Pty Ltd has an interest of 90.7% in the issued units of the IOOF Split Property Trust.

h. The investment in AM Life Ltd and August Management Services Pty Limited is through IOOF Investment Holdings Ltd, which acquired a 100% shareholding in these entities during the year.

32. SEGMENT INFORMATION

Primary reporting – business segments

2003	Wholesale Funds Management $'000	Retail Funds Management and Administration $'000	Health Business Discontinued $'000	Inter segment eliminations/ Unallocated $'000	Consolidated $'000
Revenue from operating activities	5,613	97,000	14,197	-	116,810
Revenue from other activities	76	2,800	414	1,393	4,683
Intersegment sales	4,964	732	-	(5,696)	-
Profit on sale of division	-	-	7,323	-	7,323
Movement in excess of net market value over net assets	27,360	3,536	-	-	30,896
Total Revenue	38,013	104,068	21,934	(4,303)	159,712
Share of net profits of associates	-	(83)	-	-	(83)
Total Segment Revenue	38,013	103,985	21,934	(4,303)	159,629
Operating expenses					
Commissions and management expenses	38	45,246	89	-	45,373
Depreciation and amortisation	8	3,373	25	2	3,408
Amortisation of deferred acquisition costs	-	4,121	-	-	4,121
Other expenses	10,646	37,114	13,357	11,361	72,478
Total Segment Expense	10,692	89,854	13,471	11,363	125,380
Profit from ordinary activities before income tax expense	27,321	14,131	8,463	(15,666)	34,249
Income tax credit/(expense)	(6)	1,589	(331)	(828)	424
Net Profit	27,315	15,720	8,132	(16,494)	34,673
Segment assets	3,579	178,538	-	21,389	203,506
Intersegment assets	135	1,064	-	(1,199)	-
Equity accounted investments	-	4,263	-	-	4,263
Total assets	3,714	183,865	-	20,190	207,769
Segment liabilities	2,612	33,968	-	6,811	43,391
Intersegment liabilities	62	17,279	-	(17,341)	-
Total liabilities	2,674	51,247	-	(10,530)	43,391
Investments in associates and joint venture partnerships	-	4,263	-	-	4,263
Acquisition of property, plant and equipment	24	1,107	36	19	1,186
Profit on sale of division before tax	-	-	7,323	-	7,323
Net cash inflow/(outflow) from operating activities	4,938	(3,107)	(446)	(12,971)	(11,586)

Secondary reporting – geographical segments

The IOOF Holdings Ltd Group operates in the one geographical segment of Australia.

32. SEGMENT INFORMATION (continued)

Primary reporting – business segments

2002	Wholesale Funds Management $'000	Retail Funds Management and Administration $'000	Discontinuing operation Health $'000	Inter segment eliminations/ Unallocated $'000	Consolidated $'000
Segment assets	1,793	96,765	11,827	45,458	155,843
Intersegment assets	188	50	-	(238)	-
Equity accounted investments	-	2,000	-	-	2,000
Total assets	1,981	98,815	11,827	45,220	157,843
Segment liabilities	1,058	8,708	5,560	12,982	28,308
Intersegment liabilities	47	188	121	(356)	-
Total liabilities	1,105	8,896	5,681	12,626	28,308

As the IOOF Group did not trade in the year ended 30 June 2002, there are no profit and loss comparatives.

Secondary reporting – geographical segments

The IOOF Holdings Ltd Group operates in the one geographical segment of Australia.

Notes to and forming part of the segment information

(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 1005 Segment Reporting.

(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

Wholesale Funds Management	Management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
Retail Funds Management and Administration	Distribution and administration of retail funds including financial planning and back office services to dealers groups aligned to the IOOF Group.
Health	Provider of health insurance services.

33. NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
a. Reconciliation of cash assets				
For the purpose of the statements of cash flows, cash includes cash on hand and in banks, deposits at call, including unit investments readily convertible to cash and subject to insignificant risk of changes in value, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:				
Cash	22,019	8,174	4,864	11
Deposits on call	2,337	31,070	572	24,528
	24,356	39,244	5,436	24,539
Units in IOOF Wholesale Cash & Short Term Securities Trust	16,221	20,962	942	-
	40,577	60,206	6,378	24,539
b. Reconciliation of net cash provided by/(used in) operating activities to profit from ordinary activities after income tax				
Profit from ordinary activities after income tax	34,673	-	3,528	-
(Profit)/loss on disposal of businesses	(7,323)	-	(7,268)	-
Share of profit in associated investment	83	-	-	-
Non cash adjustment on acquisition	(28,434)			
Net revaluation of investments	(30,896)	-	(4)	-
Depreciation and amortisation of assets	3,408	-	3	-
Increase/(decrease) in tax assets:				
Increase/(decrease) in income tax payable	(221)	-	-	-
Increase/(decrease) in deferred income tax payable	312	-	43	-
(Increase)/decrease in future income tax benefit	(216)	-	295	-
(Increase)/decrease in income tax receivable	1,415	-	-	-
Changes in net operating assets and liabilities:				
(Increase)/decrease in receivables	2,997	-	(11)	-
(Increase)/decrease in other assets	(1,602)	-	594	-
Increase/(decrease) in payables	2,275	-	(2,253)	-
Increase/(decrease) in provisions	11,943	-	(1,671)	-
Net cash provided by/(used in) operating activities	(11,586)	-	(6,744)	-

34. FINANCIAL INSTRUMENTS

a. Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

b. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The carrying amount of financial assets recorded in the statement of financial position, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

The Group does not have any significant credit risk exposure to any single counterparty.

34. FINANCIAL INSTRUMENTS (continued)

c. Interest Rate Risk

The following table details the Group's exposure to interest rate risk as at the reporting date:

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Less than 1 Year	Fixed Interest Rate 1 to 5 Years	Non Interest Bearing	Total
2003	%	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash & cash equivalents	4.18	24,356	-	-	-	24,356
Units in IOOF unlisted trusts (i)		-	-	-	17,006	17,006
Receivables		-	-	-	14,203	14,203
Fully paid notes	15.50	-	-	300	-	300
Loans to directors	6.55	389	-	-	-	389
Mortgages	7.00	-	-	228	-	228
Investments in other corporations		-	-	-	3,404	3,404
Investments in associated companies		-	-	-	4,263	4,263
Ordinary shares		-	-	-	10,585	10,585
Equity investment in member funds (ii)		-	-	-	7,192	7,192
Income tax receivable		-	-	-	90	90
		24,745	-	528	56,743	82,016
Financial Liabilities						
Accounts payable		-	-	-	13,673	13,673
Finance lease liabilities	9.01	1,315	-	-	-	1,315
		1,315	-	-	13,673	14,988
Net Financial Assets		23,430	-	528	43,070	67,028

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Less than 1 Year	Fixed Interest Rate 1 to 5 Years	Non Interest Bearing	Total
2002	%	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash & cash equivalents	4.04	39,244	-	-	-	39,244
Units in IOOF unlisted trusts (i)		-	-	-	22,169	22,169
Receivables		-	-	-	13,084	13,084
Fully paid notes	15.50	-	-	300	-	300
Loans to directors	6.45	309	-	-	-	309
Mortgages	7.00	-	-	225	-	225
Investments in other corporations		-	-	-	1,487	1,487
Investment in associated company		-	-	-	2,000	2,000
Ordinary shares		-	-	-	10,585	10,585
Equity investment in member funds (ii)		-	-	-	7,192	7,192
Options in other organisations		-	-	-	8	8
Income tax receivable		-	-	-	1,367	1,367
		39,553	-	525	57,892	97,970
Financial Liabilities						
Accounts payable		-	-	-	14,399	14,399
		-	-	-	14,399	14,399
Net Financial Assets		39,553	-	525	43,493	83,571

(i) These investments are priced daily and gains or losses on investments are reflected as movements in market value.

(ii) The equity investment in member funds is subject to an interim non guaranteed bonus rate.

34. FINANCIAL INSTRUMENTS (continued)

Reconciliation of Net Financial Assets to Net Assets	Consolidated 2003 $'000	Consolidated 2002 $'000
Net financial assets as above	67,028	83,571
Non financial assets and liabilities:		
Regulatory deposits	100	80
Deferred acquisition costs	14,480	13,957
Goodwill on acquisition	-	355
Excess of net market value over net assets of controlled entities	93,986	34,656
Prepayments	1,175	724
Plant & equipment	11,660	6,422
Future income tax benefits	3,527	3,267
Gross policy liabilities ceded under reinsurance	551	-
Policy liabilities	(685)	-
Provision for employee entitlements	(6,635)	(5,551)
Provision for Directors' retirement	(294)	(351)
Provision for outstanding health claims	-	(2,473)
Provision for deferred income tax	(753)	(374)
Provision for acquisition costs	(6,011)	-
Provision for restructure	(4,052)	-
General provisions	(9,699)	(4,748)
Net assets per Statement of Financial Position	164,378	129,535

d. Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

35. LIFE INSURANCE BUSINESS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
a. Life insurance underwriting result				
Premium income and related income	151	-	-	-
Outwards reinsurance expense	(79)	-	-	-
Net premium income	72	-	-	-
Net claims expense	-	-	-	-
Policy maintenance	30	-	-	-
Other	4	-	-	-
Operating expenses	34	-	-	-
Underwriting result	38	-	-	-
b. Life insurance investment result				
Life insurance investment revenue:				
Equity securities	(5,214)	-	-	-
Debt securities	11	-	-	-
Other	-	-	-	-
	(5,203)	-	-	-

35. LIFE INSURANCE BUSINESS (continued)

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
c. Operating profit after income tax				
Life insurance business operating profit after income tax arose from movements in policy liabilities	-	-	-	-
Planned margins of revenue over expenses released	-	-	-	-
Difference between actuarial and assumed experience	-	-	-	-
Other	-	-	-	-
Investment earnings on assets in excess of policy liabilities	(5,172)	-	-	-
Operating loss after income tax	(5,172)	-	-	-
d. Life insurance investment assets				
Equity securities	-	-	-	-
Debt securities	-	-	-	-
Other investments	-	-	-	-
	-	-	-	-
e. Life insurance policy liabilities				
Future policy benefits	134	-	-	-
Future expenses	-	-	-	-
Future shareholder profit margins	-	-	-	-
Balance of future premiums	-	-	-	-
	134	-	-	-
Gross policy liabilities	685	-	-	-
Less: Reinsured policy liabilities	-	-	-	-
Gross policy liabilities ceded	(551)	-	-	-
	134	-	-	-

f. Allocation and distribution of profit of statutory funds

Allocation of profit from ordinary activities

As AM Life Limited does not have any participating business, all profit is allocated to the shareholder.

Distribution of retained profits

Distribution of retained profits to the shareholder is governed by the requirements of Section 62 of the Life Insurance Act 1995 and is made on the advice of the Appointed Actuary.

g. Summary of significant actuarial methods and assumptions

Policy Liabilities

Policy liabilities for Life subsidiary companies have been calculated using the Margin on Services (MoS) method as required by Actuarial Standard AS1.03 'Valuation Standard' issued by the Life Insurance Actuarial Standards Board under the Life Insurance Act 1995.

The Policy Liabilities relate to policies in force at 30 June 2003 and together with applicable future premiums and, investment earnings, are sufficient to:

(i) meet the expected payment of future benefits and expenses; and

(ii) provide for the systematic release of profit from those policies as services are provided and incomes received.

Actuarial Methods

Expenses upon policy acquisition and policy maintenance for all products are defined in terms of a service agreement with other entities within the IOOF Group. These expense levels are expected to continue during any foreseeable ownership by the IOOF Group and consequently have been adopted in the calculations for Policy Liabilities and Solvency Reserves. The calculations for Capital Adequacy reserves consider the impact of IOOF Investment Holdings Limited discontinuing administration charges on the current basis.

The policy liability for lump sum risk insurances covering death, or death and total permanent disablement, is a reserve for unexpired risks, for claims that have been incurred but not yet reported, and for claims expected during the days of grace following failure to pay a premium. These risk insurance reserves are based on analysis of recent claims experience.

35. LIFE INSURANCE BUSINESS (continued)

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 Life Insurance Actuarial Standards Board under Section 65 of the Life Insurance Act 1995. Solvency reserves provide additional protection to policy holders, against the impact of fluctuations and unexpected adverse circumstances of the company.

AM Life Limited, an entity within the IOOF Group does not meet Prudential Capital Requirement under APRA Prudential Standard No.3 as required under the Life Insurance Act 1995. IOOF Holdings Limited has provided Australian Prudential Regulation Authority (APRA) with an undertaking that should APRA determine there is a need for extra capital to be injected into AM Life Limited, the extra capital will be contributed within seven days of the receipt of APRA's written determination, or such period as allowed by APRA. Refer Note 26

h. Disaggregated information of life insurance business by fund:

	Statutory Funds					
	Non-Investment Linked Business		Investment Linked Business		Total	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Investment Assets held directly	-	-	-	-	-	-
Total Investment Assets						
Policy Liabilities ceded	551	-	-	-	551	-
Other assets	1,222	-	-	-	1,222	-
Total Assets	1,773	-	-	-	1,773	-
Gross Policy liabilities	685	-	-	-	685	-
Other liabilities	32	-	-	-	32	-
Total Liabilities	717	-	-	-	717	-
Net Assets	1,056	-	-	-	1,056	-
Premium revenue	151	-	-	-	151	-
Investment revenue	11	-	-	-	11	-
Claims expense	-	-	-	-	-	-
Other operating expenses	34	-	-	-	34	-
Operating profit before tax	48	-	-	-	48	-
Operating profit after tax	25	-	-	-	25	-

36. SUBSEQUENT EVENTS

The parent entity, IOOF Holdings Ltd, has decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office will be notified of this decision when the tax return for the year ended 30 June 2004 is lodged. Wholly owned subsidiaries will become part of the tax consolidated group and will therefore no longer be subject to income tax. The tax consolidated entities intend to enter into tax sharing agreements with the parent entity but details of this agreement are yet to be finalised.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 22 to 51:

a. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b. give a true and fair view of IOOF Holdings Ltd's ("the Company") and Economic Entity's financial position as at 30 June 2003 and of their performance as represented by the results of their operations and their cash flows, for the period ended on that date.

In the Directors' opinion:

a. the financial position and notes are in accordance with the Corporations Act 2001;

b. there are reasonable grounds to believe that, at the time of the statement is made the Company will be able to pay all debts or claims that are referable to it.

This declaration is made in accordance with a resolution of the Directors.

R J Schoer
Chairman of the Board

R J Turner
Managing Director

Melbourne, 2 September 2003

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF IOOF HOLDINGS LTD

AUDIT OPINION

In our opinion, the financial report of IOOF Holdings Ltd:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of IOOF Holdings Ltd and the IOOF Holdings Group (defined below) as at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both IOOF Holdings Ltd (the company) and the IOOF Holdings Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

Simon Gray
Partner

Melbourne, 18 September 2003

IOOF HOLDINGS LIMITED
ABN 49 100 103 722

REGISTERED OFFICE
Level 29
303 Collins Street
Melbourne VIC 3000
Telephone: 13 13 69

WEB SITE
www.ioof.com.au

IP13184