

# Annual Concise Report 2004



IOOF

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**IOOF** is a fast-growing Australian financial services group. Our purpose is to achieve excellent investment performance with the best level of service to help Australians achieve their financial goals.

Over 200,000 Australians have entrusted their financial security to IOOF, with funds under management and administration of \$15.9 billion as at 30 June 2004.

IOOF offers a comprehensive range of financial services, including:

- Superannuation
- Managed Funds
- Master Trusts
- Allocated Pensions
- Investment Bonds
- Financial Planning
- Financial Planning Dealer Group Services.

IOOF has a long and proud history focused on the tradition of providing quality and superior products and services. We have been helping Australians for over 150 years, and as a trusted and respected financial services provider, we are committed to providing you with competitive financial services that manage, grow and protect your wealth, now and in the future.

To find out more about our range of wealth creation solutions or to review your current financial goals, please contact your financial adviser. Alternatively, if you have any queries please contact our Client Services team on 1800 062 963 or visit our website at [www.ioof.com.au](http://www.ioof.com.au).

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# Review of Operations and Financial Condition

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Founded in 1846, the IOOF Group has grown into a strong financial services provider, continuously sharpening its focus in an increasingly complex environment known as Wealth Management. The IOOF business is structured to add value to investors and advisers, while creating a sustainable and competitive company. In this way, IOOF ensures its continued success and profitability as a publicly listed organisation.



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## Who is IOOF?

IOOF is an emerging financial services provider with a focused and committed business strategy. Built on a strong history of providing a solid and secure financial future for its members, IOOF has transitioned from a mutual friendly society into a listed specialist funds management business that still values and respects its heritage.

IOOF Ltd was formed as a friendly society in 1846, and is now registered as a Life Office under the Life Insurance Act. The friendly society structure was a convenient way for people who shared a common goal to combine their resources and pursue that objective. The original objective of IOOF's founders was to raise funds via member contributions for sickness and funeral benefits.

As with all friendly societies, IOOF operated as a mutual organisation, owned by its members providing them with a variety of benefits. This included sick pay and cover for funeral costs.

Due to a gradual change in focus for IOOF away from more traditional savings products to a broader range of Wealth Management solutions, a proposal was put forward for the company to demutualise and subsequently list on the Australian Stock Exchange. The IOOF Board and its members adopted this proposal and IOOF Ltd demutualised on 30 June 2002, with members being issued shares in IOOF Holdings Ltd, the new parent entity of the IOOF Group.

In December 2003, IOOF Holdings Ltd made its debut on the Australian Stock Exchange. This event formed a landmark date in the history of a growing financial services organisation, focused on the tradition of providing quality and superior products for its members.

A substantial amount of our initial members are now enjoying holding part of an organisation that is emerging as a key provider of financial solutions to Australian investors and those that advise them on meeting their financial objectives.

Since its launch on the Australian Stock Exchange, IOOF has attracted a number of new investors with a total of more than 30,000 shareholders and with funds under management and administration of over \$15.9 billion. With our growing national presence and focused business strategy we are well positioned to build on this success.

growing

## What does IOOF do?

In an increasingly complex and competitive environment known as Wealth Management, IOOF continues to sharpen its focus to become a specialist provider of solutions that builds the wealth of its investors and helps provide them with a secure future.

With representation in each Australian state, IOOF is committed to providing best of breed investment products and service solutions to meet investors' needs. Our comprehensive financial services aim to provide for the individual investment needs of our clients and help them live the lifestyle they choose. These financial services include the following:

- Superannuation
- Managed Funds
- Master Trusts
- Allocated Pensions
- Investment Bonds
- Financial Planning
- Financial Planning Dealer Group Services.

## What is our purpose?

The IOOF business is structured to add value to the adviser by:

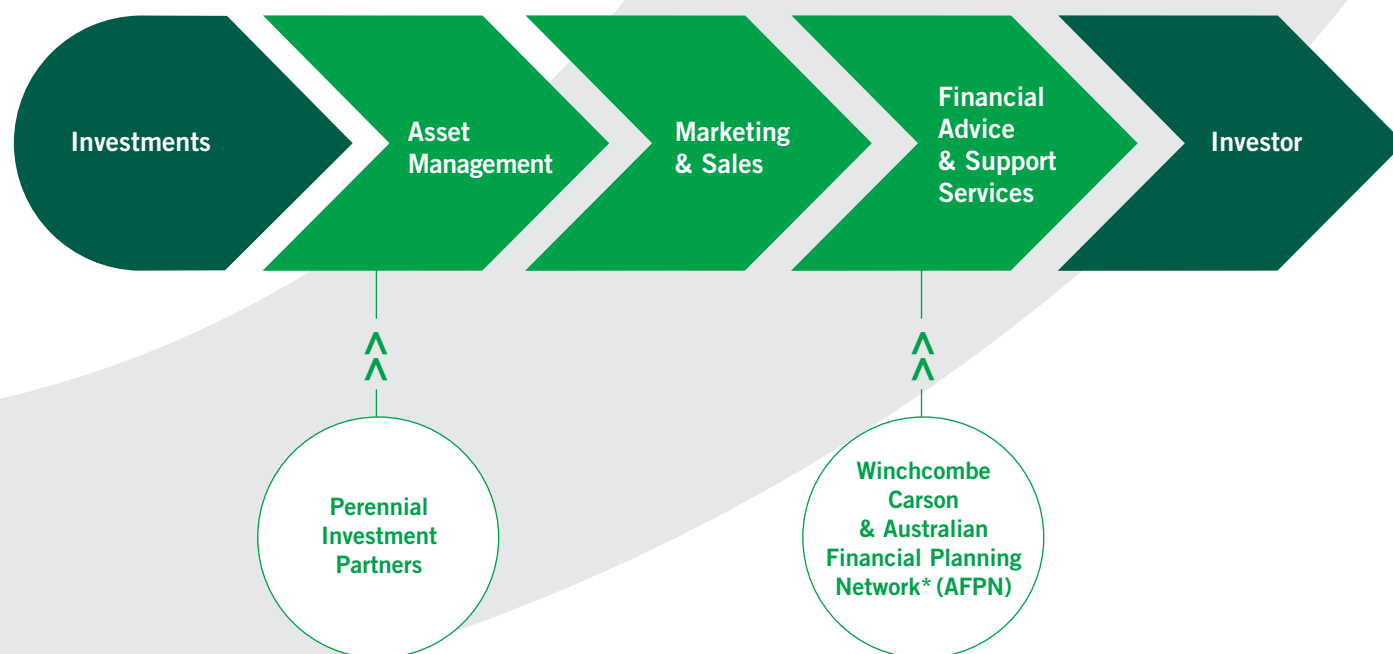
- Applying investment expertise to successfully manage large portfolios via in-house investment professionals;
- Managing the administration and servicing requirements via our financial planning dealer group services, Australian Financial Planning Network\*;
- Access to best of breed third party products; and
- Providing a number of business support services including compliance, professional standards, paraplanning, business development and marketing.

The IOOF business is structured to add value to the investor by:

- Supplying qualified and professional financial advisers to help you choose and manage the right investments;
- Creating a holistic financial plan to meet your investment needs today and in the future;
- Servicing the necessary administrative requirements with respect to your investments;
- Providing you with ongoing financial advice in order to make appropriate decisions around investment type, taxation, superannuation, diversification, risk and changing life stage needs;
- Informing you of relevant legislative and taxation changes that impact you and your investments; and
- Providing up-to-date educational material to assist you in your investment decision-making.

\*The Board resolved to change the name of Australian Financial Planning Network (AFPN) to OutScope Ltd effective 27 September 2004, subject to the approval of the Australian Securities and Investment Commission (ASIC).





## Who does IOOF compete with in the Wealth Management industry?

Competition in the Wealth Management industry is spread amongst numerous institutions that range in their service offering. The competitors in this industry can be broadly classified into three distinct groups:

1. | Large institutional financial services providers – provide other financial services such as banking and insurance, as well as Wealth Management.
2. | Specialist wealth managers – companies that operate purely in the Wealth Management industry. IOOF classifies itself in this group.
3. | Niche specialists – companies that operate in one particular niche of the industry such as in Asset Management.

\*The Board resolved to change the name of Australian Financial Planning Network (AFP) to OutScope Ltd effective 27 September 2004, subject to the approval of the Australian Securities and Investment Commission (ASIC).

## What are the objectives of IOOF?

To ensure our success and profitability as a publicly listed organisation, we need to build on creating a sustainable and competitive organisation. To maximise shareholder return we will focus on the following objectives:

### Investors

To continue to reward and grow our existing and prospective investors' wealth we will channel our efforts on the following key objectives:

- Deliver competitive and compelling financial services that create, manage, grow and protect investors' wealth, now and in the future;
- Educate potential and current investors on the benefits of savings and investment products;
- Broaden our asset management capability across all asset classes to provide investors with greater choice and higher returns;
- Listen to investors' needs and deliver products and services to meet those needs;
- Develop client retention strategies that recognise and reward the value of our investors; and
- Enhance our products and services as a result of regulatory and industry changes to best meet our investors' needs.

### Advisers

IOOF recognises the importance of providing advisers with ongoing support by focussing on the following key objectives:

- Provide professional, accurate and timely expertise to our advisers who provide financial advice to our existing and prospective clients;
- Deliver leading and best of breed products and industry leading service;
- Strengthen, enhance and learn from the relationships we have with our advisers; and
- A commitment to service and administration excellence.

### Employees

In a business where success is increasingly being defined by the calibre of intellectual capital, we have a number of objectives, including:

- Develop a relevant and continuous professional development framework for our staff;
- Identify leadership talent and develop programs and opportunities to nurture and grow this capability;
- Improve the customer service experience via staff development programs; and
- Enhance staff expertise in a number of key business areas, such as project management, to ensure rigorous execution of all business strategies.

delivering

## How does IOOF operate in the Wealth Management industry?

The Wealth Management industry consists of the manufacturing, marketing and distribution of products and services that address the financial objectives of investors and financial advisers.

IOOF operating in the Wealth Management industry has two distinct businesses that provide the foundation for our existence and growth:

1. | Asset Management – Teams of investment specialists that utilise their expertise and experience to provide superior returns for their investors across different asset classes.
2. | Retail Funds Management – Involved in the creation, marketing and distribution of investment product that leverages the capability and support of our Asset Management team.

### Asset Management

IOOF manages the wealth of our investors via the IOOF Multi-Investment Manager (MIM) Funds and through its subsidiary Perennial Investment Partners.

#### IOOF Multi-Investment Manager Funds

IOOF is one of the most experienced operators of multi-manager funds in Australia offering six single-sector and four diversified MIM Funds to meet the diverse needs and different risk profiles of investors.

As at 30 June 2004, the IOOF MIM Funds had \$2.1 billion under management.

The IOOF MIM Funds are managed according to the principle that a well-selected mix of active investment managers can deliver reliable and consistent performance during most market conditions.

#### How Multi-Investment Manager Funds are managed

The MIM options are managed by an experienced team renowned for its research capability. The MIM options provide investors with access to what IOOF believes to be the best and most appropriate domestic and global investment managers to achieve reliable and consistent returns.

The IOOF MIM Funds are a key offering of our Mastertrust products – IOOF Portfolio Services (IPS) and LifeTrack.

#### Perennial Investment Partners (Perennial)

Perennial is a specialist investment manager. Founded in 1999 by experienced investment professionals and IOOF, Perennial invests across all major asset classes.

**As an experienced operator of multi-manager funds in Australia, IOOF offers funds to meet diverse needs and risk profiles.**

Many of the Perennial investment funds are highly rated by research houses for the clear, repeatable and research-driven investment processes that lie behind their performance. After five years of success, Perennial is one of Australia's most respected specialist investment houses, having established a reputation for out-performance across the asset classes it manages.

Perennial's business as at 30 June 2004 has grown to almost \$8 billion under management.

Perennial has global presence, with more than 50 people based in Sydney, Melbourne, the United States and the United Kingdom.

**The numerous IOOF/Perennial trusts' upgrades and recommendations received during 2003/2004 are testament of our ability to provide best of breed products:**

**Morningstar**

Perennial Asia '5 stars', Australian Fixed Interest '5 stars', Australian Fixed Interest Manager of the Year for the third consecutive year.

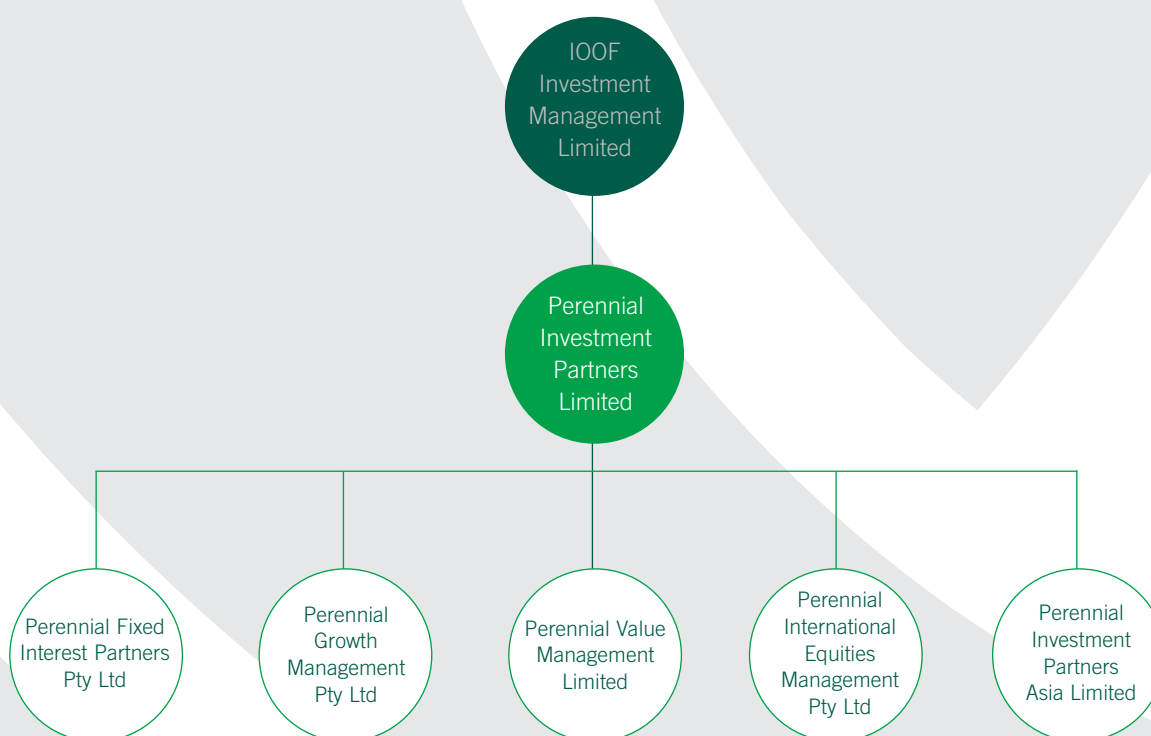
**Lonsec**

Balanced 'Highly Recommended', Perennial Value 'Highly Recommended'

**ASSIRT**

Perennial Fixed Interest '5 stars'.

### IOOF's holding of the Perennial businesses



For details of individual shareholding percentages, refer to Note 29 on page 81.

### Retail Funds Management

IOOF Retail Funds Management (RFM) represents the marketing, product development and distribution function of IOOF.

#### Distribution

IOOF investment products and services are sold and supported via a range of distribution channels, including nationally represented dealer groups and a diverse cross section of independently owned dealer groups.

IOOF maintains a number of equity positions, ranging from 5% to 50% in a number of these dealer groups and includes 100% ownership of the Wincombe Carson dealer group.

Wincombe Carson is a holder of an Australian Financial Service Licence and a Principal Member of the Financial Planning Association of Australia. With national representation via 59 branches serviced by over 100 authorised representatives, their customers now exceed 70,000 and represent over \$1.9 billion in funds under advice.

IOOF's wholly owned Australian Financial Planning Network\* (AFPN) aims to help advisers focus on providing quality advice to their clients by delegating responsibility of the following business support services to AFPN:

- Compliance;
- Brokerage Administration;
- Research;
- Paraplanning;
- Software support;
- Marketing; and
- Technical Services.



### Product

Focusing on delivering best of breed products to our investors determines our product development and continuous improvement strategies.

A key offering of our product range is our Mastertrust products – IOOF Portfolio Services (IPS) and LifeTrack. Both Mastertrusts are administration solutions for personal, employer and corporate superannuation and non-superannuation investments. IPS offers more than 80 well-known managed funds and 80 direct share options. Whilst LifeTrack offers more than 130 managed funds and 25 direct share options. Both LifeTrack and IPS are designed to provide members with superior returns as well as a wide investment choice.

The 'Choice of Fund' legislation, which is expected to come into effect 1 July 2005, will provide members with further choice options as well as providing IOOF with significant growth opportunities to capitalise on the growing superannuation market.

\* By Funds Under Administration (FUA) according to DEXX&R

**During the last year IOOF has consolidated its position as one of the top 10\* Employer Sponsored Superannuation providers in Australia. This was built around a first class administration service, state of the art technology and on-line services.**

\*The Board resolved to change the name of Australian Financial Planning Network (AFPN) to OutScope Ltd effective 27 September 2004, subject to the approval of the Australian Securities and Investment Commission (ASIC).

Marketing

Focusing on meeting the needs of our clients, whatever their wealth creation plans may be, marketing ensures that the delivery of a wide array of product and advice support services capitalises on IOOF’s brand strength and core values.

A key component is to ensure that our clients are equipped to make informed and confident decisions regarding all aspects relating to maximising and protecting their wealth. This is achieved through the use of relevant and easy to understand communications and initiatives for clients and the advisers who service them. Supporting this is a strong alignment between our product and service innovations with our client needs to ensure client satisfaction and ultimately creating a sustainable business.

Who runs IOOF?

The overall corporate governance of IOOF is the responsibility of a Board of Directors that are elected by and answerable to shareholders. The day to day running and strategic direction of the company is led by our Chief Executive Officer (CEO) who represents a team of senior executives on our Board of Directors.

Executive Team

Ron Dewhurst leads an experienced group of senior management, details of whom are set out below.

Board of Directors







Executive Team

## Directors

Details on the Board of Directors of IOOF can be found below.

### Board of Directors

			
<p><b>Mr R J Schoer</b> B.Admin., FCPA, FAICD, FCIS, FAIM.</p>	<p><b>Dr R N Sexton</b> B.Econ. (Hons), M. Econ, Ph.D.(Econ), FAICD, FAIM.</p>	<p><b>Mr M U R Crivelli</b> B.Ec., ASA, ASIA.</p>	<p><b>Mr M W Parkinson C.B.E.</b> B.A (Hons), MBA. (Stanford).</p>
<p>Mr Schoer is the Group Chairman of IOOF Holdings and has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1994 to 2002. Mr Schoer brings considerable business and corporate governance experience to the Board. From 1990 to 1995 he was National Director of the Australian Stock Exchange Ltd and from 1980 to 1990 he was the Chief Executive Officer of the National Companies and Securities Commission. Currently Mr Schoer is Chairman of IOOF Investment Management Limited, a Director of IOOF Life Ltd and a member of the Audit Committee and the Governance, Compliance and Risk Committee. His other directorships include Chairman of Rabinov Diversified Property Trust and Blue Tongue Entertainment Ltd and a Director of Ferngrove Vineyards Ltd, The Australian Pacific Exchange Ltd and Tambour Holdings Ltd. He is a member of the advisory board of the Centre for Corporate Law and Securities Regulation at the University of Melbourne. He is an Emeritus Trustee of the Committee for Economic Development of Australia.</p>	<p>Dr Sexton has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002 and was previously Chairman of IOOF Australia Trustees Limited. He is currently Chairman of Australian Financial Planning Network Ltd, a Director of Perennial Investments Partners Limited, and a member of the Remuneration and Nominations Committee. 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 and the Motor Accident Commission (SA). He served as Chairman of IOOF Friendly Society (SA) and the SA Motor Accident Commission, Deputy Chairman of Korvest Ltd and a Director of Hyundai Automotive Distributors. He was Managing Director of investment bank Challenger Beston Limited (formerly Beston Pacific Corporation Limited) from 1991 to 2002. Dr Sexton has 20 years experience in senior management and is a specialist in the areas of corporate reconstruction, mergers and acquisitions and privatisation.</p>	<p>Mr Crivelli has been an Executive Director of IOOF Holdings Ltd since 2002. He was 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 and other subsidiary companies within the Perennial Group. Mr Crivelli has previously been a Director of BT Funds Management Ltd and various listed BT investment companies, Barnardos Ltd, State Super Financial Services Ltd, TIF Nominees Pty Ltd (Manager of the TWU Super Fund), State Wide Roads Ltd, Colonial Agricultural Ltd and Australian Investment Managers' Association (now part of IFSA). Mr Crivelli has over 40 years experience in the investment banking and funds management industries.</p>	<p>Mr Parkinson has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002. He is currently a Director of IOOF Investment Management Ltd, Perennial Investment Partners Ltd and IOOF Life Ltd. He is also Chairman of the Governance, Compliance and Risk Committee. Mr Parkinson spent 12 years with the Citibank Group in Australia (commencing in 1971), in senior management roles in corporate and merchant banking, including Managing Director of Grindlays Australia for five years. Previous experience also includes several years with Unilever Ltd in the UK. For the past 20 years he has run his own corporate advisory business specialising in international trade and investment opportunities. Awarded CBE in 1990, he is a Past Federal Chairman of the Australian-British Chamber of Commerce and Past Chairman of the National Fund Raising Committee of the Cambridge Australia Trust.</p>





**Mr I Blair O.A.M.**  
M.Mgt, FCA.

Mr Blair has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was 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 Chairman of the Audit Committee and a member of the Remuneration and Nominations Committee. Mr Blair is a Chartered Accountant and a company Director, having had a long career with accounting firm Deloitte Touche Tohmatsu, including 5 years as Chief Executive Officer of the firm. He is also a Director of SAS Trustee Corporation (NSW State Superannuation Fund), Melbourne Business School Ltd and Sisters of Charity Health Service Ltd. Mr Blair has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community.



**Ms K D Spargo**  
L.L.B. (Hons.), B.A., FAICD.

Ms Spargo has been a Non-Executive Director of IOOF Holdings Ltd since 2002. She was a Non-Executive Director of IOOF Ltd from 1999 to 2002. She is currently a Director of Australian Financial Planning Network Ltd, a member of the Audit Committee and Chairman of the Remuneration and Nominations Committee. Ms Spargo has been a Company Director and adviser in strategy and governance for over 10 years following a career in legal practice in both the public and private sectors. She is currently serving as a Director on the boards of Pacific Hydro Ltd, Fulton Hogan Ltd, Neurosciences Victoria Limited, Australian Pork Ltd, three Melbourne University Subsidiary Companies, being Melbourne University Private Ltd, Uniseed Pty Ltd and Melbourne Ventures Pty Ltd. She is also a member of the Melbourne International Arts Festival. Ms Spargo was Chairman of HomeStart Finance for seven years.



**Mr R Dewhurst**  
ASIA

Mr Dewhurst was appointed IOOF Group Chief Executive Officer in April 2004 and is also currently an Executive Director of a number of group subsidiaries. He has over 30 years domestic and international experience in investment and financial services management. Most recently, Mr Dewhurst was Head of Americas for JP Morgan Fleming Asset Management in New York and oversaw businesses for JP Morgan in Asia, Europe and the US, covering asset management, securities and investment banking. Prior to joining JP Morgan in 1993 he was Managing Director for ANZ McCaughan Securities Ltd. He is a Director of Acctrak21 International Ltd, Breast Cancer Network of Australia, Global Art Source and National Gallery of Victoria and Pride Capital Partners LLC.

# committed

## Executive Team



**Ms A Bisogni**  
General Counsel  
L.L.B (Hons), B.A

Ms Bisogni is a lawyer with over 12 years experience in corporate law working for firms such as Mallesons Stephen Jaques and Rothschild Asset Management Limited / Sagitta Wealth Management Limited. She has a wide range of experience in relation to all aspects of the law relating to mergers and acquisitions and the provision of financial services with particular emphasis on Corporations Act products, superannuation and pension funds, life insurance, consumer credit insurance and friendly societies.



**Mr D Booth**  
General Manager, Operations  
B.Sc., MAICD.

Mr Booth has over 16 years experience in the funds management and financial services industry, working for companies such as AMP and SMF Funds Management before joining the IOOF Group. His expertise and experience lies in the areas of administration, finance, product development and technology. He has executive responsibility for the IOOF Group's investor services, call centre, investment & accounting services and information technology operations. Mr Booth is an Executive Director of IOOF Investment Management Ltd and a member of IOOF's Investment Policy Committee. He is also Chairman of the IOOF's Business Program Steering Committee and is responsible for the IOOF Program Office in this capacity.



**Mr J Brown**  
General Manager,  
Retail Funds Management  
B.Bus.(Acc.),  
Grad. Dip. (Bnk&Fin.); MBA

Mr Brown has over 12 years financial services experience within a range of companies including IOOF Investment Management, ING Australia, Colonial State Bank, Challenge Bank and National Australia Bank. Mr Brown has executive responsibility for the manufacturing and distribution functions of the IOOF Group, and is currently in charge of marketing, product, sales, IOOF's dealer group, Winchcombe Carson Financial Planning and dealer services division, Australian Financial Planning Network. His previous experience in banking and funds management includes a range of sales and product management positions including Head of Funds Management Distribution, Head of Funds Management Markets and Head of Funds Management Product at ING Australia. Mr Brown is currently a Director of a number of Group subsidiaries and is a Responsible Officer of the IOOF Group.



**Ms M Latham**  
Company Secretary  
B.Fin Admin., CA, ASIA

Ms Latham has over 8 years experience in chartered accounting and over 14 years experience in the financial services industry, working for companies including Touche Ross, Unibank, Merrill Lynch and the IOOF Group. Over this time she has gained valuable experience in the industry, most notably in the areas of finance, audit, company secretarial, risk management, legal and compliance. Her experience has covered various areas of the industry including stockbroking, futures broking, investment banking, retail and wholesale funds management and financial planning. She is currently a member of the Governance, Compliance and Risk Committee and secretary of a number of Group subsidiaries.



**Mr A Mollison**  
Chief Financial Officer  
B.Bus Acct., FCPA FAIBF AICD

Mr Mollison has over 21 years experience in finance, including the past 17 years in the financial services industry. He has held senior finance positions at IOOF, MLC and a division of Amcor. He also worked overseas in the U.K. for several years at HSBC, James Capel and a global investment trust. In particular, he has experience in financial management and control, retail and wholesale funds management, treasury, balance sheet management, commercial funding, risk assessment, acquisitions, divestments and investment banking.



**Mr P Wallbridge**  
General Manager, Human Res.  
B.Ed., Grad Dip Bus (HR)

Mr Wallbridge joined the IOOF Group in October 1998 after 10 years in senior human resources roles with National Mutual/ AXA Asia Pacific. He works closely with the Group Chief Executive Officer in the ongoing development of the IOOF management culture, and is responsible for human resources strategy, policy and consulting services across the Group. He also oversees the property, payroll and fleet services functions. Mr Wallbridge is secretary to the Remuneration and Nomination Committee.



**Mr A P Hodges**  
Head of Strategy  
Dip FP., FAICD (Dip). FSIA

Mr Hodges was appointed as an Executive Director of IOOF Holdings Ltd in September 2004. Mr Hodges' 31-year career in the securities industry spans both merchant banking and investment management. He has held senior positions with AMP Morgan Grenfell Acceptances and AMP Discount Corporation before joining the IOOF Group in 1985 and establishing the Investment Division as Head of Investments. He has extensive experience in establishing and managing successful investment management teams, and is a founding director of Perennial Investment Partners. He is currently an Executive Director of a number of IOOF Group subsidiaries. He is a Fellow of the Securities Institute of Australia and has been involved with the Institute for some 18 years as a principal lecturer and is a member of the Economics Savings and Tax Committee of IFSA.

## Regulatory bodies that govern IOOF

There are a number of organisations that regulate the conduct of participants in the financial services industry. The following is a summary of the powers and functions of these major industry regulators.

### Australian Securities and Investments Commission (ASIC)

The Australian Securities and Investments Commission (ASIC) has primary responsibility for administering and ensuring compliance with the Corporations Act 2001, the ASIC Act 2001 and other relevant legislation. ASIC regulates and informs the public about Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit.

### Australian Prudential Regulation Authority (APRA)

The Australian Prudential Regulation Authority (APRA) is the prudential regulator of banks, insurance companies, superannuation funds, credit unions and building and friendly societies. Prudential regulation is essential for the establishment and enforcement of prudential standards and practices designed to ensure the financial soundness of these institutions.

As a regulator, APRA sets standards, including capital requirements for financial institutions to maximise the likelihood that they remain financially sound. In the case of superannuation funds, APRA ensures that trustees are aware of their obligations to members and manage the funds in their care in accordance with the members' best interests. APRA cooperates closely with ASIC and the Reserve Bank of Australia.

### Australian Taxation Office (ATO)

The Australian Taxation Office is also a regulator in the industry. Its relevant regulatory powers include Self Managed Superannuation Funds, that is, funds with fewer than five members.

The ATO also has the power to issue taxation rulings in relation to products, for example tax effective investment schemes. Product Rulings assist participants in schemes by providing certainty on claimed tax benefits.

### Australian Stock Exchange (ASX)

The ASX operates Australia's primary national stock exchange for equities, derivatives and fixed interest securities. It also provides comprehensive market data and information to a range of users. ASX Listing Rules govern the admission of entities to the official list and quotation of their securities. They also govern disclosure and some aspect of a listed entity's conduct.

### Industry Professional Bodies

There are a number of industry professional bodies that are responsible for the rules and codes of conduct, which regulate the actions of its members.

Some of these include the following:

- Financial Planning Association Ltd of Australia (FPA)
- Securities Institute of Australia (SIA)
- Investment and Financial Services Association (IFSA)
- Association of Superannuation Funds of Australia (ASFA)
- Association of Financial Advisers (AFA)
- Certified Practising Accountants (CPA)
- Institute of Chartered Accountants in Australia (ICAA).

IOOF Investment Management Ltd is a member of IFSA and has given an undertaking to comply with the IFSA standards.



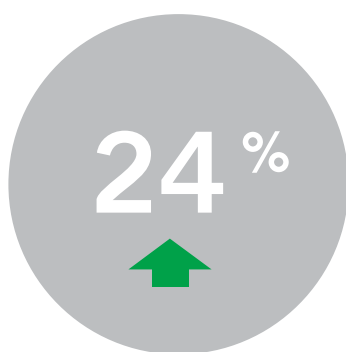


## How does IOOF measure its performance?

Revenue

Operating expense to gross margin

Net profit after tax



Revenue has increased from \$159.7 million to \$198.4 million.

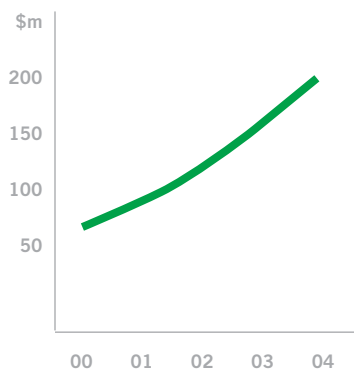


Operating expense to gross margin has decreased from 96% to 80%.

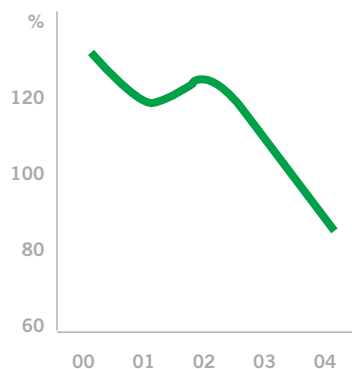


Net profit after tax has increased from \$34.7 million to \$41.6 million.

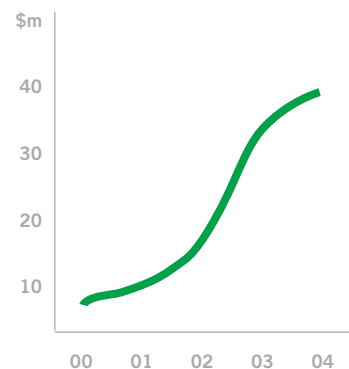
### Scorecard – our 5 year performance



Represents revenue from ordinary activities. Of note is the fact that the increase has occurred despite the loss of revenue from the Health Insurance business that was sold in the prior year.



Operating expense excludes commission, management fees, non-cash and non-recurring items. Gross margin equals revenue & equity accounted profit, net of commission & management fees. Non recurring revenue items are excluded. To allow comparability over time, in years prior to 2004, only the financial services operations are considered.



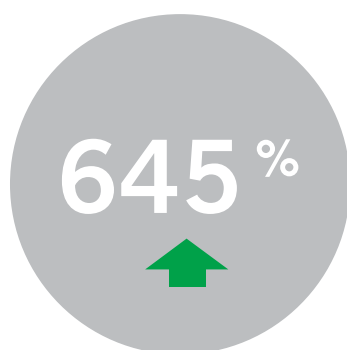
Net Profit after Tax is as reported in the statement of financial performance.

Prospectus: \$141 million  
Actual: \$198 million

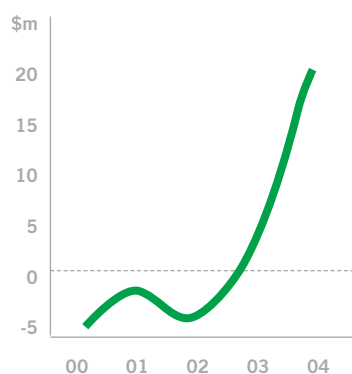
Prospectus: 81%  
Actual: 80%

Prospectus: \$22.5 million  
Actual: \$41.6 million

## Cash earnings



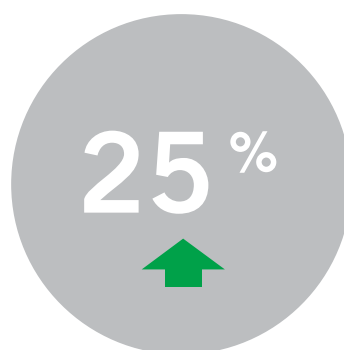
Cash earnings have increased from \$2.5 million to \$18.8 million.



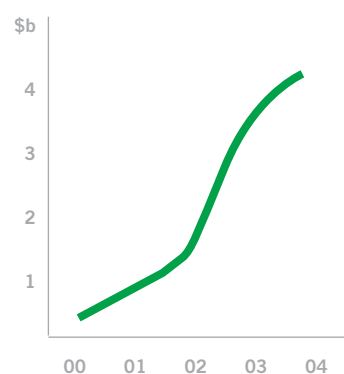
Cash earnings are represented by gross margin less operating expenses. Excluded from these earnings are non cash and non recurring items. To allow comparability over time, in years prior to 2004, only the financial services operations are considered.

**Prospectus:** \$14.6 million  
**Actual:** \$18.8 million

## Funds inflows



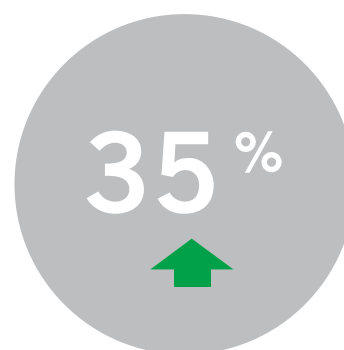
Funds inflows have increased from \$3.6 billion to \$4.5 billion.



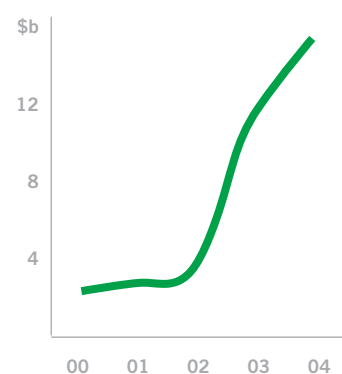
Funds inflows represent the gross deposits into IOOF/Perennial investment products during the financial year.

**Prospectus:** \$3.2 billion  
**Actual:** \$4.5 billion

## Assets under Management



Assets under Management have increased from \$11.8 billion to \$15.9 billion.



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

**Prospectus:** \$13.8 billion  
**Actual:** \$15.9 billion

## How did IOOF perform last year?

The following is a review of IOOF's Operating results for the period.

### Non-Recurring Events

The Group divested its Health business in 2003 and the Group's operations are now concentrated around funds management & administration and financial planning. The 2004 financial statements do not contain any contribution from the operations of the Health business. In 2003, the overall contribution from the Health business (including profit on sale) was \$8.1 million.

Non-recurring items in the 2004 financial statements, and their effect on Net Profit Before Tax are: Profit on sale of shares in investments (\$3.5 million), ASX Listing costs, not netted against proceeds of capital (\$0.5 million), and termination costs associated with specified executives of \$3.7 million.

### Shareholder returns

Total Shareholder Return (TSR) is one measure that is used to calculate the investment return from holding a share in IOOF over a specified period of time. The TSR is calculated as the share price at the end of the period plus any dividends paid, divided by the share price at the beginning of the period (adjustments are made in the case of the number of shares on issue changing over the period).

The IOOF share price (ASX Code: IFL) at 30 June 2004 was \$4.80. The TSR to 30 June 2004 was 52% on the listing price. Over the period that IOOF shares have been listed, the ASX Financials Accumulation Index rose 13%.

Based on this solid performance the Directors declared a final dividend of 10 cents per share, franked to 100%, payable on 13th October 2004.





**IOOF recognises the importance of effectively managing key stakeholder relationships and utilising available resources to continuously improve the way we do business.**

### Cash, Liquidity and Funding

At 30th June 2004, the Group had \$81 million in cash and assets that can be readily converted into cash. The Group had no interest bearing debt and has in place a \$20 million cash advance facility, which can be drawn upon if required. The Group requires a minimum of around \$15 million to \$20 million for regulatory capital purposes.

Approximately \$41 million (net) was raised by the Group during listing on the ASX in 2003.

## What is IOOF doing to improve its performance?

IOOF recognises the importance of effectively managing key stakeholder relationships and utilising available resources to continuously improve the way we do business.

### Relationships

IOOF understands the significance of building mutually beneficial relationships, with investors, advisers and shareholders, and that the key to our continuing success is to meet and exceed our stakeholder expectations. To improve the way we manage our relationships we will focus on achieving the following outcomes:

- Upgrade our processes and systems in order to improve our service and make it easier for clients and advisers to do business with us;
- Review and enhance our product suite to match our client needs and strengthen their market competitiveness;
- Train our advisers on alternative online access channels to improve their efficiency and simplify the way they do business; and
- Educate our clients on their investment options to make informed decisions.

### Continuous improvement of IOOF resource management

It is our aim to build on our historical and recent success by constantly seeking to improve the way we do things at IOOF. With continuous improvement and effective resource management we believe we can create a sustainable competitive advantage. To achieve this we will focus on the following outcomes:

- Create policies and an environment that contribute to us retaining our talent as well as positioning us as a preferred employer of choice;
- Ensure strong long-term investment performance through the delivery of robust processes supported by vigorous fiscal discipline;
- Acquire like or relevant businesses that provide us with sustainable superior financial performance, profit growth and economies of scale, but at a low business risk;
- Allocate the required resources to maintain high levels of compliance with our legal and regulatory obligations; and
- Pursue and maintain new and existing technological innovations to make IOOF easy to do business with whilst significantly reducing administration costs. For example, in 2005 we will see the introduction of online transaction capabilities (including the ability to switch investments), as well as other new innovations.

**The IOOF Group uses risk management policies and procedures to manage its business risks.**

## What is IOOF doing to reduce risk to shareholders?

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

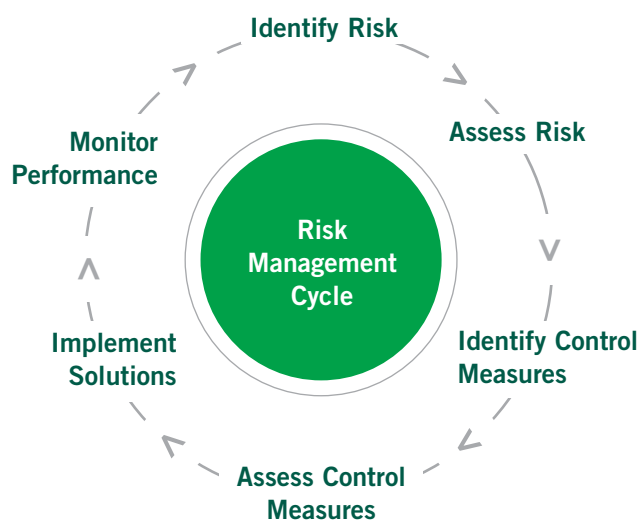
The IOOF Group has risk management policies and procedures in place to identify and manage its business risks. A formal risk management framework is in place which is aimed at identifying and controlling risks and reporting them to the Board via the relevant Committee. The framework takes account of market risk, liquidity risk, credit risk, transaction and technology risk, strategic risk and operational risk.

IOOF also has a compliance framework that covers 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 business practice.

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

### The Risk Management Process

The risk management process adopted by IOOF is the Australian/New Zealand Standard for Risk Management (AS/NZS4360) and is illustrated in the diagram below.



The above considers all risks that threaten the achievement of business objectives. The aim is to identify all unacceptably high risks and develop processes and structures to deal with them. Lower-level risks are also considered, but priority will be given to extreme and high-risk areas and their treatment to either lower the risk or minimise its impact.

This process is cyclical and ongoing. Monitoring and review at all stages of the process is critical, as is ensuring that a periodic review of risks and controls is in place.

**We are committed to good corporate governance practices to create value and provide accountability and control systems commensurate with the risk involved.**

## IOOF Corporate Governance

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

We are committed to good corporate governance practices to create value and provide accountability and control systems commensurate with the risk involved. We support the ASX Principles of Good Corporate Governance and Best Practice Recommendations (the ASX Principles), which were issued by the ASX Corporate Governance Council in March 2003.

IOOF Holdings Ltd was admitted to the Official List of the ASX on 5 December 2003 and by the 30 June 2004 the practices recommended by the ASX Corporate Governance Council had been largely implemented. We will have implemented all of the recommendations shortly and will strive for continuous improvement in these practices.

### Role of the Board

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

- The strategies and financial objectives of the Group;
- Corporate governance of the Group;
- Monitoring and ongoing assessment of risk management policies and procedures;
- Approving financial statements and reports to regulators and shareholders;
- Ensuring appropriate continuous disclosure to the market, shareholders and other interested parties;
- Appointment of the Chief Executive Officer;
- Review and approval of major acquisitions and corporate initiatives;
- Approving capital expenditure in excess of limits delegated to Committees and management;
- Approval of high level policies and Terms of Reference for Committees; and
- Allotment of securities in the company, including executive and employee share plans.

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

### Role of the Chairman

The Chairman of IOOF Holdings Ltd is an independent director. The same individual does not undertake the roles of chairman and chief executive officer. We are committed to a clear division of responsibility at the head of the company.

The Chairman provides leadership to the Board. He is responsible for the efficient management of the business of the Board and is charged with overseeing the proper operation of Board Committees. The Chairman of the Board is responsible for recommending to the Board persons for appointment as Committee members.

**IOOF's Independent Directors are rotated through Board Committees and subsidiary boards so they have a better knowledge of our operations.**

### **Role of Independent Directors**

The Board considers each of the Non-Executive Directors to be Independent Directors. In determining this, the Board considered the independence criteria set out in ASX Principle 2.

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

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

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

### **Board Committees**

The Board has a number of committees to which it has delegated various functions. These committees are comprised of either all, or a majority of, independent directors or other external parties and, where applicable, comply with the ASX Principles of Good Corporate Governance and Best Practice Recommendations. Each committee has its own Terms of Reference. These include measurable objectives, which can be assessed and are reviewed annually.

#### **Audit Committee**

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

The Audit Committee oversees and appraises the quality of the audits conducted by the IOOF Group's internal and external auditors and emphasises areas where the Committee believes special attention is required. The current internal 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 periodically, in line with industry best practice. We believe in the ongoing assessment of our audit arrangements and will comply with any regulatory requirements to rotate our external audit partner.

The Audit Committee also reviews the effectiveness of administrative, operating and accounting controls. This Committee is currently composed of all independent directors and is chaired by a qualified accountant. The members are Mr Ian Blair (Chair), Mr Raymond Schoer and Ms Kate Spargo. A copy of the Committee's Terms of Reference is available on IOOF's website.

#### **Governance, Compliance & Risk Committee**

IOOF is committed to good corporate governance and to provide particular focus to this responsibility, the Board of IOOF has also established a Governance, Compliance &

Risk Committee. This assists the Board in the effective discharge of its responsibilities in ensuring that a fitting governance framework is in place to promote an appropriate risk and compliance culture across the IOOF Group. This Committee also reviews the statutory and regulatory obligations and industry standards that affect IOOF in its operations, to ensure that the systems of risk control and oversight implemented by management are robust and effective. The Committee is comprised of a majority of Independent Directors, being Mr Michael Parkinson (Chair) and Mr Raymond Schoer, together with the Company Secretary, Ms Mary Latham.

### **Remuneration & Nomination Committee**

The Remuneration and Nomination Committee is responsible to the Board for nominating and recommending the appointment of Independent Directors and the Chief Executive Officer and for the establishment of the directors' remuneration structure.

Directorship is generally reviewed annually, with the policy that there should be sufficient rotation of directors to meet good corporate governance standards. The current policy of the company is to retire one third of directors each year. The Remuneration and Nomination Committee operates under an agreed charter that is subject to periodic review and currently comprises three Independent Directors, Ms Kate Spargo (Chair), Dr Roger Sexton and Mr Ian Blair.

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

### **Performance Evaluation**

IOOF has a formal performance evaluation process, which establishes objectives, Key Result Areas and Key Performance Indicators. Underpinning this policy is the belief that performance planning and regular performance reviews constitute sound business practice. We are currently undertaking a full Board evaluation with individual director evaluations to be completed by the end of calendar year 2004. We note that the ASX Principles of Good Corporate Governance and Best Practice Recommendations require that a Board evaluation is undertaken every year and IOOF's aim is to comply with this requirement going forward.

### **Continuous Disclosure**

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

The procedures, which have been developed to comply with these rules, include immediate reporting of any matter that could potentially have a material effect. The Company Secretary is responsible for monitoring information that could be price

**Our aim is to keep shareholders and the market informed about any interesting developments.**

sensitive, liaising with the Chief Executive Officer and the Continuous Disclosure Committee to make an initial assessment, and escalating such information to the Board for disclosure where practicable. It is noted there can be no delay in informing the ASX; if the Board is not immediately available, the Company Secretary is authorised to lodge such information.

Price-sensitive information will be disclosed, in the first instance, to the Australian Stock Exchange and disclosures to the market will then be placed on IOOF's website.

### Other Shareholder Communications

We seek to enhance the usual financial and regulatory reporting to shareholders by producing regular Shareholder Bulletins and an Investment Market Review that is generated on a quarterly basis. The IOOF website also includes up-to-date news items about the company. Our aim is to keep our shareholders and the market informed about any developments that they might find of interest.

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

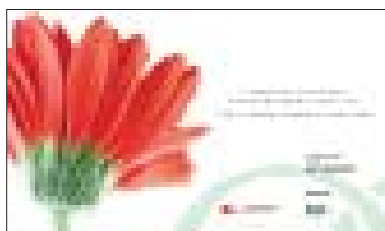
### Independent Legal and Other Advice

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

### Code of Conduct

IOOF is committed to a Code of Conduct and to our mission, vision and values, which are described in our Company Charter. We communicate and assess our staff on our core values, together with a number of other key attributes that have been identified as being imperative to the success of the company.

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



**We are proud to say that at IOOF our heritage is founded on a commitment to the community and environment of which we are participants.**

## What is IOOF doing to ensure the sustainability of its future?

Historically, companies have been responsible for reporting solely on the financial outcomes of their actions to shareholders in the annual report. The focus on sustainable development has changed these practices over the years, and this trend has been broadened to give greater transparency and accountability to sustainability initiatives that include social and environmental activities.

We are proud to say that at IOOF our heritage is founded on a commitment to the community and environment of which we are participants.

As a public company, our commitment to the community and environment is just as relevant today. We believe that establishing ourselves as a good corporate citizen is an integral part of our future.

Geoffrey Blainey,  
"Odd Fellows: A History  
of IOOF Australia"

**"In suburbs and in country towns the lodges of the IOOF were ahead of their time, providing sickness and funeral benefits long before there was a welfare state."**

## Our commitment to the community

The IOOF Foundation was established in June 2002 as part of the demutualisation of IOOF. It is a not-for-profit organisation that was established to recognise the historical origins of IOOF and the important role we have played in the Australian community since 1846.

The Trustees of the Foundation have agreed that the Foundation will support the following groups of people within the Australian community:

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

During the past year, the IOOF Foundation has made the following grants, totalling \$205,000, to assist the operations of these Australian organisations:

**Good Shepherd Youth  
& Family Services**

\$30,000 to fund the continuation of their [Mentoring One-on-One Volunteers](#) program.

The mentoring program is a preventative program which enables disadvantaged young people to be partnered with screened, trained volunteer mentors, with a focus on developing a trusting and worthwhile personal relationship by sharing fun, activities and friendship.

**Hanover Welfare Services**

1. | \$25,000 to the **Kids First** program at Hanover's Dandenong-based service.

The **Kids First** program addresses the specific needs of children from homeless families, for example, providing specialist medical or dental assistance, purchasing text books or covering the cost of a school excursion.

2. | \$25,000 to fund the ongoing operations of the **Hanover Inner North Support Service** and the **Hanover Outreach Team**

This grant enabled the Hanover organisation to assist families with rent payments to prevent eviction, pay for crisis shelter and provide emergency relief for example food, clothing and necessary personal hygiene items.

**Somebody's Daughter Theatre**

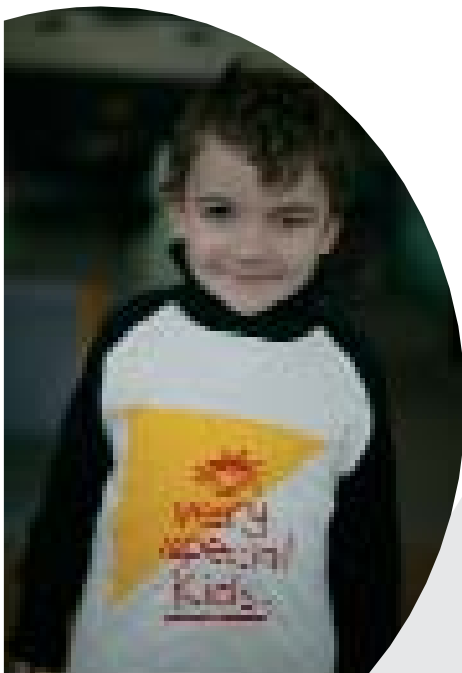
- \$25,000 to fund the purchase of a vehicle to transport people participating in the **Breaking the Cycle** project.

The **Breaking the Cycle** project caters for young people from rural northeast Victoria, who have fallen out of the formal education system at a young age. The primary purpose of this project is to help break the intergenerational cycles of abuse, violence, addictions and poverty for these young people through an arts and education program.

**Very Special Kids**

- \$38,000 to fund **Family Support Volunteers** training sessions throughout the year.

**Very Special Kids** supports families throughout their experience of caring for children with life-threatening illnesses, from diagnosis through to recovery or bereavement. **Very Special Kids** provides a range of physical, emotional, social and spiritual support, which is offered holistically, centred on the family, with specialist staff and trained volunteers and with the engagement of the community.





**Wintringham**

1. | \$37,000 to fund the purchase of 10 electric beds at the first nursing home for homeless people, currently under construction.

Wintringham (in Victoria) is currently constructing the first nursing home for homeless people in Australia. The nursing home will provide intensive care for 60 aged and frail men and women.

2. | \$25,000 to support the ongoing operations of the [Outreach Program](#).

Wintringham has an outreach program where workers provide support, advice and referrals to homeless aged people in a variety of locations. These workers attempt to procure everyday necessities such as beds, clothes, medications, personal hygiene items, and where possible, occasional excursions or visits to places of interest.

Over the coming year, the Foundation will continue to make grants and will actively seek additional donations. The Foundation will also be working to integrate its activities with the existing IOOF charitable activities.

If you would like additional information on the IOOF Foundation, or would like to make a donation, please contact Mary Latham on 131 369.

## Our commitment to the environment

We recognise the growing demand and obligation to understand the full impact of our operations on the environment and to develop innovative solutions to meet our environmental responsibilities. Reducing our consumption of natural resources such as energy, paper and water, with the aim of minimising waste to landfill and reducing emissions of greenhouse gases is an example of one of the many environmental initiatives we are investigating.

## Our commitment to IOOF staff

In 2003, IOOF introduced an Employee Equity Program with the aim of facilitating employee share ownership more broadly across the Company. The Board believes that this will provide benefits to both IOOF and its shareholders through the alignment of employees' interests with those of shareholders. As a result of this program, which was launched in conjunction with IOOF's ASX Listing, many of our staff are now shareholders of IOOF.

A number of other initiatives for our staff aim to:

- Foster a culture that assists us to retain our existing talent and also attract industry professionals who are aligned with our organisational values;
- Provide financial support to the many staff who are undertaking external studies to enhance their skill sets and build their expertise;
- Accommodate more flexible and family friendly work practices, to address the growing recognition of the importance of work-life balance; and
- Increase staff engagement and satisfaction leading to higher productivity and commitment to IOOF's success, improved brand strength and customer satisfaction.

**IOOF fosters a culture that assists us to retain our existing talent and also attract industry professionals who are aligned with our organisational values.**

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This concise report has been derived from the full financial report for the year ended 30 June 2004. The full financial report and auditor's report will be sent to shareholders on request, free of charge. Please call 131 369 and a copy will be forwarded to you.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of IOOF Holdings Ltd and its controlled entities as the full financial report.

IOOF Holdings Ltd  
A.B.N. 49 100 103 722

# Concise Financial Report

For the year ended 30 June 2004

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## IOOF HOLDINGS LTD

### Directors' Report

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The Directors of IOOF Holdings Ltd ("the Company") present the annual concise financial report for IOOF Holdings Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2004.

### 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:

**Mr R J Schoer** (Age 70)  
B.Admin., FCPA, FAICD, FCIS, FAIM.

#### Experience and Directorships

Mr Schoer is the Group Chairman of IOOF Holdings and has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1994 to 2002. Mr Schoer brings considerable business and corporate governance experience to the Board. From 1990 to 1995 he was National Director of the Australian Stock Exchange Ltd and from 1980 to 1990 he was the Chief Executive Officer of the National Companies and Securities Commission. Currently Mr Schoer is Chairman of IOOF Investment Management Limited, a Director of IOOF Life Ltd and a member of the Audit Committee and the Governance, Compliance and Risk Committee. His other directorships include Chairman of Rabinov Diversified Property Trust and Blue Tongue Entertainment Ltd and a Director of Ferngrove Vineyards Ltd, The Australian Pacific Exchange Ltd and Tambour Holdings Ltd. He is a member of the advisory board of the Centre for Corporate Law and Securities Regulation at the University of Melbourne. He is an Emeritus Trustee of the Committee for Economic Development of Australia.

#### Special Responsibilities

- Chairman of IOOF Holdings Ltd
- Audit Committee Member
- Chairman of Listing Due Diligence Committee
- Member of the Governance, Compliance and Risk Committee

<b>Shares in IOOF Holdings Ltd</b>	1,315
<b>Shares in Perennial Investment Partners Limited</b>	NIL
<b>Units in IOOF Registered Schemes</b>	NIL

**Dr R N Sexton** (Age 54)

B.Econ. (Hons), M. Econ, Ph.D.(Econ)., FAICD, FAIM.

**Experience and Directorships**

Dr Sexton has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002 and was previously Chairman of IOOF Australia Trustees Limited. He is currently Chairman of Australian Financial Planning Network Ltd, a Director of Perennial Investments Partners Limited, and a member of the Remuneration and Nominations Committee. Dr Sexton is Chairman of the Venture Capital Board in South Australia, Chairman of IOOF (SA) Limited, Deputy Chairman of the Beston Wine Industry Trust and a Director of IBIS World Pty Ltd and the Motor Accident Commission (SA). He served as Deputy Chairman of Korvest Ltd and a Director of Hyundai Automotive Distributors. He was Managing Director of investment bank Challenger Beston Limited (formerly Beston Pacific Corporation Limited) from 1991 to 2002. Dr Sexton has 20 years experience in senior management positions with both international and Australian companies.

**Special Responsibilities**

- Deputy Chairman of IOOF Holdings Ltd
- Member of the Remuneration and Nominations Committee
- Listing Due Diligence Committee Member

<b>Shares in IOOF Holdings Ltd</b>	12,313
<b>Shares in Perennial Investment Partners Limited</b>	NIL
<b>Units in IOOF Registered Schemes</b>	NIL

**Mr M U R Crivelli** (Age 65), B.Ec., ASA, ASIA.**Experience and Directorships**

Mr Crivelli has been an Executive Director of IOOF Holdings Ltd since 2002. He was 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 Limited, Perennial Investment Partners Asia Limited and Perennial Value Management Limited. Mr Crivelli has previously been a Director of BT Funds Management Ltd and various listed BT investment companies, Barnardos Ltd, State Super Financial Services Ltd, TIF Nominees Pty Ltd (Manager of the TWU Super Fund), State Wide Roads Ltd, Colonial Agricultural Ltd and Australian Investment Managers' Association (now part of IFSA). Mr Crivelli has over 40 years experience in the investment banking and funds management industries.

<b>Shares in IOOF Holdings Ltd</b>	16,043
<b>Shares in Perennial Investment Partners Limited</b>	4,140
<b>Shares in Perennial Investment Partners Asia Limited</b>	5,000
<b>Units in IOOF Registered Schemes</b>	1,425,882

**Mr M W Parkinson C.B.E.** (Age 61), B.A. (Hons), MBA. (Stanford)

#### Experience and Directorships

Mr Parkinson has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002. He is currently a Director of IOOF Investment Management Limited, Perennial Investment Partners Limited and IOOF Life Ltd. He is also Chairman of the Governance, Compliance and Risk Committee. Mr Parkinson spent 12 years with the Citibank Group in Australia (commencing in 1971), in senior management roles in corporate and merchant banking, including Managing Director of Grindlays Australia for five years. Previous experience also includes several years with Unilever Ltd in the UK. For the past 20 years he has run his own corporate advisory business specialising in international trade and investment opportunities. Awarded CBE in 1990, he is a Past Federal Chairman of the Australian-British Chamber of Commerce and Past Chairman of the National Fund Raising Committee of the Cambridge Australia Trust.

#### Special Responsibilities

- Chairman of the Governance, Compliance and Risk Committee

<b>Shares in IOOF Holdings Ltd</b>	1,315
<b>Shares in Perennial Investment Partners Limited</b>	NIL
<b>Units in IOOF Registered Schemes</b>	NIL

**Mr I Blair O.A.M.** (Age 57), M.Mgt, FCA

#### Experience and Directorships

Mr Blair has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was 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 Chairman of the Audit Committee and a member of the Remuneration and Nominations Committee. Mr Blair is a Chartered Accountant and a company Director, having had a long career with accounting firm Deloitte Touche Tohmatsu, including 5 years as Chief Executive Officer of the firm. He is also a Director of SAS Trustee Corporation (NSW State Superannuation Fund), Melbourne Business School Ltd and Sisters of Charity Health Service Ltd. Mr Blair has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community.

#### Special Responsibilities

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

<b>Shares in IOOF Holdings Ltd</b>	9,677
<b>Shares in Perennial Investment Partners Limited</b>	NIL
<b>Units in IOOF Registered Schemes</b>	NIL

**Ms K D Spargo** (Age 52), L.L.B. (Hons.), B.A., FAICD

#### Experience and Directorships

Ms Spargo has been a Non-Executive Director of IOOF Holdings Ltd since 2002. She was a Non-Executive Director of IOOF Ltd from 1999 to 2002. She is currently a Director of Australian Financial Planning Network Ltd, a member of the Audit Committee and Chairman of the Remuneration and Nominations Committee. Ms Spargo has been a Company Director and adviser in strategy and governance for over 10 years following a career in legal practice in both the public and private sectors. She is currently serving as a Director on the boards of Pacific Hydro Ltd, Fulton Hogan Ltd, Australian Pork Ltd, three Melbourne University Subsidiary Companies, being Melbourne University Private Ltd, Uniseed Pty Ltd and Melbourne Ventures Pty Ltd. She is also a member of the Melbourne International Arts Festival. Ms Spargo was Chairman of HomeStart Finance for seven years.

#### Special Responsibilities

- Audit Committee Member
- Chairman of Remuneration and Nominations Committee

<b>Shares in IOOF Holdings Ltd</b>	3,328
<b>Shares in Perennial Investment Partners Limited</b>	NIL
<b>Units in IOOF Registered Schemes</b>	NIL

The name and particulars of Directors of the Company who were appointed and resigned during the financial year and up to the date of this report are:

**Mr R Dewhurst** (Age 52) ASIA (Appointed 19 April 2004)

#### Experience and Directorships

Mr Dewhurst was appointed IOOF Group Chief Executive Officer in April 2004 and is also currently an Executive Director of a number of group subsidiaries. He has over 30 years domestic and international experience in investment and financial services management. Most recently, Mr Dewhurst was Head of Americas for JP Morgan Fleming Asset Management in New York and oversaw businesses for JP Morgan in Asia, Europe and the US, covering asset management, securities and investment banking. Prior to joining JP Morgan in 1993 he was Managing Director for ANZ McCaughan Securities Ltd. He is a Director of Acctrak21 International Ltd, Breast Cancer Network of Australia, Global Art Source and National Gallery of Victoria and Pride Capital Partners LLC.

<b>Shares in IOOF Holdings Ltd</b>	NIL
<b>Shares in Perennial Investment Partners Limited</b>	NIL
<b>Units in IOOF Registered Schemes</b>	NIL

**Mr R J Turner** (Age 61) B. Com, FAICD. (Resigned 16 April 2004)

#### Experience and Directorships

Mr Turner was an Executive Director of IOOF Holdings Ltd from 2002 to April 2004. Prior to that, he was an Executive Director of IOOF Ltd from 1996 to 2002. He was also Executive Director of many IOOF Group subsidiary entities including IOOF Life Ltd, IOOF Ltd and IOOF Investment Management Limited. Mr Turner has had extensive experience in the financial services industry.

#### Special Responsibilities

- Former Member of Listing Due Diligence Committee

<b>Shares in IOOF Holdings Ltd</b>	Not Available
<b>Shares in Perennial Investment Partners Limited</b>	NIL
<b>Units in IOOF Registered Schemes</b>	NIL

**Mr C Macek** (Age 57)

B.Ec., M.Admin (Monash), FCPA, FSIA, FAICD, FAIM. (Resigned 19 August 2003)

#### Experience and Directorships

Mr Macek was a Non-Executive Director of IOOF Holdings Ltd from August 2002 until his resignation. Mr Macek joined the board of IOOF following an extensive career in the managed funds industry. He is the Chairman of Sustainable Investment Research Institute Pty Ltd and holds positions on various other boards.

#### Special Responsibilities

- Former Member of Remuneration and Nominations Committee

<b>Shares in IOOF Holdings Ltd</b>	Not Available
<b>Shares in Perennial Investment Partners Limited</b>	NIL
<b>Units in IOOF Registered Schemes</b>	NIL

## 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.

In December 2003, IOOF Holdings Ltd listed on the Australian Stock Exchange.

Mr R J Turner concluded his tenure as Group Managing Director and resigned from the position of executive director on 16 April 2004.

Mr R Dewhurst was appointed to the position of Chief Executive Officer and executive director on 19 April 2004.

The 30 June 2004 financial year includes full year results of the business acquired from AM Corporation in March 2003. The group continued its integration of all businesses acquired from AM Corporation with considerable synergies being achieved. This process is coming to a close with further benefits expected to be realised in the coming financial year.

During the year, the life insurance business of AM Life Limited was transferred under a Part 9 Scheme of Arrangement from AM Life Limited to IOOF Life Limited. As part of the original purchase agreement with AM Corporation Ltd ("the vendor"), IOOF Investment Holdings Ltd, the direct owner of AM Life and a wholly owned subsidiary of IOOF Holdings Ltd, exercised its put option to return AM Life Limited to the vendor.

The IOOF Group divested part of its holding in Perennial Value Management Limited. Shares in Perennial Value Management Limited were sold to Directors of the controlled entity resulting in a profit on sale of \$2,052,000. Perennial Value Management Limited ceased to be a controlled entity but continues to be significantly influenced by the Group. Accordingly, the Group recognised a \$2,212,000 share of profits from the operations of Perennial Value Management during the year.

IOOF Holdings Ltd, as head entity in the tax consolidation group, 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 income tax return for the year ended 30 June 2004 is lodged. Under the tax consolidation legislation, all 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 have entered into a tax sharing agreement whereby each subsidiary member is oncharged its share of tax expense from the Head Entity.

## Consolidated Results

The consolidated net profit for the year attributable to members of the IOOF Group was \$41,102,000 (2003: \$34,693,000).

Revenue from ordinary activities includes a change in excess of net market value over net assets of controlled entities of \$31,135,000 (2003: \$30,896,000). This amount reflects the change in value of controlled entities and the increase is the result of significant growth in relation to the Perennial Group of subsidiaries and synergies and economies of scale achieved following the integration of the superannuation and fund management business acquired last year.

## Dividends

No dividend has been paid during the financial year. The Directors have recommended the payment of a final dividend of 10 cents per ordinary share franked to 100% based on tax paid at 30%.

## Review of Operations

The operating performance of the IOOF Group for the year ended 30 June 2004 is contained in the Review of Operations and Financial Condition report in the Annual Concise Report.

## Matters Subsequent to the End of the Financial Year

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board interpretations originated by the Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the IOOF Group's financial statements for the half year ending 31 December 2005.

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 Directors are continuing to examine growth strategies to maximise shareholder wealth. The Directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments to the Company and the expected results of those operations in subsequent financial years would be likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been included in this report.

## Directors' Benefits

During or since the end of the financial period, 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 as detailed in Note 10; 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 as detailed in Note 10.

## Directors' and Executives' Remuneration

The company has applied ASIC Class Order 98/2395 whereby readers are referred to the Notes to the financial statements. The principles used to determine remuneration and rewards of the company's directors and specific executives are set out in Note 10. This note includes disclosure for each of the 5 named officers of the company receiving the highest emoluments.

## Directors' Meetings

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

Director	Directors' Meetings		Committee Meetings						Subsidiary Meetings		
	Number of Meetings Held (a)	Number of Meetings Attended (b)	Remuneration/ Nominations (c) (d)		Audit (c) (d)		Listing Due Diligence (c) (d)		Governance, Compliance and Risk (c) (d)		Number of Meetings Attended by Directors (e)
Mr R J Schoer	13	13	1 <sup>(x)</sup>	1 <sup>(x)</sup>	7	7	12	11	2	2	25
Dr R N Sexton	13	12	6	6			12	8			18
Mr M U R Crivelli	13	12									21
Mr M W Parkinson, C.B.E.	13	13	5	5			12 <sup>(x)</sup>	12 <sup>(x)</sup>	2	2	32
Mr I Blair, O.A.M.	13	11			7	7					9
Ms K D Spargo	13	12	6	6	7	7					3 <sup>(z)</sup>
Mr R Dewhurst (App. 19 April 2004)	3	3	1 <sup>(x)</sup>	1 <sup>(x)</sup>	2 <sup>(x)</sup>	2 <sup>(x)</sup>					4 <sup>(y)</sup>
Mr R J Turner (Res. 16 April 2004)	10	10			2 <sup>(x)</sup>	2 <sup>(x)</sup>	12	10			14
Mr C Macek (Res. 19 August 2003)	2	2	2	2							2

(a) Reflects the number of regular board meetings held during the time the Director held office during the year.

(b) Reflects the number of board 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.

(c) Reflects the number of meetings held of the sub-committees of the Board comprising the Remuneration and Nominations Committee, the Audit Committee, the ASX Listing Due Diligence Committee and the Governance, Compliance and Risk Committee.

(d) Reflects the attendance at meetings by the appointed Board representatives of the above committees.

(e) Reflects the number of regular board meetings of subsidiary entities attended during the time the Director held office during the year.

(x) Invited by the committee members to attend the meeting as non-committee member.

(y) Invited to attend 1 of the 4 subsidiary board meetings as an observing non-director.

(z) Attended 1 of the 3 subsidiary board meetings as alternate director.

## Indemnification

During the financial year, the IOOF Group paid a premium to insure the directors and secretaries of the company and its controlled entities, and the general officers of the consolidated company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage to themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to the liabilities.

## Proceedings on behalf of the company

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

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

## Non-audit Services

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

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

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor;
- none of the services undermine the general principle relating to auditor's independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

## Environmental Regulation

The 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. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**Signed in accordance with a resolution of the Directors.**



**R J Schoer** Chairman of the Board  
Melbourne, 23 August 2004.



**R Dewhurst** Director and Chief Executive Officer

## IOOF HOLDINGS LTD

### Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2004

Consolidated			
	Notes	2004 \$'000	2003 \$'000
<b>Revenues from ordinary activities</b>	3	198,420	159,712
Expenses from ordinary activities, excluding borrowing costs expense		(166,425)	(125,288)
Borrowing costs expense		(56)	(92)
Share of Net Profits/(Losses) of associated entities accounted for using the equity method		2,214	(83)
<b>Profit from ordinary activities before income tax</b>		34,153	34,249
Income tax benefit		7,423	424
<b>Net Profit</b>		41,576	34,673
Net (profit)/loss attributable to outside equity interest		(474)	20
<b>Net Profit attributable to members of IOOF Holdings Ltd</b>	1	41,102	34,693
<b>Total revenues, expenses and valuation adjustments attributable to members of IOOF Holdings Ltd and recognised directly in equity</b>		-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>41,102</b>	<b>34,693</b>
		<b>Cents</b>	<b>Cents</b>
<b>Basic earnings per share</b>	9	71.70	71.91

The above consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes and discussion and analysis.

## Statement of Financial Position

AS AT 30 JUNE 2004

Consolidated			
	Notes	2004 \$'000	2003 \$'000
<b>Assets</b>			
Cash assets	8	62,124	24,356
Receivables		44,064	14,044
Other financial assets	5	35,687	39,363
Investments accounted for using the equity method		4,138	4,263
Other assets		14,325	15,655
Plant and equipment		1,932	2,186
Tax assets		5,938	3,891
Gross policy liabilities ceded under reinsurance		396	551
Intangible assets		14,983	9,474
Excess of net market value over net assets of controlled entities	6	125,637	93,986
<b>Total Assets</b>		<b>309,224</b>	<b>207,769</b>
<b>Liabilities</b>			
Payables		21,154	18,177
Tax liabilities		23,968	1,027
Provisions	7	14,898	22,187
Policy liabilities		500	685
Interest bearing liabilities		-	1,315
<b>Total Liabilities</b>		<b>60,520</b>	<b>43,391</b>
<b>NET ASSETS</b>		<b>248,704</b>	<b>164,378</b>
<b>Equity</b>			
Parent entity interest			
- Contributed capital		170,136	129,382
- Retained profits		75,863	34,693
<b>Total Parent Entity Interest</b>		<b>245,999</b>	<b>164,075</b>
Outside equity interests		2,705	303
<b>TOTAL EQUITY</b>		<b>248,704</b>	<b>164,378</b>

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and discussion and analysis.

## IOOF HOLDINGS LTD

### Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2004

Consolidated			
	Notes	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
Management fees received		136,416	85,371
Premium income received		773	14,142
Commission income received		12,049	10,733
Payments to suppliers and employees		(154,355)	(132,507)
Dividends/distributions received		1,013	1,891
Interest income received		2,573	1,042
Other income received		2,691	6,483
Income tax benefit received		1,247	1,259
Net cash provided by/(used in) operating activities		2,407	(11,586)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of issuing costs)		40,753	-
Payments for leased assets		(1,315)	-
Proceeds from issue of shares to minority interests		1,999	172
Dividends received		1,069	-
Net cash provided by financing activities		42,506	172
<b>Cash flows from investing activities</b>			
Cash acquired on acquisition of controlled entity		-	458
Payment for purchase of investment securities		(4,368)	(105)
Proceeds from sale of investment securities		6,578	423
Proceeds from sale of shares in controlled entity net of cash disposed		2,057	4,233
Payment for purchase of shares in associated entity		(506)	(4,217)
Payment for purchase of funds management business		-	(3,416)
Proceeds from repayment of loans and mortgage securities		97	63
Payment for purchase of plant and equipment		(1,411)	(5,500)
Payment for purchase of other intangible assets		(7,366)	-
Proceeds from sale of options		-	15
Loans to directors of controlled entities		(2,029)	(80)
Loans to related parties		(1,829)	-
Loans to executives of related parties		(1,251)	(92)
Proceeds from disposal of plant and equipment		-	3
Net cash used in investing activities		(10,028)	(8,215)
<b>Net increase/(decrease) in cash held</b>		34,885	(19,629)
<b>Cash at the beginning of the financial year</b>		40,577	60,206
<b>Cash at the end of the financial year</b>	8	<b>75,462</b>	<b>40,577</b>

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes and discussion and analysis.



## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 1. DISCUSSION AND ANALYSIS

The Annual Concise Financial Report relates to the consolidated entity consisting of IOOF Holdings Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2004.

#### Consolidated Statement of Financial Performance

The consolidated net profit for the year attributable to members of the IOOF Holdings Ltd Group ("the Group") was \$41,102,000 (2003: \$34,693,000).

Revenue from ordinary activities includes a change in excess of net market value over net assets of controlled entities of \$31,135,000 (2003: \$30,896,000). This amount reflects the change in value of controlled entities and the increase is the result of significant growth in relation to the Perennial Group of subsidiaries and synergies and economies of scale achieved following the integration of the superannuation and fund management business acquired last year.

Management fee income increased for the following reasons:

- as a result of the full year impact of the acquisition of superannuation and funds management business from AM Corporation Limited.
- total funds under management and administration at 30 June 2004 were \$15.9 billion an increase of \$4.1 billion from 30 June 2003 with the result that product revenue increased.

In line with the increase in fee revenue, commission and management fee expenses also increased during the year.

An increase in operating expenses, excluding commission and management fee expenses, occurred during the year. The main reason for this increase can be attributed to the full year impact of the increased number of employees and occupancy costs arising from the operations acquired last year. In addition, costs totalling \$3,739,000 were incurred in relation to the cessation of employment of the Group Managing Director and specified executives during the year.

The IOOF Group divested part of its holding in Perennial Value Management Limited. Shares in Perennial Value Management Limited were sold to Directors and Executives of the controlled entity for fair consideration resulting in a profit on sale of \$2,052,000. Perennial Value Management Limited ceased to be a controlled entity but continues to be significantly influenced by the Group. Accordingly, the Group recognised a \$2,212,000 share of profits from the operations of Perennial Value Management during the year.

A tax credit was generated during the year due to lodgement of an amended prior year tax return for a subsidiary following a change in legislation that allowed the utilisation of tax losses. In addition, deductions relating to restructure costs were realised during the year.

#### Consolidated Statement of Financial Position

Growth in total assets has arisen from:

- cash raised as a result of the capital raising undertaken at the time of listing in December 2003.
- an amended tax return for the year ended 30 June 2002 was lodged for a subsidiary following a change in legislation that allowed the utilisation of tax losses. A refund of tax in relation to this amendment has been recognised in the financial statements.
- implementation of the tax consolidation regime has resulted in the Company assuming tax-related liabilities on behalf of benefit funds of a controlled entity. The benefit funds will compensate the Company for assuming these liabilities and therefore, a receivable from related parties has been recognised.
- capitalisation of IT integration costs and software development costs as an intangible asset where these costs will result in future economic benefits.

Liabilities have mainly increased as a result of the assumption of tax related liabilities from the benefit funds. This has partially been offset by a reduction in provisions. Redundancy and acquisition payments made in accordance with the planned restructure of the business following the acquisition of the superannuation and life insurance business last year have reduced the level of provisions.

#### Consolidated Statement of Cash Flows

Cash and cash equivalents have increased primarily as a result of capital raising that was undertaken at the time of listing in December 2003. Sale of listed equity securities provided liquidity prior to listing and assisted in the acquisition of additional ownership interests in a controlled entity.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 2. SEGMENT INFORMATION

##### Primary reporting – business segments

	Wholesale Funds Management	Retail Funds Management and Administration	Inter-segment eliminations/ Unallocated	Consolidated
2004	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities	6,036	144,465	6,619	157,120
Revenue from other activities	186	4,575	3,365	8,126
Inter-segment sales	3,952	8,459	(12,411)	-
Profit on sale of shares	2,052	(13)	-	2,039
Movement in excess of net market value over net assets	16,651	14,484	-	31,135
<b>Total Revenue</b>	<b>28,877</b>	<b>171,970</b>	<b>(2,427)</b>	<b>198,420</b>
Share of net profits of associates	2,212	2	-	2,214
<b>Total Segment Revenue</b>	<b>31,089</b>	<b>171,972</b>	<b>(2,427)</b>	<b>200,634</b>
<b>Operating expenses</b>				
- Commissions and management expenses	1,360	83,373	(13,637)	71,096
- Depreciation and amortisation	9	7,023	20	7,052
- Amortisation of deferred acquisition costs	-	4,940	-	4,940
- Other expenses	10,581	56,487	16,325	83,393
<b>Total Segment Expense</b>	<b>11,950</b>	<b>151,823</b>	<b>2,708</b>	<b>166,481</b>
Profit from ordinary activities before income tax expense	19,139	20,149	(5,135)	34,153
Income tax credit/(expense)	(311)	7,168	566	7,423
<b>Net Profit</b>	<b>18,828</b>	<b>27,317</b>	<b>(4,569)</b>	<b>41,576</b>
Segment assets	55,682	181,129	72,413	309,224
Inter-segment assets	3,908	1,237	(5,145)	-
<b>Total assets</b>	<b>59,590</b>	<b>182,366</b>	<b>67,268</b>	<b>309,224</b>
Segment liabilities	2,916	27,131	30,473	60,520
Inter-segment liabilities	7,459	30,927	(38,386)	-
<b>Total liabilities</b>	<b>10,375</b>	<b>58,058</b>	<b>(7,913)</b>	<b>60,520</b>
Investments in associates and joint venture partnerships	1,170	2,968	-	4,138
Acquisition of property, plant and equipment	9	273	1,129	1,411

##### Secondary reporting - geographical segments

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

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 2. SEGMENT INFORMATION (Cont.)

#### Primary reporting – business segments

	Wholesale Funds Management	Retail Funds Management and Administration	Health Business Discontinued	Inter-segment eliminations/ Unallocated	Consolidated
2003	\$'000	\$'000	\$'000	\$'000	\$'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
Inter-segment 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
<b>Total Revenue</b>	<b>38,013</b>	<b>104,068</b>	<b>21,934</b>	<b>(4,303)</b>	<b>159,712</b>
Share of net profits of associates	-	(83)	-	-	(83)
<b>Total Segment Revenue</b>	<b>38,013</b>	<b>103,985</b>	<b>21,934</b>	<b>(4,303)</b>	<b>159,629</b>
<b>Operating expenses</b>					
- 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
<b>Total Segment Expense</b>	<b>10,692</b>	<b>89,854</b>	<b>13,471</b>	<b>11,363</b>	<b>125,380</b>
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
<b>Net Profit</b>	<b>27,315</b>	<b>15,720</b>	<b>8,132</b>	<b>(16,494)</b>	<b>34,673</b>
Segment assets	30,939	155,441	-	21,389	207,769
Inter-segment assets	135	1,064	-	(1,199)	-
<b>Total assets</b>	<b>31,074</b>	<b>156,505</b>	<b>-</b>	<b>20,190</b>	<b>207,769</b>
Segment liabilities	2,612	33,968	-	6,811	43,391
Inter-segment liabilities	62	17,279	-	(17,341)	-
<b>Total liabilities</b>	<b>2,674</b>	<b>51,247</b>	<b>-</b>	<b>(10,530)</b>	<b>43,391</b>
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

#### Secondary reporting - geographical segments

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

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 2. SEGMENT INFORMATION (Cont.)

##### (a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the group and the segment reporting accounting standard, AASB 1005 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, plant and equipment and goodwill and other intangibles, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, and employee benefits. Segment assets and liabilities do not include income taxes.

##### (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. IOOF Holdings Ltd divested its holdings in IOOF Health Services Limited on 30 April 2003.

##### (d) Comparative Information

Where appropriate, reclassification of prior year's segment information is made to reflect current year presentation.

	Consolidated	
3. REVENUE	2004 \$'000	2003 \$'000
Fee and commission revenue included in revenue from ordinary activities	156,683	102,177

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 4. DIVIDENDS

No dividend has been paid during the financial year. The Directors have recommended the payment of a final dividend of 10 cents per ordinary share franked to 100% based on a tax paid at 30%.

Consolidated		
	2004 \$'000	2003 \$'000
<b>5. OTHER FINANCIAL ASSETS</b>		
<b>Debt securities</b>		
- Unlisted unit trusts - other related parties	13,489	15,932
- Other debt securities	300	300
- Provision for diminution in value of investment	(300)	-
Total Debt Securities	13,489	16,232
<b>Equity investments</b>		
- Shares in listed corporations	5,485	10,585
- Shares in other corporations	3,932	3,254
- Provision for diminution in value of investment	(1,090)	-
- Equity investment in member funds	7,192	7,192
- Unlisted unit trusts - other related parties	560	537
Total Equity Securities	16,079	21,568
<b>Property Securities</b>		
- Mortgages	189	228
- Unlisted unit trusts - other related parties	44	40
Total Property Securities	233	268
<b>Other</b>		
- Unlisted unit trusts - other related parties	119	496
- Unlisted unit trusts	150	150
- Loan to related parties	1,977	186
- Loans to directors of controlled entities	2,308	363
- Loans to executives of associates	1,251	-
- Regulatory deposits	81	100
Total Other	5,886	1,295
<b>Total</b>	<b>35,687</b>	<b>39,363</b>

#### (a) Cash not available for use

\$80,904 (2003: \$100,000) is held in cash to satisfy Australian Financial Services licence requirements. This amount is not available for use.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

Consolidated			
6. EXCESS OF NET MARKET VALUE OVER NET ASSETS OF CONTROLLED ENTITIES	2004 \$'000	2003 \$'000	
Excess of net market value over net assets of controlled entities	125,637	93,986	
The movement in Excess of net market value over net assets of controlled entities is summarised as follows:			
	2004 \$'000	2003 \$'000	Movement
IOOF Investment Management Limited	80,842	48,652	32,190
IOOF Investment Holdings Ltd	25,495	28,434	(2,939)
IOOF Ltd	19,300	16,900	2,400
	<b>125,637</b>	<b>93,986</b>	31,651
Adjustment to acquisition provisions regarding Superannuation and funds management business acquired from AM Corporation Limited			(516)
Movement in excess of net market value over net assets recognised in the Statement of Financial Performance			<b>31,135</b>

#### 7. PROVISIONS

Provision for employee entitlements	1,939	2,131	
Provision for Directors' retirement	536	294	
Provision for acquisition costs	3,853	6,011	
Provision for restructure	872	4,052	
Other provisions	7,698	9,699	
	<b>14,898</b>	<b>22,187</b>	

#### Movements in provisions

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

	Directors' Retirement \$'000	Acquisition Costs \$'000	Restructure Costs \$'000	Other Provisions \$'000
<b>Consolidated - 2004</b>				
Balance at beginning of financial year	294	6,011	4,052	9,699
Additional provisions recognised	242	653	970	1,186
Reductions for provisions no longer required	-	(7)	-	(458)
Payments/other sacrifices of economic benefits	-	(2,804)	(4,150)	(2,729)
Balance at end of the financial year	536	3,853	872	7,698

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

Consolidated		
8. NOTES TO THE STATEMENT OF CASH FLOWS	2004 \$'000	2003 \$'000
Cash	60,141	22,019
Deposits on call	1,983	2,337
Cash assets	62,124	24,356
Unlisted unit trusts - other related parties	13,338	16,221
	75,462	40,577
9. EARNINGS PER SHARE	2004 Cents	2003 Cents
Basic earnings per share	71.70	71.91
	2004 \$'000	2003 \$'000
<b>Reconciliations of earnings used in calculating earnings per share</b>		
Net Profit	41,576	34,673
Net profit attributable to outside equity interests	(474)	20
<b>Earnings used in calculating earnings per share</b>	41,102	34,693

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 10. DIRECTORS' AND EXECUTIVES' DISCLOSURES

##### Directors

The Directors of the Company during the financial year were:

##### Chairman

Mr R J Schoer (Appointed as Chairman on 19 August 2003)

Mr C Macek (Resigned 19 August 2003)

##### Non-Executive Directors

Dr R N Sexton (Deputy Chairman)

Mr I Blair

Mr M W Parkinson, C.B.E.

Ms K D Spargo

##### Executive Directors

Mr R Dewhurst - Chief Executive Officer (Appointed 19 April 2004)

Mr R J Turner - Managing Director (Resigned 16 April 2004)

Mr M U R Crivelli - Executive Chairman of Perennial Investment Partners Limited

##### Executives with the greatest authority for strategic direction and management

The following persons were identified as the executives that report directly to the Chief Executive Officer or who hold positions with the greatest authority for strategic direction and management of the consolidated entity during the financial year:

Name	Position	Direct Employer
Ms A Bisogni	General Counsel	IOOF Holdings Ltd
Mr D Booth	General Manager - Operations	IOOF Investment Management Limited
Mr J Brown	General Manager - Retail Funds Management (appointed 13 November 2003)	IOOF Investment Management Limited
Mr A Hodges	Head of Strategy	IOOF Holdings Ltd
Ms M Latham	Company Secretary	IOOF Holdings Ltd
Mr I Macoun	Managing Director, Perennial Investment Partners Limited (resigned 29 August 2003)	Perennial Investment Partners Limited
Mr A Mollison	Chief Financial Officer	IOOF Holdings Ltd
Mr R Nunn	General Manager - Retail Funds Management (resigned 1 August 2003)	IOOF Investment Management Limited
Mr A Patterson	Managing Director, Perennial Investment Partners Limited (appointed 18 August 2003)	Perennial Investment Partners Limited
Mr P Wallbridge	General Manager of Human Resources	IOOF Holdings Ltd

##### Remuneration of directors and executives

##### Principles used to determine remuneration

The Remuneration and Nominations Committee is responsible to the Board for the recommendation and establishment of directors' fees and the salary and reward framework of senior executives. Currently the Committee comprises three non-executive directors being Ms K Spargo (Chairperson), Dr R N Sexton and Mr I Blair. The objective of the company's executive reward framework is to ensure reward for performance is competitive and relative to the results delivered. The framework aligns executive reward with achievements of strategic objectives and the creation of value for shareholders, and conforms with market practices for delivery of reward.



## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 10. DIRECTORS' AND EXECUTIVES' DISCLOSURES (Cont.)

The Committee ensures that executive rewards satisfy the following key criteria for good reward governance practices:

- competitiveness and reasonableness/appropriate mix of short and long term rewards including equity based components;
- alignment with shareholder interests;
- performance linkage/alignment with long term goals;
- transparency;
- capacity to attract and retain talented and experienced professionals.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. The main objectives in establishing the executive remuneration framework are:

- Alignment to shareholders interests:
  - attracts and retains high calibre executives;
  - focuses on sustained growth in share price and delivering appropriate return on capital employed;
  - focusing the executives on key non-financial drivers of value;
  - has economic profit as a key component of plan design.
- Alignment to program participants interests:
  - recognise position scope and accessibility;
  - provides competitive reward for contribution to shareholders growth;
  - provides a clear structure for earning rewards;
  - recognise contribution.

#### Non-Executive Directors Fees

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors fees and payments are reviewed annually by the Board. The Board regularly seeks the advice of independent remuneration consultants to ensure non-executive fees and payments are appropriate and in line with the market practices for similar size organisations. Fees and amounts payable to non-executive directors are periodically recommended for approval by shareholders at the Annual General Meeting.

#### Executive Director and Executive Rewards

The executive salaries and rewards framework has three components:

- fixed remuneration (base salary and benefits including superannuation);
- performance incentives (for achievement of short-term objectives);
- equity benefits (for achievement of long-term objectives).

##### *Fixed remuneration*

Structured as a total employment cost, fixed remuneration packages may be delivered as a mix of cash and prescribed non-cash financial benefits at the executive's discretion. Non cash financial benefits typically include, but are not limited to, motor vehicles, car parking and superannuation. Any fringe benefit tax applicable to salary sacrifice benefits is included to calculate the total value of that benefit.

Executives are offered a competitive level of remuneration that comprises a fixed component and a reward component. External remuneration consultants are regularly engaged to provide analysis and advice to ensure remuneration packages are set to reflect the market for a comparable role. Remuneration packages are reviewed annually by the Remuneration and Nominations Committee to ensure they are in line with the predetermined salary and reward framework as discussed above.

##### *Performance incentives*

Each executive has a performance target specific to the accountabilities of the role and impact on the Company's or business unit's performance. Each executive is provided with a short term incentive opportunity whereby a predetermined cash amount is tied to profit, and by strategic and operational objectives. An assessment of entitlements for each individual executive is undertaken by the Chief Executive Officer and a recommendation is made to the Remuneration and Nominations Committee.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 10. DIRECTORS' AND EXECUTIVES' DISCLOSURES (Cont.)

##### Equity benefits

Equity compensation benefits are offered to executive directors and executives and shares are allocated to Trusts under the following plans:

- Executive Performance Share Plan;
- Deferred Share Purchase Plan;
- General Staff Share Acquisition Plan.

The Executive Performance Share Plan provides long term incentive, subject to satisfaction of performance hurdles. The performance hurdles consist of both internal and external measures. The external measure is total shareholder return, whereby the IOOF total shareholder return is compared with a Peer Index. The Peer Index consists of similar selected organisations within the financial sector. The internal measures are Cash Earnings Per Share and Return on Capital Employed. All measures are aligned to wealth creation of shareholders. Vesting is tested at six-monthly intervals over a two year period beginning three years from the time the plan cycle commences.

The Deferred Share Purchase Plan enables employees to buy shares on a pre-tax basis, through the sacrifice of base salary, annual bonuses, or awards under previous short and long-term incentive programs. Shares bought are subject to disposal restriction for a period of two years.

Offers may be made under the General Staff Share Acquisition Plan to eligible executives and employees, as determined by the Board, to grant up to \$1,000 worth of shares per annum depending on the extent to which annual profit targets are met. Shares are subject to a disposal restriction that generally prevents the sale of the shares for a period of three years from the date of acquisition. 100,489 shares were issued to this plan on 4 December 2003 and the amount recognised in the Statement of Financial Performance for all employees was \$316,540.

##### Details of remuneration

Details of the remuneration of each Director of IOOF Holdings Ltd and each of the specified executives of the consolidated entity, including their personally related entities for the year ended 30 June 2004, are set out in the tables below.

Comparative information for the previous year is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities.

Directors	Primary Benefits				Post-Employment	Equity	Other	Total		
	Salary and Fees	Bonus <sup>(1)</sup>	Non-monetary benefits <sup>(2)</sup>	Total Primary Benefits	Super-annuation	Retirement Benefits <sup>(3)</sup>	Shares <sup>(4)</sup>	Termination Benefits	Other	Total
Name	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mr R J Schoer	166,221	-	-	166,221	12,389	66,994	-	-	1,660	247,264
Mr C Macek (resigned 19/8/03)	20,833	-	-	20,833	1,875	-	-	-	-	22,708
Dr R N Sexton	112,562	-	-	112,562	8,331	46,679	-	-	1,660	169,232
Mr I Blair, O.A.M.	99,000	-	1,157	100,157	7,110	68,992	-	-	-	176,259
Mr M W Parkinson, C.B.E.	105,694	-	555	106,249	7,712	34,695	-	-	1,660	150,316
Ms K D Spargo	93,750	-	-	93,750	6,638	24,607	-	-	-	124,995
Total non-executive directors <sup>(5)</sup>	598,060	-	1,712	599,772	44,055	241,967	-	-	4,980	890,774
Mr R Dewhurst (appointed 19/4/04)	125,631	100,000	-	225,631	18,697	-	146,875	-	-	391,203
Mr R J Turner (resigned 16/4/04)	597,527	-	13,650	611,177	74,787	-	693,750	1,958,000	-	3,337,714
Mr M U R Crivelli	309,316	-	33,126	342,442	24,725	-	-	-	19,575	386,742
TOTAL	1,630,534	100,000	48,488	1,779,022	162,264	241,967	840,625	1,958,000	24,555	5,006,433

<sup>(1)</sup> The bonus accruing to Mr R Dewhurst relates to the guaranteed short term bonus included in the employment contract, effective 19 April 2004.

<sup>(2)</sup> Non-monetary benefits represents reportable Fringe Benefit Tax amounts.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 10. DIRECTORS' AND EXECUTIVES' DISCLOSURES (Cont.)

- <sup>(3)</sup> Director retirement benefits are accrued and this amount represents the increase in the provision during the year. The provision is based on the average annual emoluments of non-executive directors over the previous three years of service. The benefit accrues after three years of service and varies according to the number of years service, reaching twice the average annual emoluments after ten years of service. Director retirement benefits will not be paid to Directors appointed in the future.
- <sup>(4)</sup> The shares accruing to Mr R Dewhurst relate to guaranteed long term equity rewards, described below. The shares vested to Mr R J Turner relate to incentives that were salary sacrificed into the Deferred Share Purchase Plan and entitlements from the Executive Performance Share Plan.
- <sup>(5)</sup> Primary benefits paid and payable to non-executive directors (excluding sub-committee fees of \$64,694) amounted to \$535,078 as compared to the maximum amount approved at the Annual General Meeting held on 28 November 2002 of \$650,000. In accordance with the constitution, the amount approved at the Annual General Meeting excludes sub-committee fees.

Specified Executives	Primary Benefits			Post-Employment	Equity	Other		Total
Name	Salary and Fees \$	Bonus <sup>(6)</sup> \$	Non-monetary benefits <sup>(7)</sup> \$	Super-annuation \$	Shares <sup>(8)</sup> \$	Termination Benefits \$	Other <sup>(9)</sup> \$	Total \$
Ms A Bisogni	205,231	63,750	-	17,332	6,125	-	-	292,438
Mr D R Booth	243,379	180,000	8,185	17,202	18,375	-	-	467,141
Mr J Brown	194,265	160,000	-	16,113	9,188	-	-	379,566
Mr A P Hodges	352,558	220,000	15,027	18,493	15,313	-	28,344	649,735
Ms M Latham	170,666	75,000	-	15,895	11,025	-	-	272,586
Mr I Macoun (resigned 29/8/03)	116,763	-	36,039	7,078	-	1,170,000	38,124	1,368,004
Mr A Mollison <sup>(10)</sup>	204,216	50,000	2,843	29,130	115,625	611,776	-	1,013,590
Mr R Nunn (resigned 1/8/03)	34,111	-	3,880	1,708	-	-	-	39,699
Mr A Patterson	411,376	323,923	4,217	10,520	-	-	-	750,036
Mr P Wallbridge	198,841	105,000	5,508	15,505	11,025	-	-	335,879
<b>TOTAL</b>	<b>2,131,406</b>	<b>1,177,673</b>	<b>75,699</b>	<b>148,976</b>	<b>186,676</b>	<b>1,781,776</b>	<b>66,468</b>	<b>5,568,674</b>

- <sup>(6)</sup> Bonus includes special grants in relation to the successful acquisition of the AM business amounting to \$607,700, as well as amounts provided under the performance incentive program. The grant date for the special bonus and the performance incentives was 3 September 2003.
- <sup>(7)</sup> Non-monetary benefits represents reportable Fringe Benefit Tax amounts.
- <sup>(8)</sup> Equity compensation includes salary and performance incentives sacrificed into the Deferred Share Purchase Plan and the current year portion of the Executive Performance Share Plan. The value of the number of shares expected to vest in the Executive Performance Share Plan has been apportioned over the term from grant date to vesting date. The grant date for shares allocated during the year under this plan was 1 December 2003.
- <sup>(9)</sup> Other benefits represents principle and interest on loans forgiven as part of arrangements regarding sale of equity in Perennial Investment Partners Ltd.
- <sup>(10)</sup> Mr A Mollison has entered into an agreement to cease his employment effective from 30 September 2004. The agreed termination benefit, which has been accrued, includes a share component that will vest on termination date.

#### Contracts for service

Remuneration and other terms of employment for executive directors and the specified executives are formalised in contracts of employment. Each of these agreements provide for a fixed remuneration component and the provision of performance related incentives. The performance incentives for executives, as discussed above, will only vest with the individuals should the key criteria be met resulting in the achievement of the company's strategic objectives, including the creation of long term value for shareholders. Contracts of employment for executives do not guarantee future incentive rewards unless otherwise detailed in this note. The contracts do not include specific clauses in relation to termination payment amounts unless otherwise stated.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 10. DIRECTORS' AND EXECUTIVES' DISCLOSURES (Cont.)

The company may make termination payments in excess of contracted amounts where it is in the best interest of the company to do so. All other major provisions of the agreements relating to remuneration are set out below.

	Annual Fixed Remuneration	Anticipated Short Term Performance Incentive <sup>(11)</sup>	Allocated Long Term Performance Incentive <sup>(12)</sup>
Executive Directors and Executives	\$	\$	Number
Mr R Dewhurst <sup>(13)</sup>	650,000	400,000	500,000
Mr M U R Crivelli <sup>(14)</sup>	49,210	-	-
Ms A Bisogni	215,000	45,000	20,000
Mr D R Booth	270,000	100,000	50,000
Mr J Brown	310,000	120,000	30,000
Mr A P Hodges	320,000	120,000	50,000
Ms M Latham	200,000	50,000	30,000
Mr A Patterson	400,000	-	-
Mr P Wallbridge	210,000	50,000	30,000

<sup>(11)</sup> Short-term incentives are subject to performance hurdles.

<sup>(12)</sup> With the exception of Mr Dewhurst, these long term incentives are provided through the Executive Performance Share Plan, and are subject to performance hurdles and time vesting conditions.

<sup>(13)</sup> Mr Dewhurst's contract of employment includes a guaranteed short term incentive of \$400,000, and guaranteed long term equity rewards of 500,000 shares. These shares vest evenly over a four year period, being 125,000 shares at the completion of each year of employment. The contract of employment includes a termination benefit of up to \$650,000.

<sup>(14)</sup> Apart from Directors fees, Mr Crivelli receives \$2,000 per day for working in an executive capacity for the Perennial Group.

#### Equity holdings and transactions for ordinary shareholdings in the company

The number of ordinary shares in the company held during the financial year by each director of IOOF Holding Ltd and each of the specified executives of the consolidated entity, including their personally related entities, are set out below.

	Balance of share holding at 1 July 2003	Ordinary shares vested during period as remuneration <sup>(15)</sup>	Change as result of other transaction	Balance of share holding at 30 June 2004
Directors	Number	Number	Number	Number
Mr R J Schoer	1,315	-	-	1,315
Dr R N Sexton	1,199	-	11,114	12,313
Mr I Blair	154	-	9,523	9,677
Mr M W Parkinson, C.B.E.	1,315	-	-	1,315
Ms K D Spargo	154	-	3,174	3,328
Mr R J Turner	1,017	352,618	(353,635)	- <sup>(16)</sup>
Mr M U R Crivelli	170	-	15,873	16,043

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 10. DIRECTORS' AND EXECUTIVES' DISCLOSURES (Cont.)

	Balance of share holding at 1 July 2003	Ordinary shares vested during period as remuneration <sup>(15)</sup>	Change as result of other transaction	Balance of share holding at 30 June 2004
Specified Executives	Number	Number	Number	Number
Mr D R Booth	140	17,777	-	17,917
Mr J Brown	-	-	38,095	38,095
Mr A P Hodges	5,278	317	703,174	708,769
Ms M Latham	140	317	952	1,409
Mr A Mollison	140	57,460	31,746	89,346
Mr R Nunn	140	-	(140)	- <sup>(16)</sup>
Mr A Patterson	140	317	(140)	317
Mr P Wallbridge	259	317	-	576

<sup>(15)</sup> Ordinary shares vested during the current year may include shares related to performance incentives accruing to previous years.

<sup>(16)</sup> As this person has ceased employment, it is impractical to determine the balance of shares held at 30 June 2004.

#### Equity holdings and transactions for ordinary shareholdings in subsidiary companies

The number of shares in Perennial Investment Partners Ltd held during the financial year by each director and each specified executive of the consolidated entity, including their personally related entities, are set out below. Some of these shareholdings are subject to trading restrictions pending satisfaction of performance hurdles.

	Balance of share holding at 1 July 2003	Net change as result of other transactions	Balance of share holding at 30 June 2004
Directors	Number	Number	Number
Mr M U R Crivelli	6,000	(1,860)	4,140

	Balance of share holding at 1 July 2003	Net change as result of other transactions	Balance of share holding at 30 June 2004
Specified Executives	Number	Number	Number
Mr A P Hodges	4,250	(4,250)	-
Mr I Macoun	6,000	(6,000)	-
Mr A Patterson	3,936	3,399	7,335

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 10. DIRECTORS' AND EXECUTIVES' DISCLOSURES (Cont.)

	Balance of share holding at 1 July 2003	Net change as result of other transactions	Balance of share holding at 30 June 2004
Directors	Number	Number	Number
Mr M U R Crivelli	5,000	-	5,000

#### Loans to directors and executives

Details of loans made to directors of IOOF Holding Ltd and each of the specified executives for the consolidated entity, including their personally related entities, are set out below.

#### Aggregates for directors and specified executives

	Balance of loans at 1 July 2003	Interest paid and payable for period	Write down or allowances against balance	Balance of loans at 30 June 2004	Number of individuals within group at 30 June 2004
Group	\$	\$	\$	\$	Number
Directors <sup>(17)</sup>	38,730	1,501	(19,575)	20,656	1
Specified Executives	249,245	49,260	(66,468)	2,150,800	4

#### Individuals with loans above \$100,000 during the financial year

	Balance of loans at 1 July 2003	Interest paid and payable for period	Write down or allowances against balance	Balance of loans at 30 June 2004	Highest indebtedness during the year
Specified Executives	\$	\$	\$	\$	\$
Mr A Patterson <sup>(18)</sup>	92,417	40,676	-	2,058,383	2,058,383
Mr Wallbridge <sup>(19)</sup>	-	325	-	-	162,637

#### Terms and Conditions of Loans Issued

<sup>(17)</sup> The amount lent to Mr Crivelli was \$37,800. The unsecured loan was issued 18 August 1999. Interest is charged at the annually adjusted benchmark loan rate for fringe benefits tax purposes calculated daily and payable annually upon the anniversary date.

<sup>(18)</sup> Amounts of \$999,639 and \$925,650 were lent to Mr Patterson during the year to assist him in the purchase of shares in Perennial Investment Partners Ltd and Perennial Value Management Ltd. Both loans were issued 2 April 2004. Interest on the loans is charged at the one-year bank bill swap rate plus 2%, and at the annually adjusted benchmark loan rate for fringe benefits tax purposes, respectively. Interest is calculated daily and payable annually upon the anniversary date.

<sup>(19)</sup> The amount lent to Mr Wallbridge was \$162,311. The loan was issued 1 April 2004 and repaid in full including interest charges on 19 April 2004. Interest was payable on this loan at the rate of 6.65% per annum calculated daily.

#### Other transactions with directors and specified executives

There were no other transactions with directors and specified executives.

## Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2004

### 11. FULL FINANCIAL REPORT

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Further financial information can be obtained from the full Financial Report which is available from the Company, free of charge, on request. A copy can be requested by calling 131 369.

## Directors' Declaration

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The Directors declare that the financial statements and notes set out on pages 46 to 63:

- 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 2004 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 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 Dewhurst**  
Director and Chief Executive Officer

Melbourne, 23 August 2004



**PricewaterhouseCoopers**  
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## Independent audit report to the members of IOOF Holdings Limited

### Audit Opinion

In our opinion, the concise financial report of IOOF Holdings Limited for the year ended 30 June 2004 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our Audit Report.

### Scope

#### The Concise financial report and directors' responsibility

The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration for IOOF Holdings Limited (the company) for the year ended 30 June 2004.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

#### Audit approach

We conducted an independent audit of the concise financial report 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 concise 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 also performed an independent audit of the full financial report of the company for the financial year ended 30 June 2004. Our audit report on the full financial report was signed on 23 August 2004, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

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

- testing that the information included in the concise financial report is consistent with the information in the full financial report; and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is concluded 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.

### Independence

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

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Simon Gray*

Simon Gray  
Partner

Melbourne  
23 August 2004



## Shareholder Information

### Stock Exchange and Shareholder Information

The number of shares on issue as at Friday 3 September 2004 is 63,435,547 ordinary shares. This is the only class of shares currently issued.

### Substantial Shareholders

The shareholdings of each person known by us to be the owner of more than 5% of our voting securities, as at Friday 3 September 2004, is shown in the table "Twenty largest shareholders as at Friday 3 September 2004".

### Distribution of shares

The following table summarises the distribution of our listed shares as at Friday 3 September 2004.

Range	Investors	Securities	% Issued Capital
1–1,000	18,233	8,207,709	12.94
1,001–5,000	10,420	21,516,194	33.92
5,001–10,000	1,053	7,395,853	11.66
10,001–100,000	411	8,326,732	13.13
100,001 and over	26	17,989,059	28.36
<b>TOTAL</b>	<b>30,143</b>	<b>63,435,547</b>	<b>100.00</b>

The number of security investors holding less than a marketable parcel of 69 securities (\$7.290 on 03/09/2004) is 41 and they hold 1,375 securities.

### Twenty largest shareholders as at Friday 3 September 2004

Rank	Investor	Current Balance	% Issued Capital
1	Bendigo Bank Limited	6,341,690	10.00%
2	Citicorp Nominees Pty Limited	2,272,684	3.58%
3	IOOF Holdings Trustee Pty Ltd	1,969,960	3.11%
4	Permanent Trustee Australia Limited	1,649,128	2.60%
5	Sandhurst Trustees Ltd	703,174	1.11%
6	National Nominees Limited	491,824	.78%
7	IOOF Investment Management Ltd	405,000	.64%
8	Fleet Nominees Pty Limited	399,234	.63%
9	Mr Robert Turner	353,318	.56%
10	INVIA Custodian Pty Limited	327,000	.52%
11	Diversified United Investment Limited	300,000	.47%
12	IOOF SA Ltd	300,000	.47%
13	J P Morgan Nominees Australia Limited	295,285	.47%
14	Banos Asset Management Ltd	278,969	.44%
15	Australian United Investment Company Limited	246,222	.39%
16	Ravenscourt Pty Ltd	225,000	.35%
17	Sanlirra Pty Ltd	214,847	.34%
18	Westpac Custodian Nominees Limited	206,806	.33%
19	National Exchange Proprietary Ltd	199,011	.31%
20	Citicorp Nominees Pty Limited	162,124	.26%

**Voting rights**

At a general meeting, on a show of hands, each shareholder present in person or by properly appointed representative, proxy or attorney has one vote (except that joint shareholders may only exercise one vote between them).

On a poll, each shareholder present in person or by properly appointed representative, proxy or attorney has one vote for each fully paid share held.

On a poll, only shareholders present in person or by properly appointed representative, proxy or attorney may vote unless, consistent with the Corporations Act, the Board has approved other means (including electronic) for the casting and recording of votes by shareholders on any resolution to be put to a general meeting.

These voting arrangements are subject to certain minor exceptions.

**Stock exchange listing**

IOOF Holdings Ltd ordinary shares are listed on the Australian Stock Exchange. The home branch is Melbourne.

**Final dividend**

The final dividend of 10 cents per share will be paid on 13 October 2004 to shareholders entitled to receive dividends and registered on 1 October 2004 being the record date.

**Direct payment into shareholders' accounts**

In future, any dividends IOOF pays will be paid only to shareholders that register their Australian bank account details with the Share Registry. Direct credit is a cost effective and secure way of paying dividends. We will not be paying dividends by cheque.

Paying dividends by direct credit offers you many benefits beyond convenience and security. You will receive your dividend quickly, without the processing delay associated with cheque payments. Dividend payments will be deposited and cleared on the date of payment making the funds immediately available for you to use.

You can choose to have your dividends paid to your account or any other Australian bank account. We will continue to send you notification of the dividend payment through the mail or electronically.

If you have not yet provided your bank account details, you will have received a dividend cheque with this Annual Report. We have also enclosed a request for direct credit of payments form. Please complete this form and return it to the share registry in the enclosed reply paid envelope.

**Removal from Annual Report mailing**

If you are an IOOF shareholder and no longer want to receive a hard copy version of materials in the mail, such as the Annual Report, you can contact the Share Registry (see contact details below) and ask to be removed from the mailing list.

**Enquiries**

If you have any questions about your shareholding, dividend payments, tax payments, tax file number or change of address etc. please contact our share registry, ASX Perpetual or visit their website at [www.asxperpetual.com.au](http://www.asxperpetual.com.au)

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