Your Investment Guardians

Annual Concise Report 2005

We did not change
as we grew older;
we just became more
clearly ourselves.

Lynn Hall, Where Have All the Tigers Gone?, 1989

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Over the last few years, IOOF has transformed from a friendly society into a vibrant financial institution. The 2004/05 financial year was an excellent year for the IOOF Group, being its first full year as a listed company. The Group delivered on its commitment to shareholders, producing a strong profit, higher dividends and a very solid capital position. We believe that this provides the foundation for an optimistic outlook for this financial year.

As you read through our Annual Report, you will be pleased to see improvement across all of the Group’s key financial metrics: revenue; operating efficiency ratio; net profit after tax; cash earnings; funds inflows; and assets under management. This improvement in performance is made more significant given the amount of work and progress the Group has achieved in terms of establishing the foundations for sustainable growth, which importantly leverages off IOOF’s uniqueness, our competitive advantage.

Governance and regulation

A continuing strong focus on good corporate governance and regulation provides us with a framework to monitor and assess risks to ensure that we achieve our objectives and optimise shareholder returns. We have maintained our focus on the ASX Corporate Governance Council’s Principles of Good Corporate Governance & Best Practice Recommendations through our Governance Committee and by developing our own IOOF Group Governance Framework.

We have also undertaken work in the important area of Information & Communication Technology (ICT) governance and have an effective framework that ensures that well-informed, business critical decisions are optimally made. We believe that ICT is key to our business endeavours and in positioning IOOF to face future challenges, so that we have the ability to meet the ongoing regulatory developments that exist in our industry.

Our overall aim is for a strong system of corporate governance that is constantly reviewed to achieve ongoing best practice. Business ethics play an important part in these activities as we strive for high integrity in all that we do. IOOF’s strong 2005 financial performance was delivered within this robust corporate governance framework. More information about our approach is included within the Review of Operations and Financial Condition section with this report.

Servicing our clients and supporting the community

Our commitment to improving our client service offering and to support the needs of the communities in which we work continues to be an important focus for the Board.

IOOF has delivered on a number of client service initiatives aimed at improving the client service experience, whilst achieving improved operational efficiencies. For example, in 2005, the Client Services and Adviser Services Contact Centres were consolidated to reduce costs, whilst a dedicated team was established to deal with all correspondence from investors and advisers to enhance our responsiveness to these important stakeholders.

Ray Schoer, Chairman

Our broader role in the community has also continued to be important for the Group. The IOOF Foundation, established in June 2002 as part of IOOF's demutualisation, is a charitable trust that aims to support the Australian community, particularly disadvantaged families, the aged and disadvantaged children and youth. In 2005, the Foundation made grants totalling over $475,000 to organisations committed to helping those in need. As the success of IOOF continues to grow, so does our ability to increase our contribution and support of such community groups through the IOOF Foundation.

I am also proud of the IOOF staff who this year established the Staff Giving Program. The program provides staff with the opportunity to volunteer within charitable organisations, which in turn fosters stronger relationships within the community.

Going forward

Following a journey of significant change, IOOF has refreshed its focus on its core capabilities. We recognise the increasing demand for investor-centric and holistic advice and over the last financial year, we have overseen a range of strategic initiatives, some of which are still in progress.

I believe that our overall effectiveness is enhanced by the Board's sub-committees and the work that they undertake. Some of the key issues that we address are a result of our continuing focus on good corporate governance and industry best practice.

IOOF has delivered excellent shareholder returns and is confident and well positioned to continue with this tremendous momentum. This success is attributable to the vision and commitment of the Board as well as IOOF's management and staff. I wish to thank them all for their dedication and hard work.

Ray Schoer
Chairman

CEO's welcome

A message from Ron Dewhurst, IOOF Group Chief Executive Officer

The year in review

IOOF has come a long way in the last year. After a period of great change and growth, it is essential that an organisation builds its internal capabilities, such as its corporate structure and processes, to ensure it is well positioned for future growth. Whilst achieving excellent results for our shareholders over the period, we have also built a strong infrastructure to support a sustainable business.

These results included an improvement in cash earnings by 86 per cent to $34.9 million, reflecting robust growth in underlying earnings combined with a significant improvement in cost efficiency. This strong result enabled the Group to declare a final dividend of 12 cents per share, up 20 per cent from last year, bringing the full year dividend to 22 cents per share. This result is evidence of our successful transition from a large mutual to a listed company which is focused on returns to shareholders.

In addition, our operating efficiency improved to 68 per cent and we have experienced strong growth in all areas of funds under management and administration, with IOOF maintaining its market share in key product areas. This reinforces the attractiveness of the funds management industry where growth rates outstrip that of the general economy.

Perennial Investment Partners Ltd, our asset management arm, experienced significant growth in funds under management (FUM) again this year, performing solidly across its entire portfolio with wholesale funds under management almost doubling to $10.3 billion. Combined with the momentum of the last few years, this has translated into a more significant earnings contribution by Perennial to the IOOF Group.

Building a sustainable business

We have spent a significant amount of time over the past year on a series of strategic initiatives to reposition IOOF for the longer term. These include a new branding strategy and corporate identity for the Group, together with a renewed focus on developing and engaging talent across the organisation. Our new brand strategy is now clearly aligned with our corporate strategy to provide a platform for future growth.

IOOF's new mission statement and corporate values were launched to staff in May this year. They are the guiding principles for staff to follow in their day-to-day working lives, resulting in a heightened awareness of the critical importance of providing rewarding and distinctive experiences for all our clients. This, in turn, is intrinsically linked with the Group's focus on continuous improvement in servicing clients.

Ron Dewhurst, CEO

As we look forward, we will concentrate on building our retail funds management presence by differentiating our offering to that of our competitors, through our independence and ability to deliver a more tailored approach to customer service. We will also continue to concentrate on greater efficiencies across the organisation. We are focused on implementing a strategy across all business lines that differentiates IOOF from its main competitors and can position the Group for sustainable growth in an industry legislated for strong growth.

Delivering shareholder value

It has been a very successful year with many challenges, but also a very exciting one. My personal thanks go to the Board, Executive Team and staff who have all played a role in delivering excellent shareholder returns and positioned us with a solid foundation for future growth.

IOOF continues to remain focused on increasing its relevance in the market as an independent alternative to larger financial institutions, with the aim of becoming a respected competitor rather than just a participant in our chosen markets.

The 2005/2006 financial year period has already commenced and indications thus far suggest IOOF will continue to grow and deliver excellent shareholder value.

Ron Dewhurst
Chief Executive Officer

Year at a glance

Highlights for the 2004/05 financial year

- Net profit attributable to members of IOOF Holdings Ltd increased by 58 per cent to $65.1 million.
- Net profit after tax excluding Excess of Net Market Value over net assets of controlled entities increased 84 per cent to $18.3 million.
- Cash earnings increased by 86 per cent to $34.9 million.
- Total assets under management increased from $15.9 billion to $22.4 billion, a 41 per cent increase.
- Operating efficiency ratio improved from 80 per cent to 68 per cent.
- Total shareholder return of 43 per cent.
- Fully franked dividends for the year of 22 cents per share (interim 10 cents per share and final 12 cents per share).
- Special distribution by IOOF Unconfirmed and Overseas Members' Trust to IOOF Holdings Ltd shareholders of 8 cents per share.
- The IOOF Multi Investment Manager Australian Equities Fund delivered top-quartile returns within its peer group for the one and three-year periods to 31 May 2005 and received a four-star Morningstar Rating as at 31 May 2005.
- Strong presence in the Morningstar Fund Manager of the Year Awards, including finalist in three categories and receiving the Morningstar Fixed Interest Fund Manager of the Year 2004 Award.

Review of Op
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About IOOF

Introducing IOOF

IOOF* has achieved a significant presence as a specialist fund manager in the Australian funds management industry. Built on a long history of providing solid and secure financial solutions for its members, IOOF has transitioned from a large mutual into a listed, specialist funds management business that still values and respects its heritage.

Since listing on the Australian Stock Exchange (ASX) in December 2003, IOOF Holdings Ltd is now a top 200 ASX-listed company and has attracted an increasing number of shareholders, totaling over 30,000 as at 30 June 2005. As at this date, the Group manages $22.4 billion in funds under management and administration.

With a growing national presence and focused business strategy, the Group is well positioned to continue this solid growth.

What does IOOF offer?

IOOF is committed to providing 'best-of-breed' investment products and administration solutions. To ensure we are in a position to deliver on this commitment to our clients, we offer:

- a range of modern investment management and administration solutions for investors and advisers;
- quality financial advice, technical and online services;
- access to Perennial Investment Partners Ltd, a leading boutique, wholesale asset manager with the institutional backing of the IOOF Group; and
- dealer back office services and support for Australian Financial Services Licence holders.

In the increasingly complex and competitive wealth management industry, IOOF is continually sharpening its focus as a specialist provider of solutions that build the wealth of its clients. With ongoing product and service enhancements, quality administrative support and growing representation in each Australian state, the quality, range and reach of IOOF's investment solutions continues to grow.

Understanding the IOOF business

IOOF operates a range of business units which, when combined with the business's internal functions and responsibilities, enable them to develop, distribute, manage and administer a wide range of financial products and services (see chart opposite page).

IOOF Investment Management Ltd is the Responsible Entity for our range of managed investments and operator of our Investor Directed Portfolio Services, and Trustee of superannuation products.

Understanding IOOF's culture

Whilst IOOF has been offering financial products and services to Australians for many years, the rapid growth and evolution of the business, particularly over recent years, created the need for the Group to revisit its corporate mission and internal values.

After extensive consultation, the Group launched a new mission statement, 'Our IOOF', and corporate values in May 2005. These key statements aim to:

- describe the things that IOOF is passionate about;
- provide clarity on how IOOF defines success;
- help determine IOOF's focus and priorities as a business; and
- articulate the key beliefs and behaviours that are valued within the Group.

An extensive education process is currently under way throughout the Group to ensure all staff can embrace and 'live' the new mission and values through the way they work.

By redefining IOOF's mission and values, we have developed a clearer framework for our corporate culture to deliver more positive outcomes for staff, clients and shareholders.

* IOOF (used interchangeably with 'The IOOF Group' and 'Group') refers to the IOOF group of companies comprising IOOF Holdings Ltd and all its related bodies corporate.

Distribution

- Independent advisers
- Aligned advisers (Winchcombe Carson Financial Planning)
- Alliances, e.g. Bendigo Bank
- OutScope: adviser back office support

Platforms/ investment solutions/ client service

- IOOF Investment Management Ltd and IOOF Ltd
- Retail funds
- Wholesale funds
- Master funds
- Investor Directed Portfolio Services
- Corporate/employer superannuation

Asset management

- Perennial Investment Partners Ltd
- Multi Investment Manager team through IOOF Investment Management Ltd

Our IOOF

We challenge ourselves to create distinctive and rewarding experiences by:

- recognising the critical importance of people;
- being professional, and easy to deal with;
- generating superior investment returns over the long term;
- protecting and enhancing our reputation; and
- finding better ways.

Our strategy and commitment to our stakeholders

What is IOOF's corporate strategy and how will we achieve our goals?

IOOF's efforts to achieve its strategic aims and its success in generating value for shareholders will be driven through four key areas or objectives:

- being a best-of-breed asset manager: IOOF is committed to the development of its boutique operating model and expanding the scope of its asset management capabilities. IOOF's investment management business, Perennial Investment Partners Ltd, will play a significant role in the achievement of this goal;
- providing best practice investment solutions and service: offer IOOF clients quality investment solutions which are delivered expertly and efficiently. Following a period of consolidation, IOOF is now focused on improving its client service standards and customising IOOF's service proposition to better meet the needs of advisers and investors. By reinvigorating a client-centric culture within the Group, an important driver of IOOF's long-term competitive advantage will be activated;
- a commitment to serving the needs of advisers in an holistic manner: this means we are working towards developing more meaningful, beneficial relationships with advisers through better understanding their needs. IOOF will focus on market segments where its value proposition will be most valuable over the long term; and
- being financially responsible: by investing in systems and processes that will sustain and improve the Group's ability to offer quality investment solutions and excellent client service, IOOF will be well placed to deliver continued growth in shareholder value over the long term.

Underpinning each of the stated strategic objectives is the Group's ability to attract and retain experienced, knowledgeable and expert staff. That is, professionals who embrace IOOF's culture and are enthusiastic about and committed to achieving the Group's aspirations.

Armed with an independent brand, a talented team of professionals and a boutique asset management structure, the Group believes that it possesses the key criteria on which to build a successful and sustainable funds management business.

IOOF's commitment to its clients

To further refine IOOF's offer to its clients and enhance its value proposition, the following statements have been created and shared with staff which capture the Group's aspirations for the way it does business, and helps define the IOOF customer experience.

Our commitment to investors

IOOF delivers simple, expert investment solutions with confidence.

Why simple?
Because we are easy to deal with, our administration processes are straightforward, our communications are clear and concise and we will help educate investors to give them the tools to make informed financial decisions.

Why expert?
Because of our award-winning asset management capabilities, our experienced and knowledgeable staff, our technical knowledge and expertise in the financial services industry.

Why confidence?
Because of our long history and stable, successful track record.

Our commitment to advisers

IOOF creates rewarding investment partnerships with advisers, delivering smart products and personal, efficient service.

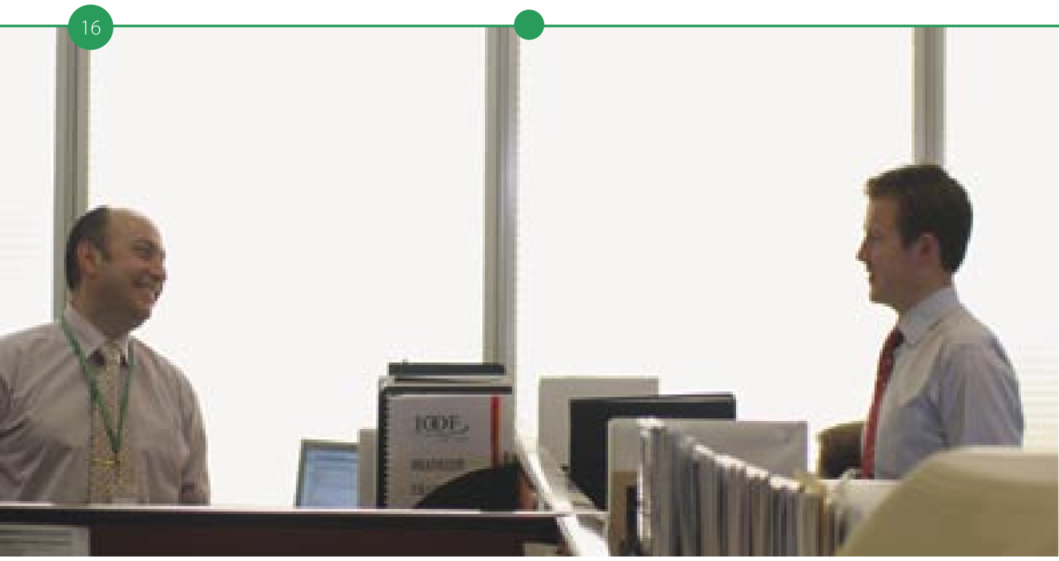
Why partnerships?
Because we join with advisers to support them in the management and growth of their business through our best-of-breed products, straightforward processes and quality staff.

Why smart?
Because our products are straightforward and focused on meeting customer needs, as are our processes and procedures.

Why personal?
Because each and every adviser is important to IOOF and deserves the same warm and personal service.

Why efficient?
Because of our streamlined, effective processes, communication channels and business support.

Our management structure



Kate Spargo (left)
Tony Hodges (right)

Who manages IOOF?

The overall corporate governance of IOOF is the responsibility of the Group Board of Directors, who is elected by and answerable to shareholders. The day-to-day management and strategic direction of the company is led by our Chief Executive Officer (CEO), supported by a team of senior executives from across the business (Executive Team).

IOOF Board of Directors

Mr Raymond Schoer
BAdmin, FCPA, FAICD, FCIS

- Chairman of IOOF Holdings Ltd
- Chairman of IOOF Investment Management Ltd, IOOF Life Ltd and IOOF Ltd
- Member of Audit and Risk Committee and Governance Committee
- Non-Executive Director of IOOF Holdings Ltd since 2002

Dr Roger Sexton
BEco (Hons), MEco, PhD (Eco), FAICD, FAIM

- Deputy Chairman of IOOF Holdings Ltd
- Non-Executive Director of IOOF Holdings Ltd since 2002
- Chairman of OutScope Ltd
- Director of Perennial Investment Partners Ltd
- Member of Remuneration and Nomination Committee

Mr Ian Blair
OAM, MMgt, FCA

- Non-Executive Director of IOOF Holdings Ltd since 2002
- Chairman of Audit and Risk Committee
- Member of Remuneration and Nomination Committee

Mr Michael Crivelli
BEco, ASA, ASIA

- Executive Director of IOOF Holdings Ltd since 2002
- Chairman of Perennial Investment Partners Ltd, Perennial Investment Partners Asia Ltd and Perennial Value Management Ltd

Mr Ronald (Ron) Dewhurst
ASIA

- Group CEO since 2004
- Executive Director of a number of Group subsidiaries

Mr Anthony (Tony) Hodges
Dip FP, FAICD (Dip), FSIA

- Executive Director of IOOF Holdings Ltd since September 2004
- Executive Director of a number of Group subsidiaries

Mr Michael Parkinson
CBE, BA (Hons), MBA (Stanford)

- Non-Executive Director of IOOF Holdings Ltd since 2002
- Director of IOOF Investment Management Ltd, Perennial Investment Partners Ltd, IOOF Life Ltd and IOOF Ltd
- Chairman of the Governance Committee

Ms Kate Spargo
LLB (Hons), BA, FAICD

- Non-Executive Director of IOOF Holdings Ltd since 2002
- Director of OutScope Ltd
- Member of Audit and Risk Committee
- Chairman of Remuneration and Nomination Committee

For more detailed biographies of each IOOF Board member, please refer to the Directors' Report.

IOOF Board of Directors


Mr Raymond Schoer
Ms Kate Spargo
Mr Ian Blair
Mr Ronald (Ron) Dewhurst
Mr Michael Crivelli
(not in photo)

Jarrod Brown

IOOF Executive Team

Ms Adrianna Bisogni
General Counsel, LLB (Hons), BA

Adrianna is a lawyer with over 13 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 the law relating to mergers and acquisitions and the provision of financial services, with particular emphasis on registered managed investment schemes, superannuation and pension funds, life insurance, friendly societies and funds management and administration services. Adrianna has executive responsibility for the Group's legal and compliance functions.

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

Mark has over 29 years experience in finance, working across a broad range of industries for companies such as WMC, Ausdoc, Laminex Industries, AAMI/Promina and Olex Cables. In particular, he has public company experience in financial management and advice, management of financial risks, management of key strategic projects, acquisitions and establishing joint ventures.

He works closely with the CEO and has executive responsibility for the Group's accounting, finance, taxation and program office.

Mark is currently an Executive Director of IOOF Investment Holdings Ltd.

Mr Darren Booth
General Manager Operations, BSc

Darren has over 16 years experience in the funds management and financial services industries, 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 and investment & accounting services.

Darren is a member of IOOF's Investment Policy Committee and Business Program Steering Committee.

Mr Jarrod Brown
General Manager, Retail Funds Management, BBus (Acc), Grad Dip (Bnk & Fin), MBA, GAICD

Jarrod has over 13 years financial services experience within a range of companies including IOOF Investment Management Ltd, ING Australia, Colonial State Bank, Challenge Bank and National Australia Bank.

He 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 Pty Ltd, and dealer services division, OutScope Ltd.

His previous experience in banking and funds management includes a range of sales and product management positions such as Head of Funds Management Distribution, Head of Funds Management Markets and Head of Funds Management Product at ING Australia.

Jarrod has previously led research, product and mortgage asset management teams prior to which his early career focused on credit management.

Jarrod is currently an Executive Director of OutScope Ltd and Winchcombe Carson Financial Planning Pty Ltd.

Mr Ronald (Ron) Dewhurst
Chief Executive Officer (CEO), ASIA

Ron was appointed IOOF Group CEO in April 2004 and is currently an Executive Director of a number of Group subsidiaries.


Mark Blackburn (left)
and Adrianna Bisogni (right)

He has more than 30 years domestic and international experience in investment and financial services management. Most recently, Ron was Head of Americas for JP Morgan Fleming Asset Management in New York and oversaw a business with some US$500b of assets under management. He previously headed 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.

Ron is a Director of Acctrak21 International Ltd, Breast Cancer Network of Australia, Global Art Source, National Gallery of Victoria, Pride Capital Partners LLC and Australian United Investment Company Limited.

Mrs Susan Foley

General Manager, Corporate Operations, SIA(Cert), GradDipBusMgt, MMgt

Susan has worked for over 25 years in the securities and financial services industries and has extensive business and management experience. She has worked in various areas of the industry including stockbroking, trustees, investment management and more recently in the listed company environment.

Susan joined IOOF in 2003 and has executive responsibilities for corporate governance, overseeing the Board and Company Secretariat functions, the management of key relationships with regulators and industry associations, and management of the IOOF Foundation. She also works closely with the CEO, the Governance Committee and the Board on the Group's governance framework, policy development and corporate operations.

Mr Anthony (Tony) Hodges

Head of Group Strategy, Dip FP, FAICD (Dip), FSIA

Tony was appointed as an Executive Director in September 2004 and is also currently Executive Director of a number of Group subsidiaries. His 32-year career in the securities industry spans both merchant banking and investment management.

Tony 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 Ltd. Tony has also been involved with the Securities Institute of Australia for some 18 years as a principal lecturer and is a member of the Economics, Savings and Tax Committee of IFSA.

Mr Marshall Stephen

Chief Information Officer

Marshall has over 16 years financial services experience within a range of companies including AXA Asia Pacific, AXA Cologne, Sungard Data Systems Inc, Summit Master Trust and Asia Online, before joining the IOOF Group in 2002.

Marshall has executive responsibility for the information communications and technology functions across the IOOF Group.

His previous experience in financial services includes a range of senior technical and business management positions, including Head of Information Technology for Summit Master Trust, Professional Services Manager and Lead E-Commerce Strategist at Asia Online.

Mr Peter Wallbridge

General Manager, Human Resources, BEd, Grad Dip Bus (HR)

Peter 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 CEO 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.

Peter is secretary to the Remuneration and Nomination Committee.

IOOF Executive Team

Mr Anthony (Tony) Hodges

Ms Mary Latham
(ceased employment with IOOF
as at 31 July 2005)

Mr Peter Wallbridge

Mr Marshall Stephen
(not in photo)

Mrs Susan Foley
(not in photo)

Mr Mark Blackburn

Our financial performance

How did IOOF perform in 2004/05?

Revenue

23% ▲

Revenue has increased from **$198.4 million to $244.2 million**.

Operating efficiency ratio

12% ▼

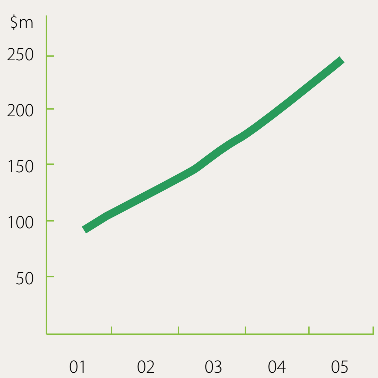
Operating efficiency ratio has improved from **80% to 68%**.

Net profit after tax

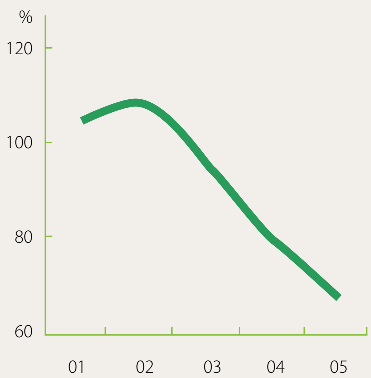
60% ▲

Net profit after tax has increased from **$41.6 million to $66.7 million**.

Scorecard – our 5-year performance

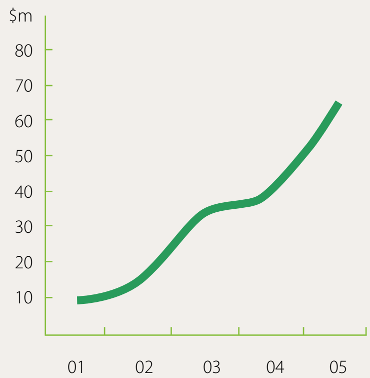


Represents revenue from ordinary activities.



Operating efficiency is measured as Operating Expense divided by Gross Margin.

Operating Expense excludes commission, management fees, non-cash and non-recurring items. 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.

Cash earnings

86% ▲

Cash earnings have increased from **$18.8 million to $34.9 million**.

Funds inflows

39% ▲

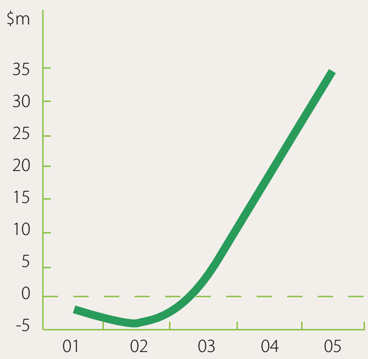
Funds inflows have increased from **$4.5 billion to $6.3 billion**.

Assets under management

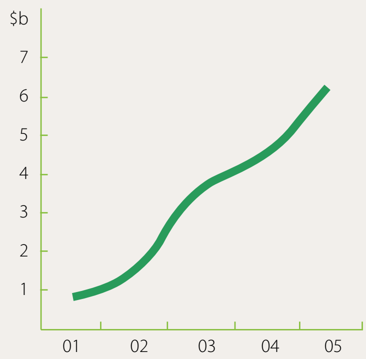
41% ▲

Assets under management have increased from **$15.9 billion to $22.4 billion**.

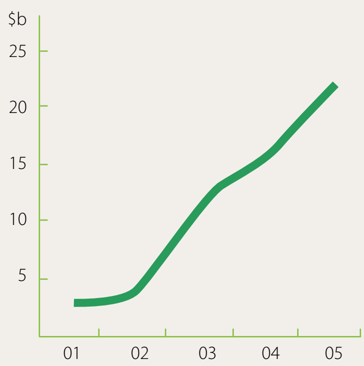
Scorecard – our 5-year performance



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.



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



Assets under management represent the total dollar balance, at 30 June in each year, of IOOF/Perennial product funds under management and administration.

Understanding the data behind IOOF's performance

The key drivers affecting the financial performance for the financial year ended 30 June 2005 are detailed below.

- A 41 per cent increase in funds under management and administration (FUMA) from $15.9 billion at 30 June 2004 to $22.4 billion at 30 June 2005.

  FUMA grew strongly during the year. Approximately 55 per cent of the growth arose as a result of net inflows. Good earning performance and favourable markets accounted for approximately 45 per cent of the growth.

  The growth in FUMA has translated into higher management fee income, as management fees earned from the funds are calculated based on an agreed percentage of the respective funds under management and administration in accordance with each fund's Product Disclosure Statement or offer document. A partial offset is the increased commission expense associated with increased sales.

- Good underlying performance of the trusts.

  As noted above, good performance of the trusts has attracted strong inflows. Individual fund performance is disclosed on the IOOF website at **www.ioof.com.au**

- Growth in wholesale business versus retail business.

  Wholesale FUMA grew by $4.9 billion or 89 per cent during the year, whilst retail business grew $1.6 billion or 15 per cent during the year. Retail business has higher margins and this change in mix can be expected to impact future revenue. However, the growth in wholesale business is scaleable with little increase in cost to manage higher volumes, therefore, the overall impact on gross margin will be less significant.

- Efficiency ratio (cash operating cost to gross profit).

  The efficiency ratio fell from 80 per cent to 68 per cent. The improvement in this ratio was due to the following factors:

  — integration of the acquired AM business has resulted in an ability to reduce costs and benefit from synergies and economies of scale;

  — continued management cost initiatives; and

  — strong income growth.

  Cost control remains a focus, with shareholder value being extremely sensitive to the level of costs relative to income.

- Change in corporate structure.

  During the year, equity was issued to Directors and Executives of the fixed interest and growth subsidiaries of Perennial Investment Partners Ltd. As a result, the net profit attributable to outside equity interests was higher than last year.

The net profit after tax for the year has also been impacted by one-off non operating abnormal transactions. These are detailed below.

- The sale of the remaining parcel of Bendigo Bank shares. This resulted in a profit on sale of $2.75 million.
- During the year, the IOOF Group received a tax refund of approximately $6 million in relation to an amended assessment for a prior year. Interest of $0.5 million was also received and represents abnormal interest income for the year.
- A tax claim for research and development expenditure in relation to a prior year's tax return has been recognised. This transaction resulted in a tax credit of $0.9 million.
- A reassessment of the carrying value of investments in strategic alliance dealer groups resulted in a provision totaling $1.5 million being made against these investments during the financial year.

- Deferred acquisition costs relating to commissions on nil entry fund inflows are deferred as an asset in recognition that they relate to a future benefit. During the year, this asset was reassessed and additional amortisation of $1.1 million was expensed to more accurately reflect expected future benefits.
- Legal fees of approximately $1 million were expensed in relation to ongoing litigation.
- An accrual has been made amounting to $0.8 million in relation to the projected costs in the successor fund transfer of funds under management and administration from one IOOF superannuation fund to another.
- The adoption of Australian equivalents to International Financial Reporting Standards (AIFRS) has resulted in the full costs of this project amounting to approximately $0.5 million being expensed during the financial year.

Were there any external factors impacting IOOF's performance?

IOOF's performance was impacted by the markets in which it operated during the year. Positive returns from equity markets and from international and domestic fixed interest markets has favourably impacted earnings of funds and resulted in growth in FUMA. This has had the flow-on effect of generating additional management fee income.

Defining shareholder value

Shareholder value is defined by a number of measures which are explained below.

- **Total shareholder return**

  Total shareholder return (TSR) measures the change in share value over a specified period. For the financial year ended 30 June 2005, the TSR for IOOF Holdings Ltd shareholders was 43 per cent.

- **Earnings per share**

  Basic earnings per share of 101.96 cents per share disclosed in the financial statements is based on the earnings, including an unrealised gain arising from the excess of net market value over net assets of controlled entities (EMVONA) and other non cash items.

  Earnings per share pre revaluations is 33 cents per share compared to 23 cents per share for last year. The earnings per share pre revaluations excludes EMVONA and provisions for diminution and doubtful debts, and has been calculated using the same weighted average number of shares used to calculate basic earnings per share. The increase in earnings per share pre revaluations reflects the increase in cash operating profits generated by operations.

- **Dividends**

  In October 2004, a final dividend in respect of the year ended 30 June 2004 was paid. This dividend amounted to $6.35 million and represented 10 cents per ordinary share franked to 100 per cent based on tax paid at 30 per cent.

  In April 2005, an interim dividend in respect of the year ended 30 June 2005 was paid. This dividend amounted to $6.4 million and represented 10 cents per ordinary share franked to 100 per cent based on tax paid at 30 per cent.

  The Directors have declared the payment of a final dividend of 12 cents per ordinary share franked to 100 per cent based on tax at 30 per cent.

- **Franking credits**

  The balance of the franking account at 30 June 2005 will support the payment of fully franked dividends of approximately $32 million. It is expected that the IOOF Group will continue to make future tax payments and this will increase the availability of franking credits.

Our 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 Australian Stock Exchange (ASX) Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles) and have implemented these in our business. We monitor our adherence to these and strive for continuous improvement in these practices.

Role of the Board

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

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

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

Role of the Chairman

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

The Chairman provides leadership to the Board. 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. He is also a spokesperson for the company and ensures that effective communications are made to shareholders.

Role of Independent Directors

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

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

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

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

Board committees

The Board has a number of committees to which it has delegated various functions. These committees 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 and Risk Committee

The Audit and Risk Committee plays a key role in assisting the Board of Directors with its responsibilities relating to accounting, internal control systems, reporting practices and 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 and Risk Committee oversees and appraises the quality of the audits conducted by the IOOF Group's internal and external auditors and emphasises areas where the Committee believes special attention is required. The current internal auditor was appointed as a result of an external tender process conducted in 1999 and a review of the arrangements has been conducted this year. This has resulted in changed methodology and rotation of the audit partner. The current external auditor was appointed as a result of an external tender process conducted in 2000. This appointment is due to be reviewed; however, the Audit and Risk Committee has agreed that until the Australian equivalent to the International Financial Reporting Standards is complete, it would be unproductive to consider any change in this service provider. 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 and Risk Committee also reviews the effectiveness of administrative, operating and accounting controls. This Committee is currently composed of all Independent Directors and is chaired by a qualified accountant. The members are Mr Ian Blair (Chair), Mr Raymond Schoer and Ms Kate Spargo.

Governance Committee

IOOF is committed to good corporate governance and to provide particular focus to this responsibility, the Board of IOOF established a Governance Committee last year. This assists the Board in the effective discharge of its responsibilities in ensuring that a fitting governance framework is in place across the IOOF Group. This Committee also reviews the statutory and regulatory obligations and industry standards that affect IOOF in its operations, to ensure that the systems of control and oversight implemented by management are robust and effective. The Committee is comprised of a majority of Independent Directors, being Mr Michael Parkinson (Chair) and Mr Raymond Schoer, together with the CEO, Ron Dewhurst.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible to the Board for nominating and recommending the appointment of Independent Directors and the CEO, and for the establishment of the remuneration framework for Directors, the CEO and members of the Executive Team.

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 agreed Terms of Reference which are 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 Directors is overseen by the Remuneration and 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 who satisfy the criteria for nomination and consideration by the Committee. Proposals are then taken to the Board for review and approval.

Performance evaluation

IOOF has a formal performance evaluation process which establishes objectives, Key Result Areas and Key Performance Indicators for management and all staff. Underpinning this policy is the belief that performance planning and regular performance reviews constitute sound business practice.

During the year, we have undertaken full Board evaluations. These were conducted by using an internally developed methodology considering many dimensions that we believe to be relevant to the organisation and the industry within which we operate. An external consultant was used to analyse data and provide feedback at each stage.

Each Committee of the Board has its own Terms of Reference from which Key Result Areas and Key Performance Indicators have been developed over the year. The process for evaluation against these metrics has been by way of self-assessment, with reporting to the Board for consideration.

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 which is issued by IOOF.

The procedures, which have been developed to comply with these rules, include immediate reporting of any matter which could potentially have a material effect. The Company Secretary is responsible for monitoring information which could be price sensitive, liaising with the CEO 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 ASX and disclosures to the market will then be placed on IOOF's website.

Other shareholder communications

IOOF seeks to enhance the usual financial and regulatory reporting to shareholders by producing regular Shareholder Bulletins and an Investment Market Review, which 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 might be of interest.

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

Melbourne

Independent legal and other advice

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

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 **(www.ioof.com.au).**

Risk management

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

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

IOOF's approach requires the consideration of all risks that threaten the achievement of business objectives. The objective 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. This process is cyclical and ongoing and the methodology forms a 12-month rolling risk continuum. Monitoring and review at all stages of the process is critical, as is ensuring that a periodic review of risks and controls is in place.

In accordance with the recommendations in the ASX Principles, the CEO and the Chief Financial Officer (CFO) provide a written attestation to the Board that the integrity of the company's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that IOOF's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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

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

IOOF also has a compliance framework which has compliance plans covering each product line of the IOOF Group's business. In addition to the compliance plans required under legislation, the IOOF Group has introduced additional plans as a matter of good practice.

Supporting our staff and community

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

Historically, companies have been responsible for reporting solely on the financial outcomes of their actions to shareholders in their 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 and as a publicly listed company, it is even more relevant today. We believe that establishing ourselves as a good corporate citizen is an integral part of our future. Over the past year, we have been considering our corporate social responsibilities and we are currently undertaking significant work on this matter. We intend to report more extensively on these activities in next year's Annual Report.

IOOF's commitment to the community

The IOOF Foundation

Whilst the IOOF Group's beginnings embraced a simple desire to support its members through times of sickness or financial hardship, today, the Group's support for the community comes in the form of the IOOF Foundation. The IOOF Foundation was established in June 2002 as part of IOOF's demutualisation and is a charitable trust which recognises IOOF's heritage.

The IOOF Foundation aims to support the following Australian community groups:

- disadvantaged families;
- the elderly; and
- disadvantaged children and youth.

The Foundation made initial grants of $205,000 to organisations committed to helping those in need. However, since December 2004, the IOOF Foundation has made further grants totalling $271,783 to assist the operations of the Australian organisations detailed below.

- **VACRO**: an independent, community-based welfare organisation providing services to offenders and their families for over 132 years. The Foundation granted $25,000 to fund a children's worker to work with and support the children of offenders.
- **Try Youth and Community Services**: $40,000 to fund Forster Lodge for 12 months. Forster Lodge provides accommodation for young people aged 15 to 20 years who want to continue their education at high school, TAFE or university but are homeless or in danger of becoming homeless.
- **Muscular Dystrophy Association (MDA)**: the association received two grants during the financial year.
  1. $25,000 to Café MDA, which provides a central facility for families travelling from rural areas to help them coordinate their movements to various medical support services. It also provides short-term care for siblings of children with MD.
  2. $25,000 to Camp MDA: the Camp MDA program is run four times a year during the school holidays and provides families and carers of children with MD with a week-long respite, whilst offering the children a holiday camp adventure.

"I have been receiving financial and counselling support as part of the Try Youth Student Support Program for about a year-and-a-half. I can vouch for the benefits of this program because Try was there for me when I most needed help. Unfortunately, things weren't the best at home and as a result I had to move out in emergency circumstances. I was basically isolated without any money and in need of shelter. Try stood by me and gave me some ground again, not only financially but in other ways to help keep my mind on track.
This program gets my praise!"

Quote from participant in
Try Youth Student Support Program.

"We thank you for your support of this project which makes a significant difference in the lives of disadvantaged and needy women in our community."

Ross Oldmeadow,
Director, Open House

"Thanks to the great support of the IOOF Foundation, we are now able to venture into a completely new area of online mental health support for young people through interactive 'game' modules. We are extremely grateful for the vision and trust the IOOF Foundation has placed in us and we have no doubt that this support will have a profound effect on the lives of many thousands of young people going through tough times. Thank you IOOF!"

Jack Heath,
Founder & Executive Director,
Inspire Foundation

- **Ethnic Communities Council of Victoria (ECCV)**: ECCV runs aged care projects to support Victorians of non-English speaking backgrounds. The Foundation granted $25,000 to assist the council with information, referral, support and mentoring.
- **Reach Out!**: an internet-based, anonymous service that prevents youth suicide by helping young people get through tough times. The Foundation provided $45,000 to establish the website's interactive component, Help Yourself!
- **Open House**: Open House provides a lifeline to those in need through a drop-in center at Ivanhoe. Each month, up to 300 homeless, lonely or otherwise disadvantaged people participate in the various programs. With the facility mostly run by volunteers, the Foundation granted $39,283 to employ a new, full-time Women's Support and Clubwork staff member to coordinate many of the programs and provide much needed continuity in the lives of the attendees.
- **Burnet Institute**: the Burnet Institute's work ranges from basic laboratory research into infectious diseases such as HIV, measles and various strains of hepatitis, through to the design, evaluation and implementation of public health programs. The Foundation provided $12,500 to assist with a Research Traineeship to support and encourage one young person from a marginalised community (in line with the institute's work) while the person is studying for a formal educational qualification.
- **Don Bosco Youth & Hostel**: this organisation offers a wide variety of sporting, social and recreational programs for young people, many of whom come from disadvantaged situations. The Foundation granted $35,000 to assist with the removal and pouring of a new concrete multi-purpose tennis court at the Youth Centre, where between 800-1000 children visit each week.

If you would like additional information on the IOOF Foundation, please visit our website (**www.ioof.com.au**) or contact Nicole Wright on **13 13 69**.

Staff Giving Program

A Staff Giving Committee has been established at IOOF to give employees the opportunity to volunteer within charitable organisations.

In keeping with the ideals behind the establishment of the IOOF Foundation, we plan to further our partnerships with grant recipients beyond the initial monetary relationship. Where opportunities present themselves, we would like to be able to extend help in the form of volunteers from the IOOF Group.

If you would like any additional information on the Staff Giving Committee, please contact Nicole Wright on **13 13 69**.

IOOF's commitment to its staff

IOOF has devoted significant resources to developing and implementing a number of new people and culture programs during 2004/05.

The major platform for much of the work undertaken has been the new IOOF mission and values. A range of work has also been initiated to recognise the critical importance of people and support the growth, development and well-being of our staff, such as a new policy introducing work flexibility and a new Employee Assistance Program.

Staff reward system

IOOF has a broad and comprehensive reward system for staff. This is critical to ensure IOOF can retain and attract the best talent in an environment where superior people are highly sought after. For more information on the Group's staff reward system, please see section titled 'Remuneration Report' in the Directors' Report.

Employee Equity Participation: offers may be made under the General Staff Share Acquisition Plan to eligible employees, as determined by the Board, to grant up to $1,000 worth of IOOF shares per year 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.

In addition to the Executive Performance Share Plan (described more specifically in the Remuneration Report section), IOOF also provides the opportunity for all staff, should they wish, to salary sacrifice base salary or incentive payments in order to acquire IOOF shares through the IOOF Deferred Share Purchase Plan.

Communication and consultation

Recognising the critical importance of our people, a number of new communication initiatives were launched throughout the year, including regular Senior Management Forums and informal 'Town Hall' briefings for staff. Of particular note is the strong spirit of communication and consultation evidenced throughout the process of negotiating a new IOOF Certified Agreement applicable to a number of IOOF staff. After many months' consultation, and negotiations between the Staff Working Group and representatives of senior management, a new agreement was developed and ratified in the Australian Industrial Relations Commission on 31 May 2005.

Training and Career Development

A range of training and career development initiatives have been implemented during 2004/05 and include:

- a series of Leadership Forums for senior managers to explore concepts of leadership and the practical implications of managing to a set of values;
- a comprehensive Career Planning and Development Program, including 'IOOF Careers Month';
- programs specifically created to satisfy our obligations under ASIC Policy 146 in regard to the skills and expertise that must be demonstrated by individuals providing financial advice;
- programs aimed at further developing the 'fundamental' business skills of our staff; and
- a number of programs to ensure adherence to our HR compliance obligations, particularly those pertaining to Occupational Health and Safety, and Equal Employment Opportunity.

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IOOF Holdings Ltd Directors' Report

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 2005.

Directors

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

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in Perennial Investment Partners Limited	Units in IOOF Registered Schemes
Mr. R J Schoer BAdmin, FCPA, FAICD, FCIS	71	**Experience** Mr Schoer is the Group Chairman of IOOF Holdings Ltd 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. He is also currently a director of a number of Group subsidiaries. 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. **Current Other Directorships** Mr Schoer is also the Chairman of Rabinov Diversified Property Trust and Zinico Resources NL, and a Director of Ferngrove Vineyards Ltd, The Australia 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. **Past Directorships (3yrs)** None	Chairman of IOOF Holdings Ltd Member of the Audit & Risk Committee Member of the Governance Committee	1,315 ordinary shares held directly 6,417 ordinary shares held indirectly	NIL	NIL
Dr R N Sexton BEco (Hons), MEco, PhD (Eco), FAICD, FAIM	55	**Experience** 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. Dr Sexton has 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. He has 20 years experience in senior management and is a specialist in the areas of corporate reconstruction, mergers and acquisitions and privatisations. **Current Other Directorships** Dr Sexton is Chairman of the Venture Capital Board in South Australia; Chairman of Beston Pacific Asset Management Pty Ltd and a director of IBIS World Pty Ltd. **Past Directorships (3yrs)** Deputy Chairman Korvest Limited (to 2003) Deputy Chairman Challenger Wine Trust	Deputy Chairman of IOOF Holdings Ltd Member of the Remuneration and Nominations Committee	12,313 ordinary shares held directly	NIL	1,633.8150 units

Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in Perennial Investment Partners Limited	Units in IOOF Registered Schemes
Mr M U R Crivelli BEco, ASA, ASIA	66	**Experience** 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 and various Perennial subsidiaries. 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. **Current Other Directorships** None **Past Directorships (3yrs)** None	Executive Chairman of Perennial Investment Partners Limited	9,534 ordinary shares held directly	4,140 **Shares in Perennial Investment Partners Asia Limited:** 5,000	NIL
Mr M W Parkinson CBE, BA (Hons), MBA (Stanford)	62	**Experience** 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 also currently a director of a number of Group subsidiaries. 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 Past Federal Chairman of the Australian-British Chamber of Commerce and Past Chairman of the National Fund Raising Committee of the Cambridge Australia Trust. **Current Other Directorships** None **Past Directorships (3yrs)** None	Chairman of the Governance Committee	1,315 shares held directly	NIL	NIL
Mr I Blair OAM, MMgt, FCA	58	**Experience** 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. 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 CEO of the firm. He has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community.	Chairman of the Audit & Risk Committee Member of the Remuneration & Nomination Committee	9,677 ordinary shares held directly	NIL	2,851.2785 units

Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in Perennial Investment Partners Limited	Units in IOOF Registered Schemes
Mr I Blair (continued)	58	**Current Other Directorships** Mr Blair is a director of SAS Trustee Corporation (NSW State Superannuation Fund), Melbourne Business School Ltd and Sisters of Charity Health Service Ltd. **Past Directorships (3yrs)** None				
Mr R Dewhurst ASIA	53	**Experience** 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 more than 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 over-saw a business with some US$500 billion of assets under management. He previously headed 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. **Current Other Directorships** Mr Dewhurst is a director of Acctrak21 International Ltd, Breast Cancer Network of Australia, Global Art Source, National Gallery of Victoria, Pride Capital Partners LLC and Australian United Investment Company Limited. **Past Directorships (3yrs)** None	Chief Executive Officer of the IOOF Group	125,000 ordinary shares held indirectly	NIL	NIL
Ms K D Spargo LLB (Hons), BA, FAICD	53	**Experience** 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 also a director of various group subsidiaries. Ms Spargo has been a company director and adviser in strategy and governance for over ten years following a career in legal practice in both the public and private sectors. Ms Spargo was Chairman of HomeStart Finance for seven years. **Current Other Directorships** Ms Spargo is currently serving as a director on the boards of Pacific Hydro Ltd, Fulton Hogan Ltd, Uniseed Pty Ltd and Australian Pork Ltd as well as Melbourne Ventures Pty Ltd. She is also a member of the Melbourne International Arts Festival and NeuroSciences Victoria Limited. **Past Directorships (3yrs)** None	Chairman of Remuneration & Nomination Committee Member of the Audit & Risk Committee	3,328 ordinary shares held directly	NIL	2,853.8812 units

Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in Perennial Investment Partners Limited	Units in IOOF Registered Schemes
Mr AP Hodges (appointed 27 September 2004) DipFP, FAICD (Dip), FSIA	50	**Experience** 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 Limited. He has been involved with the Securities Institute of Australia for some 18 years as a principal lecturer and is a member of the Economics Savings and Tax Committee of IFSA. **Current Other Directorships** None **Past Directorships (3yrs)** None	Head of Group Strategy	5,595 ordinary shares held directly 703,174 ordinary shares held indirectly	NIL	**Benefit Funds** 40,003.7413 units **Perennial** 108.1036 units

The qualifications and experience of each person who is a company secretary as at the year end:

- The Company Secretary was Ms Mary Latham; B Fin Admin, CA, ASIA. She was appointed to this position in 2000. Prior to that she held various senior finance roles over ten years in the IOOF Group and other financial services firms and also worked for eight years in chartered accounting practices. Ms Latham resigned as Company Secretary on 29 July 2005 and was replaced by Mrs Susan Foley SIA (Cert), Grad Dip Bus Mgt, M Mgt on that date. Mrs Foley has over 25 years experience in the securities and financial services industry and has extensive business and management experience. She has worked in stockbroking and the trustee and investment management industries, and has been employed by IOOF since 2003.
- The Alternate Company Secretary is Ms Adrianna Bisogni; LLB (Hons), BA. She was appointed to this position in 2003 and acts as the Company Secretary if ever the incumbent is either absent or incapacitated. Ms Bisogni has been the IOOF Group's General Counsel since 2003. Prior to that she had 11 years experience in corporate law with another financial services firm and with a major legal practice.

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 Changes 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.

During the year, executives and directors of subsidiary companies Perennial Fixed Interest Partners Pty Ltd and Perennial Growth Management Pty Ltd acquired an equity interest in these entities. The shareholding by Perennial Investment Partners Limited reduced from 100% to 60% and effective ownership by the IOOF Group reduced from 77.2% to 49.1% and 46.9% respectively. These transactions are consistent with the IOOF Group's strategy of providing equity participation to key executives in their area of expertise. The IOOF Group has continued to consolidate these entities due to its ability to ultimately control their decision making.

Mr A Hodges was appointed to the position of executive director on 27 September 2004.

Consolidated Results

The consolidated net profit for the period attributable to members of IOOF Holdings Ltd was $65,133,000 (2004: $41,102,000).

Revenue from ordinary activities includes a change in excess of net market value over net assets of controlled entities of $46,814,000 (2004: $31,135,000). 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 acquired superannuation and fund management business.

Revenue from operating activities, consisting of management fees, commission revenue and other fee income increased by $29,187,000 or 18.6% over that of the previous year. Management fee and commission expenses increased as a result of increased revenue.

The Group's Funds Under Management and Administration continued to increase during the year, reaching $22.4 billion at 30 June 2005. This is a 41% increase over the 30 June 2004 figure of $15.9 billion.

A decrease in operating expenditure, excluding commission and management fee expenses, occurred for the year ended 30 June 2005. The main reason for this decrease can be attributed to the synergies being achieved with the acquisition of businesses from AM Corporation as well as other improvements in operating efficiencies.

Dividends

In October 2004, a final dividend in respect of the year ended 30 June 2004 was paid. This dividend amounted to $6.35 million and represented 10 cents per ordinary share franked to 100% based on tax paid at 30%.

In April 2005, an interim dividend in repect of the year ended 30 June 2005 was paid. This dividend amounted to $6.4 million and represented 10 cents per ordinary share franked to 100% based on tax paid at 30%.

The Directors have recommended the payment of a final dividend of 12 cents per ordinary share franked to 100% based on tax at 30%.

Review of Operations

The operating performance of the IOOF Group for the year ended 30 June 2005 is contained in the Review of Operations and Financial Condition section in the Annual 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 has issued Australian equivalents to IFRS (AIFRS), and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. The adoption of AIFRS will be first reflected in the company's financial statements year ending 30 June 2006. Information about how the transition to AIFRS is being managed, significant impacts and the key differences in accounting policies that are expected to arise, is set out in Note 33.

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 26;
- **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 26; and
- **c.** a benefit arising through a contractual relationship with entities in which the Directors have a financial interest as detailed in Note 27.

Remuneration Report

Purpose of Report

This remuneration report sets out the remuneration arrangements for Specified Directors and Specified Executives of IOOF in accordance with AASB 1046: Director and Executive Disclosure by Disclosing Entities and section 300A of the Corporations Act 2001 (as amended by CLERP 9).

The Corporations Act requires disclosure of the five most highly remunerated company and group executives, whilst AASB 1046 requires disclosure of the executives with greatest influence over the strategic direction and management of the group. IOOF's assessment is that the executives with greatest influence are those executives that are members of the defined Executive Team, who report directly to the Chief Executive Officer.

Remuneration Responsibility

Role of the Remuneration Committee

The Board of IOOF Holdings Ltd has established a Remuneration and Nomination Committee which accords with the ASX "Principles of Good Corporate Governance and Best Practice Recommendations". It assists the Board by:

- providing an efficient mechanism for focusing the company on appropriate remuneration policies which are designed to meet the needs of the company and to enhance corporate and individual performance; and
- enabling independent evaluation of the Board's structure, composition and necessary competencies.

A summary of this Committee's Terms of Reference are included in the Corporate Governance section of this Annual Report.

Membership and meetings

During the year, the Committee comprised three non-executive directors:

- Ms Kate Spargo (Chairperson);
- Dr Roger Sexton; and
- Mr Ian Blair.

The Committee met six times during the year. Attendance details are included in the summary of Directors' meetings on page 60.

Principles used to determine the nature and amount of remuneration

Remuneration Policy and Principles – IOOF Senior Executives (Specified Directors and Specified Executives)

The senior executive remuneration policy as set out below applies to those executives who report directly to the Chief Executive Officer ("The Executive Team"), including Company Secretaries but excluding the Managing Director of Perennial Investment Partners Limited. The Executive team is subject to an annual review of remuneration arrangements. Details of the Chief Executive Officer remuneration follow on page 50 and details regarding the employment contract of the Managing Director of Perennial Investment Partners Limited follow on page 51.

Remuneration Framework

During 2004/05 and the previous four years, IOOF adopted a remuneration framework for senior executives composed of three key components:

Component	Objective
A 'fixed' remuneration package – referred to as total fixed remuneration, or 'TFR'.	TFR comprises taxable salary, superannuation, and other benefits, and forms the key element of 'come to work' pay.
A Short Term Incentive 'STI' opportunity.	This separate and additional, cash based remuneration opportunity, is tied to the achievement of pre-determined and pre-agreed business objectives, the achievement of which will make a substantial contribution to: • The strategic progress of the organisation; • Enhanced operational efficiency; • People, culture, and governance.
A Long Term Incentive 'LTI' component.	Prior to listing in December 2003, a cash based LTI arrangement was in place. At the time of listing, the IOOF Board implemented an Executive Performance Share Plan as the primary vehicle for LTI delivery. Allocations under this plan are viewed as the long term component of eligible senior executives' remuneration packages. Eligible executives for this purpose are defined as members of the Executive Team (direct reports to the CEO) as defined in the table on Page 52. At the Board's discretion, eligible executives may receive an annual allocation under the Executive Performance Share Plan.

Positioning Principles

An overview of the principles adopted in positioning the individual pay components for 2004/05 is set out below:

Remuneration Component	Positioning Policy/Philosophy
Fixed Remuneration (TFR)	To position fixed remuneration at a point between the median and the 62nd percentile of market benchmark data for the applicable role. The final decision may be influenced by the Executive's performance, the market gravitas of the individual, job complexity, degree of difficulty, and team relativities.
STI ('On Plan' Opportunity)	A market competitive Short Term Incentive (STI) opportunity is provided to each Executive, tied to the achievement of pre-agreed objectives, as reflected in a formal STI contract. Although different for each Executive, these STI objectives were chosen because they encompass and influence all key business drivers. They include: • Implementation of key strategic initiatives that will drive growth; • Enhancement of distribution capability; • Achievement of investment performance targets for MIM funds; • Customer Service measures; • Achievement of key efficiency improvements; • Implementation of new systems; • Implementation of people and culture initiatives, including the retention of key staff; At least 10% of the total STI Opportunity is tied to the achievement of the Group's EBITDAR (Earnings before Interest, Tax, Depreciation, Amortisation and Revaluation) target for the period. The EBITDAR result represents the underlying cash earnings of the business, and is included in order to tie a component of the Executive's STI to company earnings, and ultimately, growth in shareholder value. At the end of the period, the CEO undertakes a comprehensive assessment of the achievements made by each Executive, relative to their individual suite of objectives. The Board believes that the CEO, with an ultimate accountability for the Company's performance, is best placed to assess the degree to which performance expectations have been satisfied. Executives with direct control over revenue and key financial objectives have a higher degree of leverage in their fixed versus variable (STI) pay ratio. STI opportunity is scaled based on the Chief Executive Officer's assessment of level of influence over financial outcomes according to the following guidelines:

Position	GM – RFM	Head of Strategy	CFO	GM - Operations	Company Secretary	General Counsel	GM - HR
STI as a % of TFR	45 – 50%	40 – 50%	40%	40%	25%	25%	25%

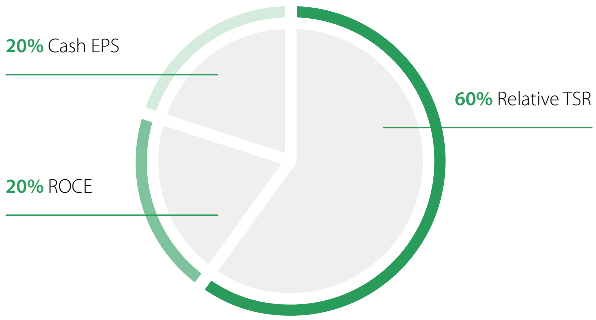
Note: The 2005/06 Compensation Model, set out later on in this report, further strengthens the relationship between variable pay and Executive performance objectives.

Remuneration Component	Positioning Policy/Philosophy
LTI – (Equity allocations)	Annual equity allocations under the Executive Performance Share Plan (EPSP) are recommended by the Chief Executive Officer to the Board Remuneration and Nomination Committee, subject to the Chief Executive Officer's assessment of the prior year's performance and future challenges. **Allocation Principles for Executive Team** In order to remain competitive in the short term, equity allocations valued at 75% of the value of the fixed remuneration component were provided to members of the IOOF Executive Team in December 2004. These allocations are tied to a suite of vesting conditions and performance hurdles. Subject to the achievement of the performance conditions set out below, the performance shares may vest after three years, and any time between the end of the third year and the end of the fifth year after date of allocation. **EPSP Performance Conditions** The proportion of the annual equity allocation that will vest will be determined by reference to three performance hurdles: 1. Relative Total Shareholder Return (TSR) – comparison of IOOF TSR relative to a selected peer group 2. Cash Earnings Per Share (Cash EPS); 3. Return on Capital Employed (ROCE). These performance hurdles were selected for two key reasons; they are the measures which most closely align the interests of shareholders with the interests of executives; and, after reviewing and analysing the performance measures of Executive Share Plans across a range of industries and both larger and smaller public companies, they are the measures which many of those organisations have also adopted in order to achieve maximum alignment of interest.

Remuneration Report (continued)

Further information regarding EPSP Performance Hurdles

The weighting of the EPSP Performance Hurdles is as follows:



Relative Total Shareholder Return (TSR) against a Comparative Peer Group:

60% of the total performance share allocation is linked to the relative TSR hurdle, a measure of the return a shareholder earns over a specified period of time, and of the change in the share price, assuming dividends are re-invested. For the full 60% of any allocation to vest, the TSR must meet or exceed the 75th percentile of the Peer Index set out below. For any part of the allocation to vest, the TSR must meet the 50th percentile of the Peer Index, in which case 35% of the allocation will vest. For each additional percentile point achieved between these points an additional 1% of the offer will vest. This is illustrated below:

Vesting of shares tied to Relative TSR Hurdle:

TSR Percentile Achieved	Percentage (%) of Total Allocation to Vest
< 50^{th}	0%
50^{th}	35%
> 50^{th} to < 75^{th}	36 – 59%
75^{th} >	60%

Comparative Peer Group for the TSR Performance Hurdle:

The Peer Group was established (as set out below) for four key reasons:

- It includes those publicly listed companies that IOOF compete with directly (in one business or another) in the Australian Wealth Management/ Funds Management domain;
- Each of the businesses have the same underlying business drivers;
- Each (broadly) face the same growth opportunities and challenges;
- The two indices ensure reference to the broader financial services market.

Code	Company Name
PPT	Perpetual Trustees
AMP	AMP Ltd
AXA	AXA Asia Pacific
OFM	OFM
TWR	Tower
TRG	Treasury Group
IGP	Investor Group
COU	Count Financial
TRU	Trust Company Of Australia
HHL	Hunter Hall International
CGF	Challenger Financial Services
	Small Ordinaries Accumulation Index
	Financials Accumulation Index

Cash EPS and ROCE Hurdles

Shares tied to Cash EPS and ROCE Hurdles will vest as follows:

% level of achievement	Cash EPS	ROCE
	Percentage (%) of total allocation to vest	
< 80%	0	0
80-84%	8	8
85-89%	12	12
90-94%	16	16
95-99%	18	18
100% +	20	20

Remuneration Report (continued)

The specific metrics that apply to the Cash Earnings Per Share (CEPS) Hurdle, and the Return on Capital Employed (ROCE) Hurdle are as set out in the table below:

Measure	Percentage of allocation tied to this measure	Actual Target
Growth in Cash Earnings Per Share	20%	Must achieve growth of at least 10% over the previous year for a period of three years.
Return on Capital Employed (Generating Shareholder Value)	20%	Target average return of at least 15% each year over a three year period.

Change in Executive Remuneration Model for 2005/06

The Board has recently approved a number of modifications to the executive compensation model so as to achieve a number of objectives in 2005/06 and beyond.

- Maintain a market competitive level of total remuneration that will retain and motivate current executives and attract new executives IOOF might wish to bring into the organisation.
- Ensure premium reward for premium performance.
- Ensure "discounted" reward for sub-optimal performance.
- Build stronger linkages between short term performance and longer term growth.
- Strengthen the team focus on the factors that will influence both short term and long term success.

The new model provides for no substantive change to fixed remuneration but a 'merging' of the value of the current STI and LTI components so as to create one combined incentive compensation opportunity ("ICO"). The total value of the ICO, on an annual basis, would be tied to a suite, or "scorecard" of objectives, similar and aligned to the CEO's own STI Performance Scorecard. At the end of the business plan period, once performance against each of the performance dimensions has been evaluated and a total 'score' determined, total incentive compensation award will be established, and then apportioned so as to fund:

1. An STI style cash payment, payable immediately.
2. An LTI style equity allocation that will vest over a three year period.

Scorecard Components

There are three key sections of the model, focussed on Financial, Strategic and 'People and Governance' objectives. Each executive's scorecard will include:

Objective	Rationale
Achievement of Cash Earnings Per Share Objective	Aligns Executive Performance with Shareholder Interest
Achievement of Growth in Shareholder Value Objective	Aligns Executive Performance with Shareholder Interest
A 'Personal Financial' Objective – specific to the role; may be sales related, efficiency related or expense management related	Ensures rigour in financial management and that key financial targets are met, thereby aligning Executive performance with shareholder interest
'Personal Strategic' objectives – specific to the individual's role	To ensure focus on the key strategic initiatives and projects that will facilitate growth and Company performance
A 'People and Culture' objective	To ensure focus on retention, engagement and development of key people
A Governance, Compliance or Risk Management objective	To ensure an appropriate safeguarding of shareholder and client interests, and to preserve the integrity of and confidence in the IOOF Brand.

Weightings

The weightings attached to different objectives differ slightly between the key line management roles and the 'business advice' roles. The roles of GM – Strategy, GM – RFM and GM-Operations, are deemed to have a greater capacity to influence the financial success of the organisation, and hence have a higher weighting towards these results.

Scaling of Incentive Opportunity

The model, following the same principles reflected in the CEO Performance Scorecard, provides for a "scaling" of incentive opportunity whereby a sub plan performance discount can apply (as long as financial targets reach at least 90% of the relevant target) and where an 'exceed' level of incentive can also be provided if financial targets are exceeded by 10% or above.

Practical Application of the Scorecard

A fundamental element of the model is that only one total incentive compensation award "TICA" is determined every year, after the audited accounts have been approved by the Board. The TICA figure is determined with reference to each individual's scorecard, so whilst there is a higher weighting toward shared financial objectives, individual TICA's will differ depending upon performance against individual objectives.

Remuneration Report (continued)

In 2005/06 the total incentive compensation opportunity has been determined for each executive by adding to value of the 'on-plan' STI opportunity the dollar value of the equity allocation that has previously been provided as the long term incentive component.

For the purpose of determining the 'split' of cash and equity after a total incentive compensation award has been made, the following guidelines have been established for 2005/06.

Group	Available as immediate cash payment		Available to fund equity allocation	
	As a % of TICA	As a % of TICA of fixed remuneration	As a % of TICA	As a % of TICA of fixed remuneration
Head of Strategy, CFO, GM-RFM and GM-Operations	35%	Dependent upon TICA	65%	Dependent upon TICA
GM-HR, General Counsel, GM-Corporate Operations and CIO	30%	Dependent upon TICA	70%	Dependent upon TICA

Further,

- all or any part of the cash component may be salary sacrificed in order to acquire shares in the Deferred Share Purchase Plan, or:
- if any individual preferred to take a lesser percentage of cash in favour of a higher percentage to fund an equity allocation, they may do so, subject to the approval of the Remuneration and Nominations Committee.

Vesting of Equity Allocations

Under the new model, once equity allocations are made out of monies funded by the above plan, they remain tied to time based vesting conditions only, on the basis that a more rigorous set of financial hurdles were satisfied before the allocation was made.

A three year vesting period applies.

The principles as set out above will also be applied to those '2nd Tier' Managers who previously participated to a lesser extent in the Executive Performance Share Plan.

Policy for Remuneration of Non Executive Directors (NEDs)

The remuneration policy relating to Non Executive Directors was formally endorsed on 15 March 2005, though the policy principles have applied prior to IOOF listing on the Australian Stock Exchange. The Non Executive Director Policy is a different policy to that of the remuneration of executives or Executive Directors, or general staff, and many of the provisions of the policy are a direct reflection of IOOF's constitution.

The primary objective of the policy is to ensure IOOF's capacity to both retain and attract high calibre Non Executive Directors, whilst at the same time adhering to high levels of good corporate governance, in particular those that are set out in the ASX Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles). In accordance with the ASX Principles, Non Executive Directors are remunerated by way of fees and do not participate in schemes designed for the remuneration of executives.

IOOF remunerates each of its Non Executive Directors at a level informed by independent external advice, which is sought to ensure that IOOF remains competitive not only with specific competitors in the financial services sector, but also the broader spectrum of public companies of similar size, scope, revenue and profitability.

Other than any benefit which may be derived from voluntary participation in the IOOF Non Executive Director Deferred Share Purchase Plan (refer to page 49) the remuneration policy for Non Executive Directors has been established purposely such that there is no relationship between Directors' remuneration and the company's earnings or growth in shareholder value. There is no variable component tied to company performance.

IOOF has adopted an approach whereby all Directors receive a 'base' fee, in addition to which a further fee or fees apply for work undertaken as Directors of Group Subsidiary Boards, or as members of the various Board Committees. The Group Chairman, due to the 'umbrella' nature of his remuneration, is not eligible to receive additional fees for work undertaken with Committees.

Once each remuneration component is determined and set with reference to relevant market data, the remuneration is fixed, with no 'regular' variable component tied to company performance. Notwithstanding this provision, and as set out in Clause 49 of IOOF's Constitution, any Director who serves on any Committee, devotes special attention to the business of the Company, or at the request of the Board engages in any journey on the business of the Company, may be paid extra remuneration as determined by the

Board. The value of any such special payment shall be no greater than 25% of the total fixed remuneration of the Director, inclusive of the value of Superannuation Guarantee (SG) amounts.

Non Executive Director Terms of Appointment

All Non Executive Directors have letters of appointment detailing the terms under which they are engaged. The term of appointment for each is open-ended, subject to the provisions of the Corporations Act and the company's Constitution. Under the IOOF Holdings Ltd Constitution, one-third of Directors must retire from office each year and may seek re-election.

Superannuation

In addition to the Directors' fees, and in line with the SG legislation, the Company makes contributions on behalf of Non Executive Directors, into nominated complying superannuation funds. The value of these contributions, on an annual basis, is limited to the Maximum Contribution Base amount of 9% of $128,720 set by the Australian Taxation Office annually. This limit represents the maximum SG contribution that the Company is required to make. Only one Director has reached this limit.

Approval of Funding for the Remuneration of Non Executive Directors

The Constitution requires that the aggregate remuneration paid or provided to all Non Executive Directors in any financial year by the Company, its subsidiaries and controlled entities may not exceed an amount fixed by the Company in general meeting. This 'ceiling' amount has not included remuneration provided to Non Executive Directors for work undertaken as members of the various Board Committees. The definition of remuneration under IOOF's constitution differs from "Shareholder Approved Remuneration" as defined in the ASX listing rules. The ASX listing rules include Committee fees and superannuation which are excluded from the IOOF constitution definition. The amount paid to Non Executive Directors is within the limit set by both the constitution and ASX listing rules.

Non Executive Director Equity Participation

IOOF has also established a Deferred Share Purchase Plan specifically for Non Executive Directors that enables NEDs, should they wish, to salary sacrifice a portion of annual remuneration in order to acquire shares on a tax deferred basis. Whilst this facility is available to all Non Executive Directors, there is no obligation on a Director to participate should he or she prefer to take remuneration in the form of cash or additional contributions to superannuation. This Plan is a separate plan to the plans that have been developed for executives and staff. Any Director who chooses to participate funds their participation through the salary sacrificing of 'existing remuneration'. No additional remuneration, or Company loans, is provided to Directors to encourage or facilitate their participation in the Plan.

Retirement Benefits

Historically IOOF has maintained a retirement benefits program, providing a cash based benefit to Non Executive Directors at the time their tenure as Director comes to an end. The historical arrangement provides for benefits calculated as follows:

Period of Service as a NED	Benefit Value
< 3 years	NIL
3 to 5 years	AAE* times 1.0
> 5 years to 10 years	AAE* times 1.5
> 10 years	AAE* times 2.0

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

The IOOF Board has elected to withdraw this benefit from the benefits package of new Non Executive Directors. The program will however continue for current Directors so as to fulfil the terms of historical agreements.

Frequency of Review

The remuneration of Non Executive Directors shall be reviewed annually by the Board, who may engage an independent advisor to provide expert opinion and comparative data to assist the Board in its deliberations on this matter.

The Board has a process in place to undertake periodic evaluations of its effectiveness. More information is included in the Corporate Governance section of this Annual Report.

Statement about Market Comparisons

In order to remain competitive and as 'market informed' as possible, IOOF undertakes a range of remuneration benchmarking exercises. From time to time, the Board engages Mr John Egan, of John Egan and Associates to conduct an external review of the Fees of Non Executive Directors.

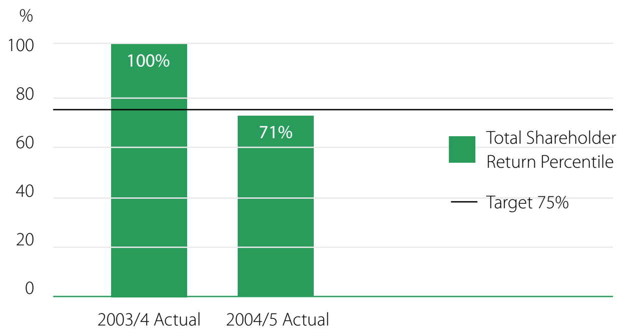
Annually, CSI, a Sydney based remuneration consulting firm is engaged to conduct a comprehensive benchmarking review of the remuneration of the CEO and Executive Team.

Remuneration Report (continued)

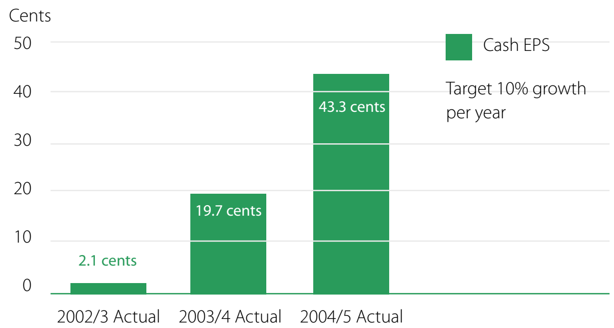
From time to time, PricewaterhouseCoopers also provide advice on Equity based remuneration for senior executives, including advice on the structure of such plans, and market competitive levels of allocation.

The following charts compare the company performance against the performance measures since listing in December 2003.

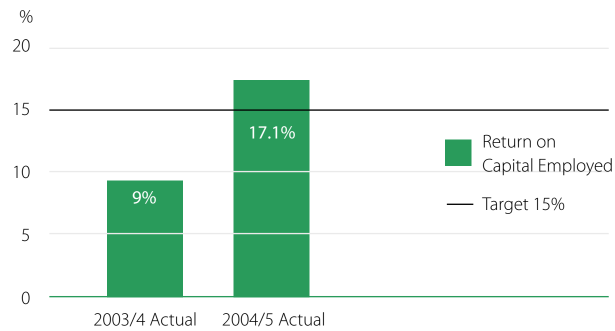
Total Shareholder Return Percentile



Cash Earnings Per Share



Return on Capital Employed



Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer and Specified Executives are formalised in service agreements. Details of the formalised agreements are as follows:

Executive Employment Agreements

Chief Executive Officer – IOOF Holdings Ltd

Mr Dewhurst is employed under a 5 year executive service agreement which commenced on 19 April 2004. Mr Dewhurst's employment ends on 18 April 2009 (unless terminated earlier in accordance with that agreement) if the Board decides not to renew his employment or agreement on the terms and conditions of that employment from 19 April 2009 cannot be reached. Under that agreement Mr Dewhurst receives a fixed base remuneration package 'base pay' (which is subject to review), a short term incentive ('STI') component, and an equity component. A more detailed overview of these components is set out in the table on page 53.

Performance Related Remuneration

Of Mr Dewhurst's cash based remuneration, 50% is not specifically tied to performance conditions (the 'base pay') whilst 50% is tied to the achievement of a suite of financial and non financial performance conditions.

Mr Dewhurst's executive service agreement provides for the issue to him of an equity component of 500,000 ordinary shares in IOOF Holdings Ltd credited as fully paid. Those shares vest evenly over 4 years at the end of each completed year of employment with IOOF. Those shares may vest earlier in other circumstances relating to a takeover or scheme of arrangement in relation to IOOF. The first tranche of 125,000 shares has vested.

Other than the time based vesting conditions attached to the IOOF shares provided to Mr Dewhurst under the terms of his Employment Service Agreement, there are no other performance conditions attached. This offer was made to Mr Dewhurst by the Board at the time of his 'sign-on' in order to secure Mr Dewhurst's retention over the minimum period that the Board felt his commitment would be required in order to achieve the strategic objectives of the Company. For the 2005/06 period, Mr Dewhurst has agreed that the equity allocation due to vest on the 19 April 2006 will form the long term incentive component of his remuneration package. In future years however, and subject to market review, Mr Dewhurst may be offered an additional performance based long term incentive component if the Board considers this appropriate.

Mr Dewhurst may terminate his employment by giving IOOF six months written notice or notice representing the balance of the term of his employment (whichever is the lesser). A shorter period of notice may be agreed between Mr Dewhurst and IOOF. If Mr Dewhurst gives such notice, any part of the unissued equity component that would otherwise have vested during the period of notice will vest and be issued to Mr Dewhurst.

Remuneration Report (continued)

IOOF may terminate Mr Dewhurst's employment at any time. If it does so, IOOF must pay Mr Dewhurst an amount equal to twelve months pay based on his fixed base remuneration package or the balance of the term of his employment (whichever is lesser) subject to a minimum payment of six months pay based on his fixed base remuneration package.

Mr Dewhurst will be entitled to only six months pay based on his fixed base remuneration package if his employment is terminated by IOOF due to incapacity, ill health, substantial failure to meet agreed key performance criteria or failure to remedy key performance deficiencies.

If Mr Dewhurst's employment is terminated for any of the above reasons, the total of his unissued equity component will vest and be issued to him.

Mr Dewhurst's employment may also be terminated for cause without notice or payment in lieu of notice. If terminated by IOOF for cause, he will not be entitled to any of the unvested equity component of his remuneration at the time of termination.

All statutory entitlements are payable to Mr Dewhurst calculated to the date of termination of his employment.

Managing Director – Perennial Investment Partners Limited

Mr Anthony Patterson entered into a contract of employment with Perennial Investment Partners Limited ("Perennial") that commenced on 30 April 2001. The contract provides for Mr Patterson to acquire, upon execution of a Shareholders Agreement, 4.0 % of the equity in Perennial, subject to the possibility of forfeiture over three, four or five years if wholesale revenue targets are not met.

In the 2005 financial year all revenue targets were met and consequently none of the shares issued to Mr Patterson were forfeited.

Fixed Remuneration

Details of Mr Patterson's fixed remuneration can be found on page 54 of this report.

Short Term Incentive Performance Conditions for 2004/05

Mr Patterson's Short Term Incentive Opportunity for 2004/05 was tied to the achievement of two key financial indicators:

- Achievement of an Enterprise Revenue target; and
- Achievement of a Profit Before Tax target.

The Perennial Chairman undertook a formal review of Mr Patterson's performance against the specified objectives at the end of the financial year, then made a recommendation regarding actual payment to the Perennial Board.

Total Incentive Compensation Opportunity for 2005/06

Mr Patterson has been provided with a total incentive compensation opportunity ("TICO") for 2005/06 equivalent to a multiple of 1 times Fixed Remuneration. The TICO is tied to the achievement of three key performance conditions, as follows:

Target	Weighting	Rationale
Achievement of Perennial Enterprise Revenue Target	40%	As Mr Patterson performs the joint roles of Managing Director and Head of Sales he is accountable for revenue targets as well as the profitability of the business.
Achievement of Perennial Earnings Before Interest and Tax (EBIT) Target	40%	To align a significant proportion of the CEO's remuneration to shareholders' interests.
Key People Retention	20%	As a business heavily reliant upon the calibre and performance of key people, the Managing Director is incentivised to ensure the retention of those key resources.

At the end of 2005/06 and after the Perennial financial statements have been audited, the Chairman of Perennial will conduct an assessment of final results with reference to the agreed targets.

Depending upon performance actually achieved, a total incentive compensation award will be made to Mr Patterson. Of the total value of the final incentive award:

- 50% is to be provided as an immediate cash payment; and
- 50% is to be provided as a deferred long term incentive award.

It has been agreed that the deferred component related to 2005/06 will be provided to Mr Patterson as cash, to vest three years thereafter, on 1 July 2009, subject to Mr Patterson still being employed by Perennial, IOOF or a related subsidiary company, at that time.

Service Contracts and Termination Arrangements for Specified Executive Directors (excluding the CEO) and Specified Executives

A range of Service Agreements operate within the Group. It is the Group's policy on engaging new executives to have the service contracts outline the components of the remuneration to be paid to that executive and to incorporate the Senior Staff Redundancy policy or other agreed termination arrangements. The Senior Staff Redundancy Policy applies to all of the Senior Executives (other than Mr Blackburn, Mr Hodges and Mr Patterson) and provides that in the event of genuine redundancy, pay in lieu of notice equivalent to five months "total remuneration" (defined as the sum of the

Remuneration Report (continued)

guaranteed fixed remuneration package at the time, plus an annualised average of the previous years' STI, LTI and/or incentive payments), will be provided to the executive. Additionally, three weeks severance pay for each year of service will be provided, calculated on the same "total remuneration" basis. The redundancy provisions of any IOOF Employee Equity Plans that the Executive participates in would also apply.

As noted in the table following, Mr Hodges has been with the Group in excess of 20 years. Given that his previous contract was silent on termination payment, any termination payment or period will be determined by the Board, on the recommendation of the Remuneration Committee, taking into account seniority, length of service, the reasons for the termination and other rights (if any) of the executive and the Group.

Name and Title	Employing Company	Commencement Date	Term	Termination Provisions/Benefits
Executive Directors				
Anthony Hodges General Manager Group Strategy	IOOF Holdings Ltd	24 September 1985	Ongoing	The Company may terminate the contract for cause on five months written notice. In the case of redundancy, see comments above.
Michael Crivelli Executive Director IOOF Holdings Ltd	Perennial Investment Partners Limited	22 December 1997	Ongoing	Under Mr Crivelli's Executive Services Agreement the Company may terminate the contract for cause on immediate notice and is required to pay accrued monies or benefits under the total remuneration package to which Mr Crivelli is entitled on the termination date, and statutory entitlements. In the event of termination (other than for cause) or material diminishment of the role, a payment equal to six months of the Total Remuneration Package, at market rates, will apply.
Specified Executives				
Mark Blackburn Chief Financial Officer	IOOF Holdings Ltd	25 October 2004	Ongoing	The Company may terminate the contract (other than in the case of redundancy) on nine months notice (or payment in lieu), calculated on fixed remuneration. In the case of redundancy, the Company will pay nine months total remuneration (fixed plus annualised average of previous three years STI payments).
Jarrod Brown General Manager Retail Funds Management	IOOF Investment Management Limited	13 November 2003	Ongoing	The Company may terminate the contract for cause on five months written notice, or payment in lieu, based on fixed remuneration only. In the case of redundancy, the Senior Staff Redundancy Policy applies.
Darren Booth General Manager Operations	IOOF Investment Management Limited	23 April 2001	Ongoing	The Company may terminate the contract for cause on three months written notice. In the case of redundancy, the Senior Staff Redundancy Policy applies.
Peter Wallbridge General Manager Human Resources	IOOF Holdings Ltd	12 October 1998	Ongoing	The Company may terminate the contract for cause on one month's notice. In the case of redundancy, the Senior Staff Redundancy Policy applies.
Adrianna Bisogni General Counsel	IOOF Holdings Ltd	28 January 2003	Ongoing	The Company may terminate the contract for cause on three months written notice (or payment in lieu). In the case of redundancy, the Senior Staff Redundancy Policy applies.
Susan Foley General Manager Corporate Operations	IOOF Holdings Ltd	22 September 2003	Ongoing	The Company may terminate the contract for cause on four months written notice (or payment in lieu) calculated on fixed remuneration. In the case of redundancy, the Senior Staff Redundancy Policy applies.
Marshall Stephen Chief Information Officer	IOOF Investment Management Limited	24 September 2001	Ongoing	The Company may terminate the contract for cause on one months written notice (or payment in lieu). In the case of redundancy, the Senior Staff Redundancy Policy applies.
Anthony Patterson Managing Director	Perennial Investment Partners Limited	30 April 2001	Ongoing	The Company may terminate the contract for cause on one month's notice (or payment in lieu).

Remuneration Report (continued)

The following table shows how the amount of current remuneration is determined:

Annual Fixed Remuneration

Executive Directors and Executives	Annual Fixed Remuneration (AFR) $
Mr R Dewhurst (1)	700,000
Ms A Bisogni	285,000
Mr M Blackburn (appointed 25/10/04)	380,000
Mr D R Booth	300,000
Mr J Brown	325,000
Mr M U R Crivelli (2)	300,000
Mrs S Foley (3)	260,000
Mr A P Hodges	340,000
Mr A Patterson	500,000
Mr M Stephen (3)	250,000
Mr P Wallbridge	270,000

(1) Mr R Dewhurst's original contract of employment includes a termination benefit of up to $650,000.

(2) Apart from the annual fixed remuneration, Mr Crivelli may receive an additional $2,000 per day for working in excess of three days per week.

(3) Mrs S Foley and Mr M Stephen were appointed Executive Team members effective 1 August 2005.

The above table has been audited.

Remuneration components as a percentage of total remuneration

2005 Remuneration Components	Fixed	STI	LTI	Total Remuneration
Specified Directors				
Non-Executive Directors				
Mr. R J Schoer	100%	–	–	100%
Dr R N Sexon	100%	–	–	100%
Mr I Blair	100%	–	–	100%
Mr MW Parkinson C.B.E.	100%	–	–	100%
Ms K D Spargo	100%	–	–	100%
Executive Directors				
Mr R Dewhurst	43%	19%	38%	100%
Mr A P Hodges	65%	22%	13%	100%
Mr M U R Crivelli	100%	–	–	100%
Specified Executives				
Ms A Bisogni (alternate Company Secretary)	67%	23%	10%	100%
Mr P Wallbridge	66%	18%	16%	100%
Mr M Blackburn (appointed 25/10/04)	60%	31%	9%	100%
Mrs S Foley (Company Secretary)	83%	17%	–	100%
Mr M Stephen	74%	21%	5%	100%
Mr D R Booth	61%	22%	17%	100%
Mr J Brown	62%	28%	10%	100%
Mr A Patterson	63%	37%	–	100%
Specified Executives who departed during the year or subsequent to year end				
Ms M Latham (ceased employment 31/7/05)	71%	–	29%	100%
Mr A Mollison (ceased employment 30/9/04)	100%	–	–	100%

Remuneration Report (continued)

Details of Remuneration

Details of the remuneration of each Specified Director of IOOF Holdings Ltd and each of the 5 Specified Executives of the Company and the consolidated entity who received the highest remuneration for the year ended 30 June 2005 and comparative year are set out in the following tables:

Remuneration – Specified Executives 2005

2005	Primary Benefits			Post-Employment	Equity	Other	Total
Name	Salary and Fees (4) $	Bonus (5) $	Non-monetary Benefits (6) $	Superannuation $	Shares $	Termination Benefits $	$
Most highly remunerated Company Executives (7)							
Ms M Latham (Company Secretary) (8)	194,300	–	–	16,851	79,129	563,328	853,608
Ms A Bisogni (alternate Company Secretary)	234,621	90,000	–	21,104	38,500	–	384,225
Mr P Wallbridge	234,813	70,000	6,225	19,671	61,759	–	392,468
Mr M Blackburn (appointed 25/10/04)	194,571	123,500	–	45,269	35,305	–	398,645
Mrs S Foley	157,644	35,000	–	15,451	–	–	208,095
	1,015,949	318,500	6,225	118,346	214,693	563,328	2,237,041
Other Executives with greatest influence over strategic direction and management of the Group							
Mr D R Booth	264,612	108,000	12,799	19,168	84,875	–	489,454
Mr J Brown	280,833	143,200	3,456	26,525	51,916	–	505,930
Mr A Mollison (resigned 30/09/04) (9)	80,228	–	2,005	7,412	–	–	89,645
Mr A Patterson	411,783	250,000	4,635	11,052	1,000	–	678,470
	2,053,405	819,700	29,120	182,503	352,484	563,328	4,000,540
The most highly remunerated executives of the Group are included above.							

(4) Salaries and fees include accruals for annual leave and long service leave entitlements.

(5) Bonus reflects amounts provided under the on-plan short-term incentive program in relation to the financial year. This incentive opportunity was communicated to participants in September 2004.

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

(7) Equity compensation for these executives relates to shares in IOOF Holdings Ltd and includes salary and performance incentives sacrificed into the Deferred Share Purchase Plan and accruals in relation to 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 dates for shares allocated under this plan are 1 December 2004 and 1 December 2005.

(8) Ms Mary Latham ceased her employment effective from 31 July 2005. The termination benefit, which has been accrued, includes a share component that will vest on termination date.

(9) Mr A Mollison entered into an agreement to cease his employment effective 30 September 2004. Termination benefits were recognised and disclosed in the year ended 30 June 2004. The benefits disclosed for the year ended 30 June 2005 represent salary and superannuation paid for the period to 30 September 2004 and contractor services provided during the year ended 30 June 2005.

The above table has been audited.

Remuneration Report (continued)

Details of Remuneration (continued)

Remuneration – Specified Executives 2004

2004	Primary Benefits			Post-Employment	Equity	Other		Total
Name	Salary and Fees (10) $	Bonus (11) $	Non-monetary Benefits (12) $	Superannuation $	Shares (13) $	Termination Benefits $	Other (14) $	$
Most highly remunerated Company Executives								
Mr A Mollison (15)	204,216	112,500	2,843	29,130	115,625	611,776	–	1,076,090
Mr A P Hodges	352,558	160,000	15,027	18,493	15,313	–	28,344	589,735
Mr P Wallbridge	198,841	80,000	5,508	15,505	11,025	–	–	310,879
Ms M Latham	170,666	124,986	–	15,895	11,025	–	–	322,572
Ms A Bisogni	205,231	90,000	–	17,332	6,125	–	–	318,688
	1,131,512	567,486	23,378	96,355	159,113	611,776	28,344	2,617,964
Other Executives with greatest influence over strategic direction and management of the Group								
Mr D R Booth	243,379	120,000	8,185	17,202	18,375	–	–	407,141
Mr J Brown	194,265	160,000	–	16,113	9,188	–	–	379,566
Mr I Macoun (resigned 29/8/03)	116,763	–	36,039	7,078	–	1,170,000	38,124	1,368,004
Mr R Nunn (resigned 1/8/03)	34,111	–	3,880	1,708	–	–	–	39,699
Mr A Patterson	411,376	255,000	4,217	10,520	1,000	–	–	682,113
	2,131,406	1,102,486	75,699	148,976	187,676	1,781,776	66,468	5,494,487
The most highly remunerated executives of the Group are included above.								

(10) Salaries and fees include accruals for annual leave and long service leave entitlements.

(11) 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.

Bonuses have been re-stated from what was disclosed in the 2004 Annual Report to reflect actual payments rather than provisional estimates.

(12) Non-monetary benefits represent reportable Fringe Benefit Tax amounts.

(13) Equity compensation includes salary and performance incentives sacrificed into the Deferred Share Purchase Plan and the reported 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.

(14) Other benefits represent principle and interest on loans forgiven as part of arrangements regarding sale of equity in Perennial Investment Partners Ltd.

(15) Mr A Mollison entered into an agreement to cease his employment effective from 30 September 2004. The agreed termination benefit, which was accrued, included a share component that vested on termination date.

The above table has been audited.

Remuneration Report (continued)

Details of Remuneration (continued)

Remuneration – Specified Directors 2005

2005	Primary Benefits			Post-Employment	Equity Compensation		Total	Post-Employment	Total
Name	Salary and Fees (16) $	Bonus (17) $	Non-monetary Benefits (18) $	Superannuation $	Salary Sacrificed Shares $	Executive Performance Shares (19) $	Shareholder Approved Remuneration (20) $	Retirement Benefits (21) $	$
Mr R J Schoer	163,000	–	4,492	21,502	7,000	–	**195,994**	136,075	332,069
Dr R N Sexton	106,750	–	–	9,608	–	–	**116,358**	28,792	145,150
Mr I Blair	91,000	–	–	8,190	–	–	**99,190**	21,236	120,426
Mr M W Parkinson	113,000	–	–	10,170	–	–	**123,170**	31,271	154,441
Ms K D Spargo	97,000	–	–	8,730	–	–	**105,730**	57,687	163,417
Total non-executive directors	570,750	–	4,492	58,200	7,000	–	**640,442**	275,061	915,503
Mr R Dewhurst	575,814	300,000	2,418	92,102	–	587,500		–	1,557,834
Mr A P Hodges	308,891	126,000	42,210	20,974	–	71,823		–	569,898
Mr M U R Crivelli	349,819	–	18,553	26,990	–	–		–	395,362
Total	1,805,274	426,000	67,673	198,266	7,000	659,323		275,061	3,438,597

(16) Salaries and fees in relation to executive directors include accruals for annual leave and long service leave entitlements.

(17) The bonus accruing to Mr R Dewhurst relates to the guaranteed short term bonus of $400,000 that was paid on completion of his first year of employment, in accordance with his employment contract.

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

(19) The shares accruing to Mr R Dewhurst relate to guaranteed long term equity rewards. The shares accruing to Mr A P Hodges relate to 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 dates for shares accrued under this plan are 1 December 2004 and 1 December 2005.

(20) 'Shareholder approved remuneration' for Non Executive Directors includes primary benefits, superannuation and salary sacrificed equity compensation paid and payable to non executive directors and totals $640,442. Total shareholder approved remuneration does not exceed the amount approved at the Annual General Meeting held on 28 November 2002 of $650,000.

(21) 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. Directors appointed after 15 April 2003 will not participate in this Retirement Scheme. The amount accrued varies compared to the previous year where the Annual Average Emolument multiple increases in line with years of service. Refer to further details on retirement benefits under the Policy for Remuneration of Non Executive Directors.

The above table has been audited.

Remuneration Report (continued)

Details of Remuneration (continued)

Remuneration – Specified Directors 2004

2004	Primary Benefits			Post-Retirement	Equity Compensation	Other		Total	Post-Retirement	Total
Name	Salary and Fees (22) $	Bonus (23) $	Non-monetary Benefits (24) $	Superannuation $	Shares (25) $	Termination Benefits $	Other (26) $	Shareholder Approved Remuneration (27) $	Retirement Benefits (28) S	$
Mr R J Schoer	166,221	–	–	12,389	–	–	1,660	**180,270**	66,994	247,264
Mr C Macek (resigned 19/8/03)	20,833	–	–	1,875	–	–	–	**22,708**	–	22,708
Dr R N Sexton	112,562	–	–	8,331	–	–	1,660	**122,553**	46,679	169,232
Mr I Blair	99,000	–	1,157	7,110	–	–	–	**107,267**	68,992	176,259
Mr M W Parkinson C.B.E.	105,694	–	555	7,712	–	–	1,660	**115,621**	34,695	150,316
Ms K D Spargo	93,750	–	–	6,638	–	–	–	**100,388**	24,607	124,995
Total non-executive directors (28)	598,060	–	1,712	44,055	–	–	4,980	**648,807**	241,967	890,774
Mr R Dewhurst (appointed 19/4/04)	125,631	100,000	–	18,697	146,875	–	–		–	391,203
Mr R J Turner (resigned 16/4/04)	597,527	–	13,650	74,787	693,750	1,958,000	–		–	3,337,714
Mr M U R Crivelli	309,316	–	33,126	24,725	–	–	19,575		–	386,742
Total	1,630,534	100,000	48,488	162,264	840,625	1,958,000	24,555		241,967	5,006,433

(22) Salaries and fees in relation to executive directors include accruals for annual leave and long service leave entitlements.

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

(24) Non-monetary benefits represents reportable Fringe Benefit Tax amounts.

(25) The shares accruing to Mr R Dewhurst relate to guaranteed long term equity rewards. 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.

(26) Other benefits include health fund contributions and a loan forgiven.

(27) 'Shareholder approved remuneration' for Non Executive Directors includes primary benefits, superannuation and other benefits paid and payable to non executive directors and totals $648,807. Total shareholder approved remuneration does not exceed the amount approved at the Annual General Meeting held on 28 November 2002 of $650,000.

(28) 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. Refer to further details on retirement benefits under the Policy for Remuneration of Non Executive Directors. Directors appointed after 15 April 2003 will not participate in this Retirement Scheme.

The above table has been audited.

Remuneration Report (continued)

Cash Bonuses

For each cash bonus included in the above tables, the percentage of the available bonus that was paid or that vested in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses are payable in future years.

Name	Paid %	Forfeited %
Mr A P Hodges	90	10
Ms A Bisogni (alternate Company Secretary)	90	10
Mr P Wallbridge	90	10
Mr M Blackburn (appointed 25/10/04)	90	10
Mrs S Foley	100	0
Mr D R Booth	90	10
Mr J Brown	90	10
Mr A Patterson	100	0

The above table has been audited.

Equity Holdings and LTI Opportunities

The following tables disclose additional information in respect of unvested shareholdings and executive performance share grants that will vest in the future.

Unvested Shareholdings – number and value of shares

Executive Directors and Executives	Grant Date	Issue Price	Vesting Date (29)	Unvested at 30 June 2004	Granted	Forfeited	Vested	Unvested at 30 June 2005
Mr R Dewhurst (30)	Apr 04	$4.70	Apr 06 thru Apr 09	500,000	–	–	(125,000)	375,000
Total Value				$2,350,000	–	–	($587,500)	$1,762,500
Ms A Bisogni	Nov 03	$3.15	Oct 06	20,000	–	–	–	20,000
	Nov 04	$8.65	Oct 07	–	23,421	–	–	23,421
Total Value				$63,000	$202,592	–	–	$265,592
Mr M Blackburn (appointed 25/10/04	Nov 04	$8.65	Oct 07	–	42,000	–	–	42,000
Total Value				–	$363,300	–	–	$363,300
Mr D R Booth	Nov 03	$3.15	Oct 06	40,000	–	–	–	40,000
	Jun 04	$3.15	Oct 04	10,000	–	–	(10,000)	–
	Nov 04	$8.65	Oct 07	–	26,023	–	–	26,023
Total Value				$157,500	$225,099	–	($31,500)	$351,099

Remuneration Report (continued)

Unvested Shareholdings – number and value of shares (continued)

Executive Directors and Executives	Grant Date	Issue Price	Vesting Date (29)	Unvested at 30 June 2004	Granted	Forfeited	Vested	Unvested at 30 June 2005
Mr J Brown	Nov 03	$3.15	Oct 06	30,000	–	–	–	30,000
	Nov 04	$8.65	Oct 07	–	28,192	–	–	28,192
Total Value				$94,500	$243,861	–	–	$338,361
Mr M U R Crivelli				–	–	–	–	–
Total Value				$0	$0	–	–	$0
Mrs S Foley				–	–	–	–	–
Total Value				$0	$0	–	–	$0
Mr A P Hodges	Nov 03	$3.15	Oct 06	50,000	–	–	–	50,000
	Nov 04	$8.65	Oct 07	–	29,493	–	–	29,493
Total Value				$157,500	$255,114	–	–	$412,614
Ms M Latham	Nov 03	$3.15	Oct 06	24,000	–	–	–	24,000
	Jun 04	$3.15	Oct 04	6,000	–	–	(6,000)	–
	Nov 04	$8.65	Oct 07	–	18,650	–	–	18,650
Total Value				$94,500	$161,323	–	($18,900)	$236,923
Mr A Patterson				–	–	–	–	–
Total Value				$0	$0	–	–	$0
Mr M Stephen	Nov 03	$3.15	Oct 06	10,000	–	–	–	10,000
	Nov 04	$8.65	Oct 07	–	7,634	–	–	7,634
Total Value				$31,500	$66,034	–	–	$97,534
Mr P Wallbridge	Nov 03	$3.15	Jun 05	4,762	–	–	(4,762)	–
	Nov 03	$3.15	Oct 06	24,000	–	–	–	24,000
	Jun 04	$3.15	Oct 04	6,000	–	–	(6,000)	–
	Nov 04	$8.65	Oct 07	–	22,554	–	–	22,554
Total Value				$109,500	$195,092	–	($33,900)	$270,692
Mr A Mollison (resigned 30/09/04)	Nov 03	$3.15	Oct 06	50,000	–	–	(50,000)	–
Total Value				$157,500	–	–	($157,500)	$0

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

(30) Mr R Dewhurst's original contract of employment included guaranteed long term equity rewards of 500,000 shares that are to vest evenly over a four year period; being 125,000 shares at the completion of each year of employment.

The above table has been audited.

Remuneration Report (continued)

Value of Executive Performance Share grants that vest in future periods

Executive Directors and Executives	30 June 2006		30 June 2007		30 June 2008	
	Minimum $	Maximum $	Minimum $	Maximum $	Minimum $	Maximum $
Mr R Dewhurst	–	587,500	–	587,500	–	440,625
Ms A Bisogni	–	98,781	–	102,968	–	28,125
Mr M Blackburn (Appointed 25/10/04)	–	108,435	–	168,957	–	50,435
Mr D R Booth	–	125,811	–	122,185	–	31,249
Mr J Brown	–	116,756	–	126,536	–	33,854
Mr M U R Crivelli	–	–	–	–	–	–
Mrs S Foley	–	–	–	–	–	–
Mr A Hodges	–	149,426	–	140,519	–	35,416
Mr A Patterson	–	–	–	–	–	–
Mr M Stephen	–	34,366	–	35,085	–	9,167
Mr P Wallbridge	–	93,405	–	101,230	–	27,084

Values have been calculated by applying probabilities to the likelihood of the shares vesting for those periods up to the earliest vesting date. Values for future periods have not been discounted to present value.

The above table has been audited.

Refer to the notes to the financial statements for further details of Directors' and Executives' shareholdings.

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	Number of Meetings Attended	Remuneration/ Nominations		Audit & Risk Committee		Governance Committee		Meetings Attended by Directors
	(a)	(b)	(c)	(d)	(c)	(d)	(c)	(d)	(e)
Mr R J Schoer	11	10	2	2	7	5	11	11	20
Dr R N Sexton	11	10	6	5					15
Mr M U R Crivelli	11	10							18
Mr M W Parkinson	11	11			2	2	11	11	25
Mr I Blair	11	11	6	6	7	7			
Ms K D Spargo	11	10	6	6	7	7			7
Mr R Dewhurst	11	11	2	2	5	5	5	5	22
Mr A Hodges (Appointed 27/09/04)	9	9							20

(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.

Directors' Report (continued)

Indemnification

During the financial year, the 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 Corporations 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; and
- 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.

In relation to the consolidated entity, the amount paid for non-audit services to the auditor, PricewaterhouseCoopers was $343,335 (2004: $859,086).

A copy of the auditors' independence declaration as required under S307 of the Corporations Act 2001 is set out on page 62.

Environmental Regulation

The Group is not subject to significant environmental regulation.

Rounding 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" of amounts in the directors' report. Amounts in the directors' report have been rounded 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

R Dewhurst
Director and Chief Executive Officer

Melbourne, 22 September 2005.

PRICEWATERHOUSECOOPERS

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Auditors' Independence Declaration

As lead auditor for the audit of IOOF Holdings Ltd for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Simon Gray

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
22 September 2005

Financial Performance

IOOF Holdings Ltd
Statement of Financial Performance for the year ended 30 June 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000
Revenue from ordinary activities	3	244,158	198,420
Expenses from ordinary activities, excluding borrowing costs expense		(178,634)	(166,425)
Borrowing costs expense		(56)	(56)
Share of Net Profits of associated entities accounted for using the equity method		5,099	2,214
Profit from ordinary activities before income tax		**70,567**	**34,153**
Income tax (expense)/benefit		(3,880)	7,423
Net Profit		**66,687**	**41,576**
Net (profit)/loss attributable to outside equity interest		(1,554)	(474)
Net Profit attributable to members of IOOF Holdings Ltd		**65,133**	**41,102**
Total revenue, expenses and valuation adjustments attributable to members of IOOF Holdings Ltd and recognised directly in equity		–	–
Total changes in equity other than those resulting from transactions with owners as owners		**65,133**	**41,102**
		Cents	**Cents**
Basic earnings per share	**8**	**101.96**	**71.70**

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

Financial Position

IOOF Holdings Ltd
Statement of Financial Position as at 30 June 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000
Assets			
Cash assets	9	33,043	62,124
Receivables		60,717	44,064
Other financial assets	4	65,689	35,687
Investments accounted for using the equity method		2,167	4,138
Other assets		10,120	14,325
Plant and equipment		1,905	1,932
Tax assets		6,254	5,938
Gross policy liabilities ceded under reinsurance		362	396
Intangible assets		15,887	14,983
Excess of net market value over net assets of controlled entities	5	184,785	125,637
Total Assets		380,929	309,224
Liabilities			
Payables		22,770	21,918
Tax liabilities		48,179	23,968
Provisions	6	6,886	14,134
Policy liabilities		453	500
Total Liabilities		78,288	60,520
Net Assets		**302,641**	**248,704**
Equity			
Parent entity interest			
Contributed capital		170,280	170,136
Retained profits		128,170	75,863
Total Parent Entity Interest		298,450	245,999
Outside equity interests in controlled entities		4,191	2,705
Total Equity		**302,641**	**248,704**

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

Cash Flows

IOOF Holdings Ltd
Statement of Cash Flows for the year ended 30 June 2005

–

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000
Cash flows from operating activities			
Management fees and Commission income received		185,782	148,465
Premium income received		676	773
Payments to suppliers and employees		(169,816)	(154,355)
Dividends received		2,390	1,013
Interest income received		2,422	2,573
Dividends received from associate		4,020	1,069
Other income received		2,543	2,691
Income tax benefit received		2,662	1,247
Net cash provided by operating activities		30,679	3,476
Cash flows from financing activities			
Proceeds from issue of shares (net of issuing costs)		–	40,753
Payment of dividends		(12,761)	–
Payments for leased assets		–	(1,315)
Proceeds from issue of shares to minority interests		–	1,999
Net cash provided by/(used in) financing activities		(12,761)	41,437
Cash flows from investing activities			
Payment for purchase of investments		(62)	(4,368)
Deferred payment for acquisition of business		(12,600)	–
Final payment for acquisition of business		(3,809)	–
Proceeds from sale of investment securities		9,112	6,578
Proceeds from sale of shares in controlled entity net of cash disposed		–	2,057
Payment for purchase of shares in associated entity		–	(506)
Proceeds from repayment of loans and mortgage securities		76	97
Payment for purchase of plant and equipment		(824)	(1,411)
Payment for purchase of other intangible assets		(3,633)	(7,366)
Loans made to directors of controlled entities		(89)	(2,029)
Proceeds from loans repaid by Directors		252	–
Loans made to related parties		(68)	(1,829)
Proceeds from loans repaid by related parties		60	–
Loans made to executives of related entity		–	(1,251)
Loans made to executives of controlled entities		(432)	–
Proceeds from loans repaid by executives		49	–
Proceeds from disposal of plant and equipment		106	–
Net cash used in investing activities		(11,862)	(10,028)
Net increase in cash held		**6,056**	**34,885**
Cash at the beginning of the financial year		**75,462**	**40,577**
Cash at the end of the financial year	**9**	**81,518**	**75,462**

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

IOOF Holdings Ltd
Notes to the Financial Statements

for the year ended 30 June 2005

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 2005.

Consolidated Statement of Financial Performance

The consolidated net profit for the year attributable to members of the IOOF Holdings Ltd Group ("the Group") was $65,133,000 (2004: $41,102,000).

Revenue from ordinary activities includes a change in excess of net market value over net assets of controlled entities (EMVONA) of $46,814,000 (2004:$31,135,000). 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 acquired AM superannuation and fund management business.

Management fee income increased as a result of a 41 per cent increase in Funds Under Management and Administration (FUMA) from $15.9 billion at 30 June 2004 to $22.4 billion at 30 June 2005.

The growth in FUMA arose as a result of net inflows, good earning performance and favourable markets and has translated into higher management fee income as management fees earned from the funds are calculated based on an agreed percentage of the respective funds under management and administration in accordance with each fund's product disclosure statement or offer document. A partial offset is the increased commission expense associated with increased sales.

Operating expenses, excluding commission and management fee expenses, reduced during the year. The reasons for this decrease include a reduction in salaries and related expenses, lower computer and maintenance costs, less amortisation of software and infrastructure projects due to the timing of project completion and general cost containment. Last year, 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 current year result has been impacted by changes in equity ownership within the Perennial group of subsidiaries. Equity has been issued to Directors and Executives of fixed interest and growth subsidiaries of Perennial Investment Partners Limited during this year with the result that $1.5 million of profits for the year were attributable to minority interests.

Continued growth in the Perennial Value Management Limited business resulted in a 130% increase in the share of equity profits recognised by the IOOF group compared to last year.

Consolidated Statement of Financial Position

Growth in total assets has arisen from:

- cash generated from operating activities.
- cash generated from the sale of Bendigo Bank shares.
- increased tax-related receivables in relation to tax-related liabilities assumed on behalf of benefit funds of a controlled entity. Unrealised gains on investments have increased deferred tax liabilities carried by the Company in respect of the benefit funds. As the benefit funds compensate the Company for assuming these liabilities there has been an increase in the tax-related receivable from related parties.
- an increase in EMVONA of $59,148,000 due to an increase in valuation of controlled entities compared to net assets.
- 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. Provisions have decreased mainly as the result of the final payment due under the contract for acquisition of the AM business.

1. Discussion and Analysis (continued)

Consolidated Statement of Cash Flows

Cash and Cash equivalents have been impacted by the following transactions:

- payment of $12,600,000 deferred payment in respect of the acquisition of the superannuation business.
- payment of $3,809,000 final payment in respect of the acquisition of the superannuation business.
- payment of $12,761,000 dividends during the year.
- proceeds on disposal of Bendigo Bank shares of $8,238,000.
- cash generated from operating activities.

2. Segment Information

Primary reporting - business segments 2005	**Wholesale Funds Management** $'000	**Retail Funds Management and Administration** $'000	**Inter-segment eliminations/ Unallocated** $'000	**Consolidated** $'000
Revenue from operating activities	8,657	177,650	–	186,307
Revenue from other activities	538	5,517	2,229	8,284
Inter-segment sales	4,561	–	(4,561)	–
Profit on sale of shares	–	–	2,753	2,753
Movement in excess of net market value over net assets	30,201	16,613	–	46,814
Total Revenue	43,957	199,780	421	244,158
Share of net profits of associates	5,018	81	–	5,099
Total Segment Revenue	**48,975**	**199,861**	**421**	**249,257**
Operating expenses				
Commissions and management expenses	1,800	87,843	–	89,643
Depreciation and amortisation	239	2,785	364	3,388
Amortisation of deferred acquisition costs	–	6,667	–	6,667
Other expenses	11,417	54,566	13,009	78,992
Total Segment Expense	**13,456**	**151,861**	**13,373**	**178,690**
Profit from ordinary activities before income tax expense	35,519	48,000	(12,952)	70,567
Income tax credit/(expense)	(764)	(2,973)	(143)	(3,880)
Net Profit	**34,755**	**45,027**	**(13,095)**	**66,687**
Segment assets	91,346	199,878	89,705	380,929
Inter-segment assets	5,972	5,415	(11,387)	–
Total assets	**97,318**	**205,293**	**78,318**	**380,929**
Segment liabilities	4,085	20,263	53,940	78,288
Inter-segment liabilities	10,998	36,734	(47,732)	–
Total liabilities	**15,083**	**56,997**	**6,208**	**78,288**
Investments in associates and joint venture partnerships	2,168	–	–	2,168
Acquisition of property, plant and equipment	22	387	415	824

Secondary reporting - geographical segments

The Group operates in the one geographical segment of Australia.

2. Segment Information (continued)

Primary reporting - business segments 2004	Wholesale Funds Management $'000	Retail Funds Management and Administration $'000	Inter-segment eliminations/ Unallocated $'000	Consolidated $'000
Revenue from operating activities	6,037	151,083	–	157,120
Revenue from other activities	157	4,554	1,871	6,582
Inter-segment sales	3,952	–	(3,952)	–
Profit on sale of shares	2,052	37	1,494	3,583
Movement in excess of net market value over net assets	16,651	14,484	–	31,135
Total Revenue	28,849	170,158	(587)	198,420
Share of net profits of associates	2,212	2	–	2,214
Total Segment Revenue	**31,061**	**170,160**	**(587)**	**200,634**
Operating expenses				
Commissions and management expenses	1,359	70,069	–	71,428
Depreciation and amortisation	155	6,162	735	7,052
Amortisation of deferred acquisition costs	–	4,940	–	4,940
Other expenses	10,689	56,955	15,417	83,061
Total Segment Expense	**12,203**	**138,126**	**16,152**	**166,481**
Profit from ordinary activities before income tax expense	18,858	32,034	(16,739)	34,153
Income tax credit/(expense)	(311)	7,168	566	7,423
Net Profit	**18,547**	**39,202**	**(16,173)**	**41,576**
Segment assets	55,682	181,129	72,413	309,224
Inter-segment assets	3,908	1,237	(5,145)	–
Total assets	**59,590**	**182,366**	**67,268**	**309,224**
Segment liabilities	2,916	27,131	30,473	60,520
Inter-segment liabilities	7,459	30,927	(38,386)	–
Total liabilities	**10,375**	**58,058**	**(7,913)**	**60,520**
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 Group operates in the one geographical segment of Australia.

2. Segment Information (continued)

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity 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. Segments 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 normal 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 dealer groups aligned to the Group.

(d) Comparative Information

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

3. Revenue

	Consolidated	
	2005 $'000	2004 $'000
Revenue from ordinary activities includes		
Management fees and Commission revenue	185,615	156,683

4. Other Financial Assets

	Consolidated	
	2005 $'000	2004 $'000
Debt securities		
Unlisted unit trusts - other related parties	48,260	13,489
Other debt securities	300	300
Provision for diminution in value of investment	(300)	(300)
Total Debt Securities	48,260	13,489
Equity investments		
Shares in listed corporations	–	5,485
Shares in other corporations	5,549	3,932
Provision for diminution in value of investments	(1,637)	(1,090)
Equity investment in member funds	7,192	7,192
Unlisted unit trusts - other related parties	–	560
Total Equity Securities	11,104	16,079
Property securities		
Mortgages	114	189
Unlisted unit trusts - other related parties	109	44
Total Property Securities	223	233
Other		
Unlisted unit trusts - other related parties	106	119
Unlisted unit trusts	150	150
Loan to related parties	1,985	1,977
Loans to directors of controlled entities	2,145	2,308
Loans to executives of related entities	1,633	1,251
Regulatory deposits (a)	83	81
Total Other	6,102	5,886
Total	**65,689**	**35,687**

(a) Cash not available for use

$83,105 (2004: $80,904) is held in cash to satisfy Australian Financial Services Licence requirements. This amount is not available for use.

5. Excess of Net Market Value over Net Assets of Controlled Entities

	Consolidated	
	2005 $'000	2004 $'000
Excess of net market value over net assets of controlled entities	**184,785**	**125,637**

5. Excess of Net Market Value over Net Assets of Controlled Entities (continued)

	Consolidated 2005 $'000	Consolidated 2004 $'000	Movement
(a) The movement in Excess of net market value over net assets of controlled entities is summarised as follows:			
IOOF Investment Management Limited	120,814	80,842	39,972
IOOF Investment Holdings Ltd	37,371	25,495	11,876
IOOF Ltd	26,600	19,300	7,300
	184,785	125,637	59,148
Adjustment to acquisition provisions regarding superannuation and funds management business acquired from AM Corporation Limited			(12,334)
Movement in excess of net market value over net assets recognised in the Statement of Financial Performance			46,814

(b) During the year, a deferred payment of $12,600,000 was made in respect of the acquisition of the business acquired in a previous year. The impact of this payment has been partially offset by a reassessment of acquisition and restructure provisions established at the time of acquisition.

6. Provisions

Employee entitlements	1,014	1,175
Directors' retirement	824	536
Acquisition costs	60	3,853
Restructuring costs	594	872
Other provisions	4,394	7,698
	6,886	**14,134**

Acquisition costs

Provisions have been made for costs relating to the payments due under the business and share sale agreement with AM Corporation Limited, professional costs and statutory charges relating to these acquisitions undertaken during the prior year.

Restructuring costs

The provision for restructuring represents the present value of the directors' best estimates of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity. Included within this provision is an amount relating to redundancies.

Other provisions

Provisions have been made for the present value of the directors' best estimates of various adviser loyalty payments and legal settlements. The directors believe, on reasonable grounds, that to include in this report particular information in relation to these items individually would likely result in unreasonable prejudice to the Company. Accordingly, detailed information has not been included in this report.

6. Provisions (continued)

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
Consolidated – 2005				
Balance at beginning of financial year	536	3,853	872	7,698
Additional provisions recognised	288	529	954	1,706
Reductions for provisions no longer required	–	–	–	(1,325)
Payments/other sacrifices of economic benefits	–	(4,322)	(1,232)	(3,685)
Balance at end of the year	824	60	594	4,394

7. Dividends

In October 2004, a final dividend in respect of the year ended 30 June 2004 was paid. This dividend amounted to $6,344,000 and represented 10 cents per ordinary share franked to 100%, based on tax paid at 30%.

In April 2005, an interim dividend in respect of the year ended 30 June 2005 was paid. This dividend amounted to $6,417,000 and represented 10 cents per ordinary share franked to 100%, based on tax paid at 30%.

The Directors have recommended the payment of a final dividend of 12 cents per ordinary share franked to 100%, based on tax at 30%.

Franked Dividends

The franking portions of the final dividends recommended after 30 June 2005 will be franked out of the existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2006.

	Consolidated	
	2005 $'000	2004 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2004: 30%)	13,914	18,690

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

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

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

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

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

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

Comparatives have been restated to comply with new taxation legislation that deems the IOOF Group to be a Life Insurance company for franking account purposes.

8. Earnings per Share

	Consolidated 2005 Cents	Consolidated 2004 Cents
Basic earnings per share	101.96	71.70

	2005 $'000	2004 $'000
Reconciliation of earnings used in calculating earnings per share		
Net Profit	66,687	41,576
Net (profit) / loss attributable to outside equity interests	(1,554)	(474)
Earnings used in calculating earnings per share	65,133	41,102

	2005 Number	2004 Number
Weighted average number of shares used in the calculation of earnings per share		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	63,880,624	57,333,580

IOOF Holdings Ltd does not have any issued securities that may be converted or will potentially form ordinary shares that may be dilutive to existing shareholders post the reporting date. As no potential ordinary shares exist, there is no requirement to report diluted earnings per share as it is not materially different from that of the basic earnings per share.

9. Notes to the Statement of Cash Flows

	Consolidated 2005 $'000	Consolidated 2004 $'000
(a) Reconciliation of cash assets		
For the purpose of the statement of cash flows, cash includes cash on hand and in banks, deposits at call, including unit investments readily convertible to cash and subject to insignificant risk of changes in value, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash	32,106	60,141
Deposits on call	937	1,983
	33,043	62,124
Units in IOOF Wholesale Cash & Short Term Securities Trust	48,475	13,338
	81,518	**75,462**

10. Directors' and Executives' Disclosures

Details of Directors' and Executives' remuneration and the basis of remuneration are disclosed in the Remuneration Report contained in the Directors' Report.

The following information is additional to that required to be disclosed in the Remuneration Report:

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 Holdings Ltd and each of the specified executives of the consolidated entity, including their personally related entities, are set out below.

	Balance of shareholding at 1 July 2004	Ordinary shares vested during period as remuneration (a)	Change as result of other transaction	Balance of shareholding at 30 June 2005
Directors	Number	Number	Number	Number
Mr R J Schoer	1,315	–	6,417	7,732
Dr R N Sexton	12,313	–	–	12,313
Mr I Blair	9,677	–	–	9,677
Mr M W Parkinson, C.B.E.	1,315	–	–	1,315
Ms K D Spargo	3,328	–	–	3,328
Mr R Dewhurst	–	125,000	–	125,000
Mr M U R Crivelli	16,043	–	(6,509)	9,534
Specified Executives				
Mr D R Booth	17,917	10,000	(27,600)	317
Mr J Brown	38,095	–	10,000	48,095
Mr A P Hodges	708,769	–	–	708,769
Ms M Latham (b)	1,409	6,000	–	7,409
Mr A Mollison (c)	89,346	–	–	n/a
Mr M Blackburn (appointed 25/10/04)	–	–	1,800	1,800
Mr A Patterson	317	113	–	430
Mr P Wallbridge	576	10,762	(6,000)	5,338

(a) Ordinary shares vested during the current year may include shares related to performance incentives accruing to previous years.

(b) Ms Mary Latham ceased her employment effective from 31 July 2005. The termination benefit, which has been accrued, includes a share component that vested on termination date.

(c) As Mr A Mollison has ceased employment, it is impractical to determine the balance of shares held at 30 June 2005.

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.

10. Directors' and Executives' Disclosures (continued)

Directors	Balance of shareholding at 1 July 2004	Net change as result of other transactions	Balance of shareholding at 30 June 2005
	Number	Number	Number
Mr M U R Crivelli	4,140	–	4,140
Specified Executives			
Mr A Patterson	7,335	–	7,335

The number of shares in Perennial Investment Partners Asia Ltd held during the year by each director of the consolidated entity, including their personally related entities, are set out below:

Directors	Balance of shareholding at 1 July 2004	Net change as result of other transactions	Balance of shareholding at 30 June 2005
	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 Holdings Ltd and each of the Specified Executives of the consolidated entity, including their personally related entities, are set out below:

Aggregates for directors and specified executives	Balance of loans at 1 July 2004	Interest paid and payable	Balance of loans at 30 June 2005	Number of individuals within groups at 30 June 2005
	$	$	$	
Directors (Note 10 (d))	20,656	1,297	20,955	1
Specified Executives	2,058,383	147,935	2,206,318	1

Individuals with loans above $100,000 during the financial year	Balance of loans at 1 July 2004	Interest paid and payable	Balance of loans at 30 June 2005	Highest indebtedness during the year
	$	$	$	
Specified Executive				
Mr A Patterson (Note 10 (e))	2,058,383	147,935	2,206,318	2,206,318

Terms and Conditions of Loans Issued

(d) The original 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.

(e) Amounts lent to Mr Patterson included loans to assist him in the purchase of shares in Perennial Investment Partners Ltd and Perennial Value Management Ltd 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.

Other transactions with Directors and Specified Executives

There were no other transactions with directors and specified executives.

11. Impact of Adopting International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to annual reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS (AIFRS), and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. The adoption of these AIFRS pronouncements will be first reflected in the Group's financial statements for the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made retrospectively against opening retained profits as at 1 July 2004.

The Group has established a project team to manage the transition to AIFRS, and has prepared a detailed project plan. The project team is chaired by the Chief Financial Officer and reports to the Audit Committee at least quarterly. The plan includes training of staff, the process for making decisions where choices of accounting policies are available, and changes to systems and internal controls necessary to gather all the required financial information. The project plan is currently on schedule.

The project team has analysed all the AIFRS issued to date, and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under AASB *1 First-time adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the Group.

The known or reliably estimable impacts on the financial reports for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each line item in the Statements of Financial Performance and Statements of Financial Position with descriptions of the differences. No material impacts are expected in relation to the Statements of Cash Flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. Amended or additional standards or interpretations may be issued by the AASB and the International Accounting Standards Board. Until the Group prepares its first full AIFRS financial statements, the possibility cannot be excluded that the following adjustments may have to be revised.

AIFRS Impact on Statement of Financial Performance		Consolidated		
	Notes	Existing GAAP $'000	Effect of Change $'000	AIFRS $'000
Revenue from ordinary activities	(a)(c)	244,158	47,200	291,358
Expenses from ordinary activities	(a)(g)(h)(i)(j)	(178,634)	(71,286)	(249,920)
Borrowing costs expense		(56)	–	(56)
Share of Net Profits of associated entities accounted for using the equity method		5,099	–	5,099
Profit from ordinary activities before income tax		**70,567**	**(24,086)**	**46,481**
Income tax (expense) / benefit	(a)(k)	(3,880)	(25,409)	(29,289)
Net Profit		**66,687**	**(49,495)**	**17,192**
Net (profit) / loss attributable to outside equity interest	(i)	(1,554)	4	(1,550)
Net Profit attributable to members of IOOF Holdings Ltd		**65,133**	**(49,491)**	**15,642**
Total revenue, expenses and valuation adjustments attributable to members of IOOF Holdings Ltd and recognised directly in equity		–	–	–
Total changes in equity other than those resulting from transactions with owners as owners		**65,133**	**(49,491)**	**15,642**

11. Impact of Adopting International Financial Reporting Standards (continued)

AIFRS Impact on Statement of Financial Position	Notes	Consolidated		
		Existing GAAP $'000	Effect of Change $'000	AIFRS $'000
Assets				
Cash assets	(a)	33,043	14,134	47,177
Receivables	(a)(k)	60,717	(1,595)	59,122
Other financial assets	(a)	65,689	1,029,798	1,095,487
Investments accounted for using the equity method		2,167	–	2,167
Other assets		10,120	–	10,120
Plant and equipment		1,905	–	1,905
Tax assets	(k)	6,254	2,475	8,729
Gross policy liabilities ceded under reinsurance		362	–	362
Intangible assets	(e)(f)(g)	15,887	60,672	76,559
Excess of net market value over net assets of controlled entities	(c)	184,785	(184,785)	–
Total Assets		**380,929**	**920,699**	**1,301,628**
Liabilities				
Payables	(i)(j)	22,770	(23)	22,747
Tax liabilities	(a)(k)	48,179	–	48,179
Provisions	(i)(j)	6,886	(309)	6,577
Policy liabilities		453	–	453
Member liabilities - Benefit Funds	(a)	–	1,041,942	1,041,942
Total Liabilities		**78,288**	**1,041,610**	**1,119,898**
Net Assets		**302,641**	**(120,911)**	**181,730**
Equity				
Parent entity interest				
Contributed capital		170,280	–	170,280
Reserve for share-based payments	(h)	–	1,831	1,831
Retained profits	(a)(c)(e)(g) (h)(i)(j)(k)	128,170	(122,748)	5,422
Total Parent Entity Interest		298,450	(120,917)	177,533
Outside equity interests	(i)	4,191	6	4,197
Total Equity		**302,641**	**(120,911)**	**181,730**

11. Impact of Adopting International Financial Reporting Standards (continued)

Notes explaining the impacts on the financial report had it been prepared under AIFRS:

(a) Consolidation of Benefit Funds

The consolidated entity controls certain benefit funds which have not previously been included in its financial statements due to APRA Prudential Rule 47 *Friendly Society Financial Statements* and ASIC Class Order 99/1225 *Financial Reporting Requirements for Benefit Fund Friendly Societies*. On transition to AIFRS the exemption no longer applies and these funds will be required to be consolidated in accordance with AASB 127 *Consolidated and Separate Financial Statements*.

The contracts that the Benefit Funds write include life insurance contracts, which are accounted for under AASB 1038 *LifeInsurance Contracts*, including some contracts with discretionary participation features, and life investment contracts which will be accounted for in accordance with AASB 118 *Revenue* and AASB 139 *Financial Instruments: Recognition and Measurement*.

If this change in policy had been applied, the following impact on the consolidated statements would have resulted:

- cash assets would have increased by $14,134,000;
- receivables would have decreased by $907,000 (additional receivables of $38,629,000: offset by elimination of inter-entity receivables of $39,536,000);
- other financial assets would have increased by $1,029,798,000;
- payables would have increased by $571,000 (additional payables of $40,107,000: offset by elimination of inter-entity payables of $39,536,000);
- deferred tax liability would have increased by $25,390,000;
- member liabilities would have increased by $1,041,942,000;
- opening retained profits would have increased by $74,000;
- revenues from ordinary activities would have increased by $94,014,000;
- expenses from ordinary activities would have increased by $67,926,000; and
- income tax expense would have increased by $25,650,000.

(b) Financial instruments

The Group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the Group to apply previous AGAAP to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB 139, financial assets will be classified as either at fair value through profit or loss, held-to-maturity, available-for-sale, or loans and receivables and, depending on their classification, will be measured at fair value or amortised cost. The classification may differ from that currently used by the Group. Financial assets classified as available-for-sale will be measured at fair value, with changes in those fair values recognised directly in equity until the underlying asset is derecognised. Financial assets will be assessed at each reporting date as to whether there is any objective evidence of the asset or group of assets being impaired.

This differs from the current accounting policy under AGAAP whereby the Group recognises all changes in the value of financial assets measured at fair value in the Statements of Financial Performance.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005.

(c) Excess of Net Market Value over Net Assets of controlled entities (EMVONA)

A life insurer, under the 1998 version of AASB 1038 *Life Insurance Business*, recognises as a separate asset in its consolidated financial statements, the excess of the net market value of its interests in subsidiaries over the net assets of those subsidiaries that are recognised in the consolidated financial statements (the "EMVONA asset"). Under the AIFRS version of AASB 1038 *Life Insurance Contracts*, the EMVONA asset is not allowed because it is inconsistent with AASB 127 *Consolidated and Separate Financial Statements* (which requires line-by-line consolidation of all subsidiaries) and AASB 138 *Intangible Assets* (to the extent that the EMVONA asset comprises internally generated goodwill. See (e) below).

This will result in a change in the current accounting policy, under which the parent entity which is a life insurer recognises and discloses in the consolidated financial report any excess of the net market value of interests in controlled entities over the net assets of those subsidiaries.

11. Impact of Adopting International Financial Reporting Standards (continued)

If the policy required by AIFRS had been applied during the year ended 30 June 2005, consolidated retained profits at 30 June 2005 would have decreased by $184,785,000, with the corresponding de-recognition of the EMVONA asset in the Statement of Financial Position. The increase in EMVONA for the year ended 30 June 2005 amounting to $59,148,000 (prior to the adjustment of acquisition provisions amounting to $12,334,000) would not have been recognised in revenue in the Statement of Financial Performance, and net profit before income tax would correspondingly have reduced by this amount. Opening retained profits would have decreased by $125,637,000.

(d) Business combinations

The Group will be taking advantage of the exemption under AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards* not to apply AASB 3 *Business Combinations* to business combinations that occurred before the date of transition to AIFRS. This exemption will be applied to the two identified business combinations namely:

- the demutualisation and re-structure of the Group in June 2002; and
- the acquisition of the AM Corporation's investment and superannuation businesses in March 2003.

The exemption will be utilised to avoid potential costs associated with restatement, to avoid difficulties in obtaining relevant data, and because there would be no "value added" in restating past business combinations.

(e) AASB 1 adjustments to Goodwill on acquisition of subsidiaries

Under AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards* AIG 100, upon transition to the revised version of AASB 1038 the EMVONA asset is de-recognised but the acquired goodwill that arose on the acquisition of each subsidiary would be recognised, net of any assessed impairment losses. The Group will recognise goodwill resulting from the demutualisation and re-structure of the Group in June 2002, and goodwill identified upon the acquisition of the AM Corporation's investment and superannuation businesses acquired in March 2003.

In these financial statements prepared under AGAAP an amount of $58,337,000 was separately identified as acquired goodwill which was previously included in the carrying amount of the EMVONA asset. Accordingly, if the policy required under AIFRS had been applied, goodwill would have increased by $58,337,000. The impact of the decrease in retained profits as a result of the EMVONA adjustment in (c) above would be reduced by the recognition of this acquired goodwill, resulting in a net reduction in consolidated retained profits at date of transition of $67,300,000.

As noted in (c) above, an adjustment was made against the increment in EMVONA for the year ended 30 June 2005 for the acquisition provisions in relation to the AM Corporation's businesses that were acquired. This results in a reduction of goodwill in the financial statements prepared under AGAAP. If the policy required under AIFRS had been applied, goodwill would have increased by $12,334,000.

(f) Goodwill amortisation

Under AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise, but not exceeding 20 years.

If the policy required under AASB 3 had been applied during the year ended 30 June 2005, consolidated goodwill at 30 June 2005 would have increased by $182,000, and consolidated amortisation expense for the year ended 30 June 2005 would have decreased by $182,000.

(g) Intangibles assets de-recognised

Under AASB 138 *Intangible Assets* there are strict recognition tests that are applied to both purchased and internally generated intangible assets. These tests assess whether the intangible asset is separable from the entity, controlled by the entity, provide future economic benefits, and the cost can be measured reliably.

This will result in a change to current accounting policy,under which certain computer software and project costs are capitalised where it is probable that future economic benefit will eventuate.

If the policy required under AASB 138 had been applied, the consolidated computer software and infrastructure projects asset would have decreased by $10,180,000 and

11. Impact of Adopting International Financial Reporting Standards (continued)

consolidated retained profits at date of transition to AIFRS would have decreased by $8,091,000. Expenses from ordinary activities would have increased by $3,286,000; representing net additions for the year capitalised for AGAAP that would have been expensed under AIFRS. Amortisation of software and infrastructure projects would have decreased by $1,197,000 as a result of the de-recognised intangible assets.

(h) Executive share plan

Under AASB 2 *Share-based Payment*, from 1 July 2004 the Group is required to recognise an expense and increase equity for any equity instruments that have been granted to executives under performance incentive share plans and under the Chief Executive Officer's contract of employment. The exemption under AASB 1 was applied to those equity instruments granted before 7 November 2002 and those that vested before 1 January 2005, but the remaining shares will be accounted for over the relevant vesting period.

This differs from the current accounting policy under AGAAP whereby the Group does not recognise an expense for equity-based compensation where such compensation is satisfied by the issue of additional shares by the Group.

If the policy required by AASB 2 had been applied, consolidated retained profits at 30 June 2005 would have decreased by $1,831,000, with a corresponding increase in the Reserve for share-based payments. The consolidated Expenses from ordinary activities would have increased by $1,358,000, with a corresponding increase in the net movement in the Reserve for share-based payments.

(i) Employee entitlement provisions and accruals

Under AASB 119 *Employee Benefits*, provisions for long service leave and accruals for annual leave are based on the benefit expected to be paid to the employee, excluding associated costs such as payroll tax and workers' compensation insurance. All employee benefits that are expected to occur twelve months after the end of the period in which the employee rendered the related service are to be discounted to the present value of the obligation at the reporting date.

This will result in a change to current accounting policy, under which associated on-costs are included in the calculation of the employee entitlement provisions and accruals. Under the current policy the accrual for annual leave that is expected to be taken beyond twelve months after the end of the period is not discounted to present value. If the policy required under AASB 119 had been applied, employee on-costs would have been reclassified from Provisions to Payables. This would have resulted in a decrease in the non-current long service leave provisions of $92,000 and a corresponding increase in Payables.

The non-current portion of the annual leave provision would have been discounted to comply with AASB 119. This would have resulted in a net decrease in Provisions of $123,000. An increase in the retained profits at date of transition to AIFRS of $213,000 would have been diminished by the effect on the Statement of Financial Performance where Expenses from ordinary activities for the year ended 30 June 2005 would have increased by $90,000. The Outside equity interest in the Statement of Financial Performance would have decreased by $4,000; the Outside equity interest in the Statement of Financial Position would have increased by $6,000.

(j) Directors' retirement benefit

Under AASB 119 *Employee Benefits*, provisions for directors' retirement benefits that are expected to occur twelve months after the end of the period in which the director rendered the related service are to be discounted to the present value of the obligation at the reporting date.

This will result in a change to current accounting policy, under which the directors' retirement benefit that is expected to be taken beyond twelve months after the end of the period is not discounted to present value.

If the policy required under AASB 119 had been applied, the consolidated directors' retirement provision at 30 June 2005 would have decreased by $90,000. The consolidated Expense from ordinary activities for the year would have increased by $4,000, and retained profits at date of transition to AIFRS would have increased by $94,000.

(k) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributed to amounts recognised directly in equity are also recognised directly in equity.

11. Impact of Adopting International Financial Reporting Standards (continued)

This will result in a change to the current accounting policy, under which the deferred tax balances are determined using the income statement method. Items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss, and the current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005 the following would have resulted:

An increase in total consolidated deferred tax assets of $2,475,000 would have been recognised comprising:

- an increase in deferred tax assets of $2,535,000 relating to the de-recognition of intangible assets as described in (g) above, by which opening retained profits would have increased by $2,324,000 and income tax expense in the consolidated Statement of Financial Performance would have decreased by $211,000;
- a decrease in deferred tax assets of $64,000 relating to a reduction in directors' and employees' entitlements as described in (i) and (j) above, by which opening retained profits would have decreased by $92,000 and income tax expense in the consolidated Statement of Financial Performance would have decreased by $28,000; and
- an increase in deferred tax assets of $4,000 relating to a write-down of investment in a subsidiary, by which opening retained profits would have increased by $4,000.

(l) Plant and Equipment

Plant and Equipment will be measured at cost less accumulated depreciation under AIFRS. The election available under AASB 1 for a deemed cost (being a revalued amount prior to transition date) was not utilised because previous historic costs for Plant and Equipment are in accordance with AIFRS.

(m) Impairment of Assets

Assets will be reviewed annually for indications of impairment. If there is an indication that an asset is impaired the recoverable amount will be estimated for the individual asset, but where this is not possible, the recoverable amount of the cash generating unit to which the asset belongs will be determined. The recoverable amount will be determined using discounted cash flows. Impairment losses recognised in respect of a cash generating unit will first be allocated to reduce the carrying amount of any goodwill initially allocated to the cash generating unit and then to reduce the carrying amount of other assets.

The impairment of assets at 30 June 2005 has been considered and no known or reliably estimable impairment was discovered.

(n) Reclassification of Gains and Losses

Under AIFRS, realised gains and losses (e.g. from sale of Plant and Equipment) are recognised as other income on a net basis. This is in contrast to current AGAAP treatment under which the consideration is recognised as revenue.

(o) Insurance Contracts

The Group has elected to apply AASB 1 in relation to the transitional exemption from restating the comparative information for Insurance Contracts under AASB 1038, with regard to the Life Insurance policies in IOOF Life Ltd.

Insurance contracts will be reviewed in the light of revised definitions. Some insurance contracts may be reclassified as financial assets.

12. Full Financial Report

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 13 13 69.

Directors' Declaration

In the Directors' opinion:

The Directors declare that in their opinion, the Annual Concise Financial Report of the consolidated entity for the year ended 30 June 2005 as set out on pages 63 to 81 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

The financial statements and specific disclosures included in this Annual Concise Financial Report have been derived from the full financial report for the year ended 30 June 2005.

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 the consolidated entity as the full financial report, which as indicated in Note 12, is available on request.

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

RJ Schoer
Chairman of the Board

R Dewhurst
Director and Chief Executive Officer

Melbourne, 22 September 2005

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Independent audit report to the members of IOOF Holdings Ltd

Audit opinion

In our opinion:

(a) the concise financial report of IOOF Holdings Ltd for the year ended 30 June 2005 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*; and

(b) the remuneration disclosures that are contained in pages 44 to 60 of the directors' report comply with Australian Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) and the *Corporations Regulations 2001*.

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

Scope

The concise financial report, remuneration disclosures 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 Ltd (the company) for the year ended 30 June 2005.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures identified as being audited), as required by AASB 1046, under the heading "remuneration report" on pages 44 to 60 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it 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 and the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*. 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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit

We also performed an independent audit of the full financial report of the company for the financial year ended 30 June 2005. Our audit report on the full financial report was signed on 22 September 2005, 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* and whether the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*.

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 and remuneration disclosures.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise 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
22 September 2005

Liability is limited by the Accountant's Scheme under Professional Standards Act 1994 (NSW)

Shareholder Information

The number of shares on issue as at Friday 2 September 2005 is 64,173,970 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 per cent of our voting securities, as at Friday 2 September 2005, is shown in the table '20 largest shareholders as at Friday 2 September 2005'.

Distribution of shares

The following table summarises the distribution of our listed shares as at Friday 2 September 2005.

Range	Investors	Securities	% Issued Capital
1 – 1000	17,864	8,151,144	12.70
1,001 – 5,000	10,753	22,457,923	35.00
5,001 – 10,000	1,066	7,507,628	11.70
10,001 – 100,000	421	8,330,710	12.98
100,001 and over	26	17,726,565	27.62
Total	**30,130**	**64,173,970**	**100.00**

The number of investors holding less than a marketable parcel of 68 shares ($7.400 on 02/09/2005) is 48 and they hold 1,745 shares.

20 largest shareholders as at Friday 2 September 2005

Rank	Investor	Current Balance	% Issued Capital
1	Bendigo Bank Limited	5,341,690	8.32
2	Citicorp Nominees Pty Limited	2,535,618	3.95
3	IOOF Holdings Trustee Pty Ltd	1,997,897	3.08
4	IOOF Investment Management Limited	1,028,773	1.60
5	ANZ Nominees Limited	789,500	1.23
6	J P Morgan Nominees Australia Limited	772,346	1.20
7	Sandhurst Trustees Ltd	703,174	1.10
8	Westpac Custodian Nominees Limited	570,640	0.89
9	Diversified United Investment Limited	500,000	0.78
10	Invia Custodian Pty Limited	489,287	0.76
11	Robert John Turner	453,318	0.71
12	Banos Asset Management Ltd	361,841	0.56
13	Sanlirra Pty Ltd	311,000	0.48
14	Australian United Investment Company Limited	300,000	0.47
15	IOOF SA Ltd	300,000	0.47
16	Catholic Church Insurances Ltd	248,111	0.39
17	Equity Trustees Limited	231,503	0.36
18	Ravenscourt Pty Ltd	225,000	0.35
19	National Nominees Limited	219,478	0.34
20	Beta Gamma Pty Ltd	200,000	0.31

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 12 cents per share fully franked will be paid on 13 October 2005 to shareholders entitled to receive dividends and registered on 26 September 2005 being the record date.

IOOF Unconfirmed & Overseas Members' Trust distribution

In addition to the final dividend of 12 cents per share, shareholders of IOOF Holdings Ltd registered on 26 September 2005 being the record date are entitled to a trust distribution from the IOOF Unconfirmed & Overseas Members' Trust of 8 cents per share. This distribution will be paid on 13 October 2005.

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 into your account or any other Australian bank account, credit union or building society. We will continue to send you notification of the dividend payment through the mail.

If you have not yet provided your bank account details, you will receive a dividend cheque along with a Request for Direct Credit of Payments Form. Please complete this form and return it to the share registry in the enclosed reply paid envelope.

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

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