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# Chairman's welcome

## A message from Ian Blair, IOOF Group Chairman

In my first year as Group Chairman of IOOF, I am pleased to advise that the 2005/06 financial year was another excellent year for the IOOF Group. We have again delivered on our commitment to shareholders, producing a strong profit, higher dividends and a very solid capital position.

This year's Annual Report is larger than ever as our reporting obligations have increased as a result of our need to comply with the Australian equivalents to International Financial Reporting Standards (AIFRS). The 2005/06 financial report was the first to be prepared in accordance with AIFRS and, amongst other changes, requires us to include the consolidation of IOOF's Benefit Funds. We believe that this has made the presentation of our financials confusing to shareholders and that the industry and regulators need to address this for the next financial year's reporting to enable more user friendly information to be provided.

Nevertheless, in the early pages of our Annual Report, you will see clearly that we have continued to improve on our key financial metrics. Revenue has increased, our operating efficiency ratio has improved, net profit after tax has increased, as have cash earnings, funds inflows and assets under management. You will see that the IOOF Group has performed extremely well over the last financial year.

### Service First

In these days of strong competition, financial performance is important, but companies often achieve more when they have a point of differentiation that can provide a competitive advantage. IOOF has been in business for 160 years and part of our success has been our commitment to constantly improve our client service offering. We have recently launched a service improvement initiative named 'Service First', with the objective of positioning IOOF in the top quartile of service providers over the next three years, as ranked by our target market. This initiative was developed as a result of the service and process improvement initiative undertaken last year.

In line with our values, we aim to be efficient, responsive and easy to deal with. Both management and the Board take this very seriously and look for continuous improvement in all that we do. This year we established a Customer Care Team to provide a central focus on any complaints and suggestions that we receive. This is an important part of our business as we look after more than 230,000 Australian investors.

### Our community focus

IOOF is a unique organisation with a long and proud history of helping people. The IOOF Foundation, established in 2002, continues to support disadvantaged families, aged care and disadvantaged children and youth. We have granted more than \$1.4 million to organisations committed to helping those in need.

We believe it is important that we do not lose sight of our origins in the community and to do this, we support some very worthy organisations. The IOOF Foundation provides a way to recognise our organisational history and the important role the IOOF Group has played since 1846, and to continue this vital charitable work into the future. The Foundation will continue to make grants and actively seek additional donations. The Foundation will also be working to integrate its activities with the existing charitable activities of the IOOF Group.

“We have again delivered on our commitment to shareholders, producing a strong profit, higher dividends and a very solid capital position.”

Ian Blair, Chairman



## The Board

The last year has been one of significant change and renewal within the Board. Ray Schoer and Michael Parkinson retired from the Board after serving the company for a combined 19 years. Jane Harvey and Jim Pfeiffer joined the Board and have added a new level of enthusiasm to our work. We have strengthened our governance arrangements by implementing a process of peer review and performance evaluation for all Directors, and by requiring a Board vote of support for retiring Directors who wish to seek re-election. The Board is working well together, and with CEO Ron Dewhurst and his management team.

## The year ahead

As the 2006/07 financial year progresses we continue to see many changes in the financial services industry, including developments in the area of superannuation. Like some of our competitors, the early signs suggest that the changes to the superannuation regime have had a positive impact on our superannuation flows. The recent announcements by the Government in their ‘Plan to Simplify and Streamline Superannuation’ should see a positive effect on the retirement savings of many Australians.

During the last two years, IOOF has experienced distinct stages of development and we are confident that 2007 and beyond will see the Group capitalise on the foundations put in place over the last two years. We have delivered excellent shareholder returns, even as we have continued to spend much effort improving internal dynamics and processes, work that is generally unnoticed by the market place. I believe IOOF’s success is largely attributable to the dedication of our people, including our highly regarded CEO Ron Dewhurst, company management and all of our hard working and committed staff. I wish to thank them all for their commitment over the last year and offer them every encouragement and support in the times ahead.

A handwritten signature in black ink, appearing to read 'Ian Blair', written over a large, stylized oval shape.

**Ian Blair**

Chairman

# Chief Executive Officer's welcome

## A message from Ron Dewhurst, IOOF Group Chief Executive Officer (CEO)

It has been another highly successful year for IOOF. We have continued to achieve solid growth over the last financial year, with our funds under management and administration approaching \$29 billion at 30 June 2006, representing a 29 per cent growth rate on the previous period. This has enabled us to deliver a net profit result for the year of \$23 million, up 54 per cent on 2005. This strong growth is also reflected in the Group's cash earnings which rose 40 per cent to \$44 million.

A key component of being able to deliver this result was the Group's ability to improve its operating efficiency ratio from 71 per cent at June 2005 to 64 per cent in 2006, a result of both growth and responsible fiscal management. Thanks to the Group's strong financial performance, we have announced an increase in dividends declared for the year to 27 cents per share; up on the 22 cents paid in the previous period.

I would describe this last year as a 'transitional year' for IOOF. There has been much effort in our retail business to position the business for future growth. Whilst this may have cost the Group some business momentum over the past 12 months, we are now starting to see the benefits of this work and are confident of stronger net flows over the next 12-18 months in a place where we can differentiate ourselves. Over the last financial year, we have overseen a range of strategic initiatives, some of which are still in progress, but which we believe will continue to add value to the IOOF business.

### Business achievements

Clearly our financial results are very pleasing, but from a management perspective it is also pleasing to see that we have delivered on a number of objectives that we set for the financial year, and made significant progress across others.

One of our strategic objectives was to increase our asset management capabilities and in January this year, we added a property offering with the Perennial Real Estate Investments business. This has already made a tremendous amount of progress in establishing its presence in the market, having received endorsements from a number of asset consultants, leading to significant funds inflows. IOOF's strength in the wholesale market via Perennial has contributed significantly towards our growth in funds under management and administration.

Another objective was in the area of funds administration, developing a value proposition for a new platform to be known as 'Pursuit'. Over the year, our retail business experienced modest growth in what is becoming an increasingly competitive market. We believe that the new platform will position us in a much more competitive and distinctive manner and we are confident of building momentum in our retail presence.

We also recently launched our new dealer group brand and value proposition. IOOF previously held 25 per cent of Financial Partnership and recently acquired the remaining 75 per cent. Financial Partnership will be merged with our existing wholly-owned dealer group, Winchcombe Carson Financial Planning, creating a unified, national dealer group. The new group will be known as Consultum Financial Advisers.

As you read through our Annual Report, you will see that there have been a number of other achievements, of which my staff and I are very proud.

### Ongoing strategic initiatives

Since I joined the IOOF Group in April 2004, I have discussed fundamental aspects to our strategy that, in my view, will determine our success. These are accessing best of breed asset management, being innovative in how we think about our products and services, and a commitment to the depth as well as breadth of relationships. Over the next 12 months, we aim to continue to pursue these objectives and believe that the business is now well placed to deliver results in these key areas.

“I would describe this last year as a ‘transitional year’ for IOOF. There has been much effort in our retail business to position the business for future growth.”

Ron Dewhurst, CEO



First, the spread of contribution across the asset classes is extremely pleasing and evidence of the benefit of our diversification strategy, which is instrumental in reducing the volatility in the growth of this business. The strong contribution from Perennial Real Estate Investments over such a short period of time is impressive and has continued into the first few months of 2006/07. The success of this venture is an example of the Group’s strategic intent and we look to replicate this success across other asset classes, be it in Australia or offshore. We are confident that the ongoing development of this stable of businesses will provide us with strong growth in what is a business with a high degree of operating leverage.

Secondly, our new ‘Pursuit’ platform is both innovative and designed to provide an uplift in net sales, with the economic benefits expected to materialise in 2007/08 given the natural lag in our industry. We continue to rationalise some legacy products to ensure we operate as efficiently as possible and provide the best products and services to the market. We expect the rationalisation to reduce our operational risk profile and provide improved transparency of our key drivers.

Finally, our improved dealership model gives a stronger base for sustainable relationships, whilst also creating a consistent and reliable value proposition from which advisers can build their businesses. The creation of a distinctive brand presence is key and represents an additional way in which we can support our advisers’ businesses. A new visual identity is being released to the market shortly.

The current year also sees IOOF placing greater focus on its clients and the way in which we interact with them.

### In conclusion

As I said, it has been another highly successful year for IOOF. I have provided earnings guidance to the market of around 15 per cent growth in the 2006/07 year and expect to provide further guidance at our Annual General Meeting on 15 November 2006. However, as is the case with our industry, the quantum of that growth will also depend on investment market performance. We will continue our focus on being an independent alternative to larger financial institutions and a respected competitor, rather than just a gatherer of assets.

I would like to thank the Board for their support and all the IOOF staff for their diligence and tenacity in a transitional year that should enable us to build momentum going forward.

A handwritten signature in black ink, appearing to read 'RD', with a long horizontal stroke extending to the right.

**Ron Dewhurst**  
Chief Executive Officer



IOOF has continued to develop a significant presence in the Australian funds management market place.



# The year at a glance

## Highlights for the 2005/06 financial year

- Net profit after tax increased 54 per cent to \$23.3 million.
- Cash earnings increased by 40 per cent to \$44.4 million.
- Total assets under management increased from \$22.4 to \$28.9 billion, a 29.2 per cent increase.
- Operating efficiency ratio improved from 71 per cent to 64 per cent.
- Total shareholder return of 32.4 per cent.
- Fully franked dividends for the year of 27 cents per share comprised of an interim 12 cents per share dividend paid and a final 15 cents per share dividend declared. This represents a 23 per cent increase.
- Establishment of Perennial Real Estate Investments Pty Ltd and launch of the IOOF/Perennial Global Property Trust.
- Acquisition of Financial Partnership Pty Ltd and creation of Consultum Financial Advisers.
- Investment Grade rating by Morningstar for IOOF/Perennial International Equities Trust.
- Rainmaker Marketing Excellence award nomination: Best Website of the Year – Superannuation.
- Rationalisation of legacy products.

# Review of Operations and Financial Condition





# About IOOF



## IOOF today

IOOF\* has continued to develop a significant presence in the Australian funds management market place. Firmly entrenched in its position as a specialist fund manager and administrator, IOOF has enjoyed ongoing business growth and has continued to provide solid and secure financial solutions for Australians.

As at 30 June 2006, the IOOF Group manages almost \$29 billion in funds under management and administration and has attracted increased attention from both retail and institutional investors.

With a growing awareness amongst investors and distributors of IOOF products and services, and continually strong financial performance, the Group continues to build on its competitive position in the market place.

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

## What is IOOF's key purpose?

IOOF is committed to providing 'best-of-breed' investment fund solutions and asset management capability. 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, a leading boutique, wholesale asset manager with the institutional backing of the IOOF Group; and
- a growing financial advisory dealer group network.

In line with the strategic priorities of the business, the Group continues to focus on growth opportunities through the expansion of its wealth creation capabilities and distribution network. This is evidenced through the creation of the new Perennial Real Estate Investments team within IOOF's investment manager, Perennial Investment Partners, and the recent acquisition of successful dealer group, Financial Partnership.

## The IOOF business

At the core of IOOF's corporate structure is the objective of creating and distributing leading, quality financial products and services to advisers and their clients. As such, the business' core functions are structured around the development, distribution, management and administration of asset management funds and investment administration services (e.g. master funds and wrap accounts).

### Distribution

- Independent advisers
- Aligned advisers
- Alliances

### Platforms/ products/ client service

- Retail funds
- Wholesale funds
- Master funds (IOOF Portfolio Service and LifeTrack)
- Investor Directed Portfolio Services
- Corporate/employer superannuation

### Asset management

- Perennial Investment Partners
- IOOF Multi Investment Manager Trust

# Group strategic direction

Over the past 12 months, our strategic direction has remained focused on the four key initiatives outlined during 2005. The focus of the business is clearly aligned with the strategic plan agreed to and communicated in last year's Annual Report.

Over 2005/06 financial year, the business focused on generating value for shareholders within the four key areas outlined below.

- **Best-of-breed asset management**

With in excess of \$19 billion of funds under management as at 30 June 2006, Perennial Investment Partners Limited's (Perennial's) success illustrates the powerful combination of their boutique asset management business and IOOF's institutional strength and support. Over the past 12 months, another asset management business was added to Perennial which specialises in real estate investments. The Perennial Real Estate Investment (PREI) team was established in January this year and has been a highly successful venture for both IOOF and Perennial. The new team has provided the Group with capabilities in both domestic and global listed property trust management. The PREI team has a proven track record and has rapidly grown funds under management over a six-month period.

- **Providing best practice investment solutions and service**

Earlier this year, the Group launched an internal Client Service Initiative which aims to improve the IOOF customer service experience for both advisers and investors. Whilst this initiative has to date resulted in a number of administrative process enhancements, there has also been an operational re-organisation to create a more focused and segmented approach to customer service. Stringent internal targets have been set which include the objective of having IOOF reach industry best practice in this space over the next few years.

Much work has also been done around enhancing our existing investment administration platform which will come to fruition over coming months.

- **A commitment to serving the needs of advisers in a holistic manner**

As well as continuing to build on the Group's capabilities in supporting advisers' practices, IOOF acquired the remaining 75 per cent of respected dealer group, Financial Partnership, of which IOOF previously held 25 per cent. The acquisition has boosted the Group's retail distribution capacity and illustrates IOOF's long-term commitment to servicing the needs of its financial adviser network. With the proposed launch of the merged dealer group planned for later this year, this initiative will consolidate the resources and management of the two groups to help us to deliver a compelling value proposition for advisers and their clients.

- **Being financially responsible**

This is an ongoing objective for the Group. We remain committed to improving our infrastructure and internal systems to ensure we can deliver on our goal of offering quality investment solutions and excellent client service. Throughout 2005/06 the Group was able to deliver continued business growth while at the same time delivering operating efficiency which has resulted in a operating efficiency ratio of 64 per cent.

Our commitment to maintaining the strategic focus outlined above will continue into the new financial year.



# Our people and culture

## The IOOF team – the key to our success

After the launch of the IOOF Mission and Values in 2004/05, IOOF has focused on a range of initiatives in 2005/06 aimed at 'recognising the critical importance of people'. We have also continued to build on many of the initiatives launched in the previous year.

## Staff Engagement Survey

In December 2005, we conducted a comprehensive Staff Engagement Survey. This was done in collaboration with Hewitt, a specialist consulting firm using a methodology used globally. Through the results obtained, the methodology helps companies gauge the extent to which its staff are likely to **say** positive things about the organisation, **stay**, because of their confidence in the organisation, and **strive** 'over and above' in order to help achieve the company's objectives.

An 88 per cent survey response rate demonstrated that IOOF people were keen to 'have their say'. Staff provided some very positive feedback but also identified a number of areas where more attention needs to be given. A range of focus groups were conducted to explore the views of staff in more detail. From these focus groups, six 'themes' (and resulting recommendations) emerged. These were:

- the performance appraisal process;
- career management;
- work processes;
- IOOF mission and values;
- leadership; and
- company reputation.

Twenty-eight key initiatives – all aimed at addressing the issues raised - have subsequently been agreed. Many have already been implemented, particularly those related to the staff performance appraisal system. Others will gain more traction in the year ahead. Further consultation is continuing and a 'PULSE' survey, measuring progress against our key staff engagement dimensions, will be conducted again in January of 2007.

The Hewitt methodology sets a high bar. The more we listen and consult the more we will be equipped to meet the expectations of a workforce who quite rightly have high expectations of IOOF.

## Customer Service Project

A substantial project was undertaken throughout the year to assist in delivering against two of the key elements of our mission statement: 'being professional and easy to deal with' and 'finding better ways'.

We have reviewed the full scope of our customer service proposition, examining in detail issues related to finance, process, customer expectations and related people and culture issues. External consultants assisted in analysing and re-engineering our core administration processes, and a number of customer surveys were undertaken in order to capture feedback.

A new Customer Service Strategy unit has subsequently been created to oversee the implementation of a range of changes. A number of new competency based training programs have been established for customer service staff. A new recognition system, 'Top Gear', has been established to provide a suite of different rewards to those staff who exemplify our customer service principles and mission and values.

## Training and career development

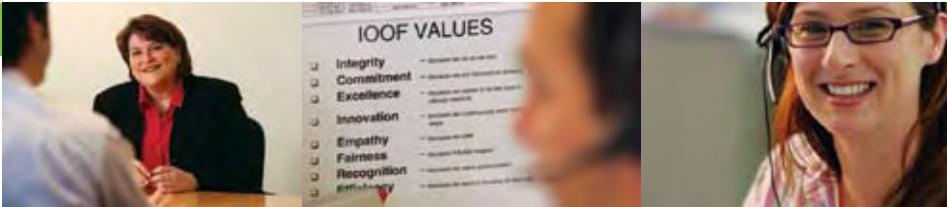
IOOF has continued to provide support for a range of career and professional development activities for staff and management.

Twenty staff participated in the IOOF 'Future Leaders' program during the year.

A range of programs covering 'Business Fundamentals' were conducted for general staff, including programs in the essentials of project management, a discipline which is becoming an increasingly core capability required by staff managing complex initiatives in team-based environments.

We have also continued to support those staff in roles providing financial advice, ensuring that we satisfy our obligations under ASIC Policy Statement 146, and that clients are receiving advice of the highest quality from people fully qualified to provide it.





A number of our more senior people have also been provided with the opportunity to work with a qualified executive coach. These have been individualised programs aimed at helping high potential people develop the skills that will enable them to be both more effective in their current roles, and to take the 'next step' when the opportunity arises.

Our technology experts will continue to 'find better ways' that enhance efficiency and facilitate new innovative ways to do business.

Most importantly, we will continue to consult our people and work closely with them as we continue the process of creating distinctive and rewarding experiences, for our staff and customers.

## The IOOF mission and values

'Bringing to Life' our IOOF mission and values, and practically applying these in our everyday dealings with clients, investors, advisers and shareholders, remains a primary objective of the organisation. In 2006/07, we will accelerate our efforts around the theme of being professional and easy to deal with, with new targets for customer satisfaction having recently been set.

### Our values

- Integrity
- Commitment
- Excellence
- Innovation
- Empathy
- Fairness
- Recognition
- Efficiency

### 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 management structure

## 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 CEO, supported by a team of senior executives from across the business (Executive Team).



**Board of Directors (from left to right): Mr Anthony (Tony) Hodges, Dr Roger Sexton, Ms Jane Harvey, Mr Michael Crivelli, Mr Ron Dewhurst, Ms Kate Spargo, Mr James Pfeiffer, Mr Ian Blair**

## IOOF Board of Directors

### **Mr Ian Blair**

#### **OAM, MMgt, FCA**

- Group Chairman of IOOF Holdings Ltd
- Non-Executive Director of IOOF Holdings Ltd since 2002
- Chairman of IOOF Investment Management Ltd, IOOF Ltd and IOOF Life Ltd

### **Dr Roger Sexton**

#### **BEco (Hons), MEco, PhD (Eco), FAICD, FAIM**

- 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 and Audit and Risk Committee

### **Mr Michael Crivelli**

#### **BEco, ASA, F Fin**

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

### **Mr Ronald (Ron) Dewhurst**

#### **F Fin**

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

### **Mr Anthony (Tony) Hodges**

#### **Dip FP, FAICD (Dip), SF Fin**

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

### **Ms Kate Spargo**

#### **LLB (Hons), BA, FAICD**

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

### **Ms Jane Harvey**

#### **BCom, MBA, FCA, FAICD**

- Non-Executive Director of IOOF Holdings Ltd since 2005
- Director of IOOF Investment Management Ltd, IOOF Ltd and IOOF Life Ltd
- Chairman of Audit and Risk Committee
- Member of Remuneration and Nomination Committee

### **Mr James Pfeiffer**

#### **BA, LLB**

- Non-Executive Director of IOOF Holdings Ltd since 2005
- Director of IOOF Investment Management Ltd, IOOF Ltd and IOOF Life Ltd
- Chairman of Governance Committee
- Member of Audit and Risk Committee

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

## IOOF Executive Team

### **Ms Adrianna Bisogni**

#### **General Counsel, LLB (Hons), BA**

Adrianna is a lawyer with over 14 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 all aspects of the law relating to corporations, 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.

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

Mark has over 30 years experience in finance, working across a broad range of industries. 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, Investment Accounting, Risk and the Project Office.

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

**Mr Ronald (Ron) Dewhurst**  
**CEO, F Fin**

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

He has over 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, National Gallery of Victoria, Pride Capital Partners LLC, Orchard Petroleum Limited and Australian United Investment Company Limited.

**Mrs Susan Foley**  
**General Manager, Corporate Operations,**  
**SIA(Cert), GradDipBusMgt, MMgt, AACI**

Susan has worked for over 27 years in the securities and financial services industry and has extensive business and management experience. She has worked in stockbroking, the trustee and investment management industries and 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 and Retail Funds Management,**  
**Dip FP, FAICD (Dip), SF Fin**

Tony was appointed as an Executive Director in September 2004 and is also currently Executive Director of a number of Group subsidiaries. His 33-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 Limited. 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.



**The Executive Team (from left to right): Mr Tony Hodges, Ms Adrianna Bisogni, Mr Ron Dewhurst, Mrs Susan Foley, Mr Mark Blackburn, Mr Marshall Stephen, Mr Peter Wallbridge**

# Our financial performance

How did IOOF perform in 2005/06?

Revenue



**Revenue** has increased from **\$197.1 million to \$222.9 million**.

Operating expense to margin



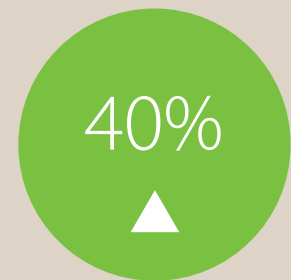
**Operating expense to gross margin** has decreased from **71% to 64%**.

Net profit after tax



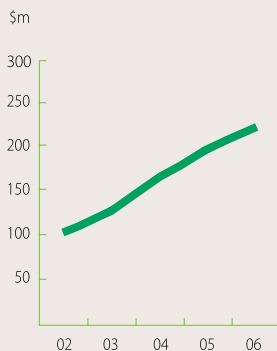
**Net profit after tax** has increased from **\$15.1 million to \$23.3 million**.

Cash earnings

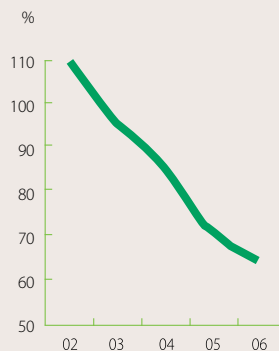


**Cash earnings** have increased from **\$31.7 million to \$44.4 million**.

## Scorecard – our 5-year performance

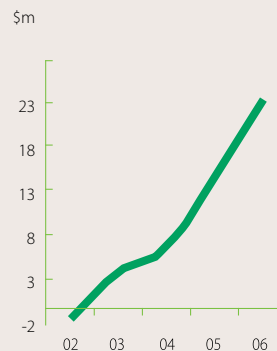


Represents **revenue** from ordinary activities. 2002-04 figures have been adjusted to remove the impact of the EMVONA adjustment. 2005-06 figures are AIFRS figures used for management reporting purposes.

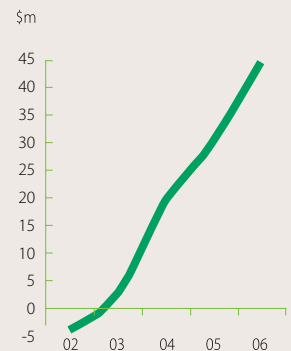


**Operating expense** excludes commission, management fees, non-cash and non-recurring items. Margin equals revenue and equity accounted profit, net of commission and management fees. Non-recurring revenue items are excluded.

To allow comparability over time, in years prior to 2004, only the financial services operations are considered.



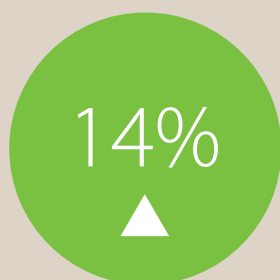
**Net profit after tax** is based on AIFRS figures used for management reporting purposes. 2002-04 figures have been adjusted to remove the impact of the EMVONA adjustment.



**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



**Funds inflows** have increased from **\$6.3 billion** to **\$7.1 billion**.

### Assets under management



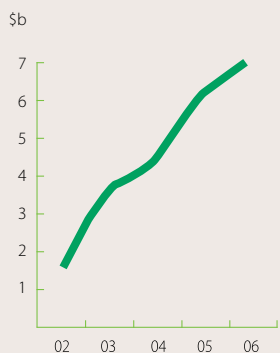
**Assets under management** have increased from **\$22.4 billion** to **\$29 billion**.

### Share price



**Share price** has increased from **\$6.66 at 30 June 2005** to **\$8.50 at 30 June 2006**.

### Scorecard – our 5-year performance



**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.



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

To facilitate with comparison of performance over the past five years, the above graphs have been adjusted to remove material impacts of AIFRS.

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



## Understanding the data behind IOOF’s performance

The key drivers affecting the financial performance for the financial year ended 30 June 2006 are detailed below.

- A 29.2 per cent increase in funds under management and administration (FUMA) from \$22.4 billion at 30 June 2005 to \$28.9 billion at 30 June 2006.

The growth in FUMA arose as a result of net inflows, good earnings performance and favourable markets. Net inflows accounted for approximately half of the increase in FUMA, whilst good earnings performance and favourable markets accounted for the remaining increase.

The increase in FUMA 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. 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](http://www.ioof.com.au)

- Growth in wholesale business versus retail business.  
FUMA growth was particularly strong in the wholesale sector with growth of \$5.1 billion or 50 per cent, whilst the retail sector achieved a FUMA increase of \$1.4 billion or 12 per cent.

Traditionally, retail business has higher margins and this continued trend towards wholesale business can be expected to impact future revenue. However, the growth in wholesale business is scalable with little increase in cost to manage higher volumes. Therefore, the overall impact on gross margin has not been significant.

- Diversification of products and asset classes.  
Diversification of products and asset classes assists in the management of exposure to market risk. At 30 June 2006, the asset classes were as follows:

Australian Equities	45%
Fixed Interest	32%
International Equities	12%
Property	6%
Other	5%

The split across asset classes was similar to the prior year, except that the proportion of Australian equities grew from 40 to 45 per cent as a result of strong equities markets, with a similar decline in the proportion of fixed interest.



As asset classes react differently to key drivers of markets such as interest rates and inflation, unfavourable impacts of movements in one class tend to be offset by favourable impacts of movements in other classes.

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

The efficiency ratio improved from 71 to 64 per cent in line with company forecasts and can be attributed to:

- continued cost management initiatives; and
- strong income growth.

This cost reduction was offset by expenditure on long-term initiatives such as new product launches and discretionary spending on projects to assist future growth.

IOOF's continued commitment to focus on efficiency whilst reinvesting in the business remains a focus, as shareholder value is extremely sensitive to the level of costs relative to income. Management of operating costs is a key driver of IOOF's improved competitiveness in the market place and highlights the continued focus on efficient use of resources.

## Were there any external factors impacting IOOF's performance?

IOOF's performance was impacted by the markets in which it operated during the year. Very strong returns from equity 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.

## Assessing shareholder return

### Total shareholder return

Total shareholder return (TSR) measures the change in share price over a specified period, together with the return by way of dividends received. For the financial year ended 30 June 2006, the TSR for IOOF Holdings Ltd shareholders was 32.4 per cent, inclusive of the distribution from IOOF Unconfirmed and Overseas Members Trust.

### Earnings per share

Basic earnings per share is 36.7 cents per share compared to 23.7 cents per share for last year. Diluted earnings per share increased to 36.1 cents per share, up from 23.4 cents per share.

### Dividends

In October 2005, a final dividend in respect of the financial year ended 30 June 2005 was paid. This dividend amounted to \$7,701,000 and represented 12 cents per ordinary share franked to 100 per cent, based on tax paid at 30 per cent.

In April 2006, an interim dividend in respect of the financial year ended 30 June 2006 was paid. This dividend amounted to \$7,746,000 and represented 12 cents per ordinary share franked to 100 per cent, based on tax paid at 30 per cent.

The Directors have recommended the payment of a final dividend of 15 cents per ordinary share franked to 100 per cent, based on tax at 30 per cent.

### Franking credits

The balance of the franking account at 30 June 2006 of 26,263,000 will support the payment of fully franked dividends as recommended by the Directors. 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 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 and is responsible for the efficient management of the business of the Board and is charged with overseeing the proper operation of Board committees. The Chairman of the Board is responsible for recommending to the Board persons for appointment as committee members.

## Role of Independent Directors

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

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

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

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



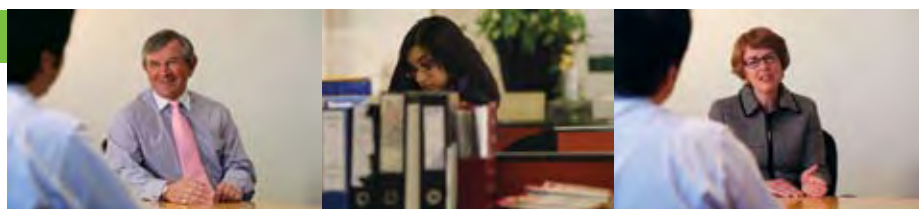
IOOF is committed to good corporate governance practices to create value and provide accountability and control systems commensurate with the risk involved.

## 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. Each committee has its own Terms of Reference which 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 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 was conducted last year, resulting in changed methodology and a change in audit partner.

During this year, we have had a change in the membership of the Audit and Risk Committee. During 2006/07, there will also be a new external audit partner as a result of regulatory rotation requirements. For these reasons, a review of external audit requirements has been deferred until 2006/07.

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

## 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 in 2004. 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 James Pfeiffer (Chair), Kate Spargo, and 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 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, Kate Spargo (Chair), Roger Sexton and Jane Harvey.

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 all management and 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. 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 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 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.

## Independent legal and other advice

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

## Code of Conduct

IOOF is committed to a Code of Conduct and to our mission, 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](http://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 aimed at identifying and controlling risks and reporting them to the Board via the Audit and Risk Committee. The framework takes account of market, liquidity, credit, transaction and technology, strategic and operational risks. The Australian/New Zealand Standard for Risk Management (AS/NZS4360:2004) methodology has been the basis for our framework, however, the methodology was modified to suit IOOF requirements.

IOOF's approach to risk requires the consideration of all risks that threaten the achievement of business objectives. The 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 ASX Principles of Good Corporate Governance and Best Practice Recommendations, the CEO and CFO provide a written attestation to the Board that:

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

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

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

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



# Supporting the community

## The IOOF Foundation

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

In keeping with the significant assistance the IOOF Group has offered the community, and to make sure that this vital work is continued in the future, the areas the Trustees of the Foundation have agreed the Foundation will support within the Australian community are:

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

Since its first round of grants in July 2004, the IOOF Foundation has contributed more than \$1.4 million to organisations committed to helping those in need.

This year, the IOOF Foundation made grants to assist the operations of the Australian organisations detailed below, among others.

### BASS Care

\$17,535 to purchase 21 shower commode chairs.

BASS Care is a non profit organisation that provides a variety of services for the elderly and people with disabilities, to assist them to maintain independence and achieve an optimum quality of life. Many services are offered by the organisation including meals services (meals on wheels), a hostel facility, nursing home and self contained units.

### Save the Children

\$40,000 to purchase a play-bus for programs to be established at the Fitzroy Indigenous Health Service and ISIS Primary Care, Hoppers Crossing.

Save the Children Australia aims to ensure that all children, regardless of gender, race, country of origin or religious belief, have the means for survival, receive protection and have access to nutrition, primary health care and basic

education. Their work in Victoria is focused on improving the lives of marginalised children.

The play-bus will provide a new mobile play facility for children up to the age of five and their families. The project will provide free play opportunities for indigenous and non-indigenous children and will be staffed and operated by a fully qualified professional at all times.

### The Song Room

\$44,500 to fund a workshop artist in geographically isolated small rural schools.

Research shows that a music program can improve language skills and social outcomes (Champions of Change, The Impact of the Arts on Learning). There is strong evidence (Trends in School Music Provision in Australia, The Stevens Report 2003) of gaps in music and arts education with only one in four schools having access to music programs.

The Song Room was established in 1999 to provide high quality, live music performances to disadvantaged children in schools without a music program who are generally disengaged from either school, their families or the community. These children come from particularly disadvantaged backgrounds through financial circumstances, isolation, disability, mental illness or recent immigration status and are non-English speaking.

### The Lighthouse Foundation

\$105,000 over three years for the employment of a Development Manager. The manager's role is to set up a rotary-style model for fundraising which enables the Lighthouse Foundation to be self-sufficient.

Lighthouse Foundation provides long-term accommodation and intensive support for young people who may otherwise be homeless. The young people live within a family environment for as long as it takes, supporting all dimensions of their lives with a lifetime membership to the extended Lighthouse Family.

Lighthouse Foundation operates homes across Victoria. Each home accommodates up to six young people and two live-in carers, who provide 24-hours-a-day, 7-days-a-week support. A voluntary community committee supports each home with fundraising and assistance.





“BASS Care operates aged care accommodation facilities and was delighted to receive a grant from the IOOF Foundation, which has enabled it to purchase several urgently needed shower commode chairs for its elderly residents.

These chairs are used daily in the personal care of those residents who need extra help as they can be wheeled to the shower and then remain seated whilst showering.

This grant from the Foundation has enabled BASS Care to replace many old chairs which were irreparable and causing problems for both the residents and carer staff.”

**Geoffrey Whitelock**  
BASS Care



“Funds from the IOOF Foundation have enabled the Lighthouse Foundation to appoint a Community Development Manager to support the Community Committees surrounding each Lighthouse home.

This role is pivotal in facilitating effective communication between the Committees and the Foundation, and enabling Lighthouse to fulfil its commitment to provide long-term accommodation to young people who would otherwise be homeless.

The Community Development Manager will build principles and practices that ensure recurrent funding for the longevity of our homes, allowing Lighthouse to engage with the community at large to address the growing issue of youth homelessness.”

**Terrie Barton**  
Lighthouse Foundation

### Alzheimer's Australia Vic. (approved June 2006)

\$60,000 for the 'Mind Your Mind' – Dementia Risk Reduction audio and visual project.

Alzheimer's Australia Vic. was established in 1983 specifically to assist people with dementia and their carers. Alzheimer's Australia Vic. is committed to the prevention of dementia, while valuing and supporting people living with dementia. They wish to provide leadership in dementia policy, risk reduction and services.

The funding will be used to develop a high quality, highly professional DVD/video on dementia risk reduction strategies as part of the 'Mind Your Mind' public health education program. The program will be produced in such a way as to be suitable for screening in mainstream venues such as health centres, social and sporting clubs, professional associations, in the home as well as aged care facilities.

### Further Information

If you would like additional information on the IOOF Foundation, please contact Nicole Wright on 13 13 69.

## Staff Giving Committee

An IOOF Staff Giving Committee was established in 2004 to give employees the opportunity to volunteer with 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.

IOOF staff have recently participated in the World's Biggest Morning Tea event, raising funds for the Cancer Council of Australia, and in 'Wishday', a fundraising activity for the Make-a-Wish Foundation.

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

## 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.





I was so proud to be involved in the 'Wishday' activities. It was wonderful to see the smile on the face of the little boy whose wish was granted! I was touched.

Kate Thompson, IOOF staff member





# Concise Financial Report for the year ended 30 June 2006

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This Concise Financial Report is an extract from the full Financial Report for the year ended 30 June 2006. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the full Financial Report. The full Financial Report and Auditors Report will be sent to shareholders on request, free of charge. Please call 13 13 69 and a copy will be forwarded to you.

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

# IOOF Holdings Ltd Directors' Report

The Directors of IOOF Holdings Ltd ('the Company') present the annual financial report for IOOF Holdings Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2006.

## 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
<p><b>Mr R J Schoer</b></p> <p>B. Admin, FCPA, FAICD, FCIS</p> <p>(Retired 15 November 2005)</p>	72	<p><b>Experience</b></p> <p>Mr Schoer was the Group Chairman of IOOF Holdings and was a Non-Executive Director of IOOF Holdings Ltd from 2002 to November 2005. He was a Non-Executive Director of IOOF Ltd from 1994 to 2002. He was also a Director of a number of Group subsidiaries. Mr Schoer provided 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.</p> <p><b>Current Other Directorships</b></p> <p>Mr Schoer is 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.</p> <p><b>Past Directorships (3yrs)</b></p> <p>None</p>	<p>Chairman of IOOF Holdings Ltd</p> <p>Member of the Audit and Risk Committee</p> <p>Member of the Governance Committee</p>	<p>1,315 ordinary shares held directly</p> <p>6,417 ordinary shares held indirectly</p>	NIL	NIL
<p><b>Mr I Blair</b></p> <p>OAM, MMgt, FCA</p>	59	<p><b>Experience</b></p> <p>Mr Blair 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 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 five 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.</p> <p><b>Current Other Directorships</b></p> <p>Mr Blair is a Director of SAS Trustee Corporation (NSW State Superannuation Fund), Melbourne Business School Ltd, Sisters of Charity Health Service Ltd and Capral Aluminium Ltd.</p> <p><b>Past Directorships (3yrs)</b></p> <p>None</p>	<p>Chairman of IOOF Holdings Ltd from 15 November 2005</p> <p>Chairman of the Audit and Risk Committee until 15 November 2005</p> <p>Member of the Audit and Risk Committee from 15 November 2005</p> <p>Member of the Remuneration and Nomination Committee</p>	<p>9,677 ordinary shares held directly</p> <p>2,949 ordinary shares held indirectly</p>	NIL	IOOF Supersaver 2,851.28 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
<p><b>Dr R N Sexton</b></p> <p>B. Eco. (Hons), M.Eco. Ph.D (Eco), FAICD, FAIM</p>	56	<p><b>Experience</b></p> <p>Dr Sexton has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002. 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.</p> <p><b>Current Other Directorships</b></p> <p>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 and the Motor Accident Board (SA).</p> <p><b>Past Directorships (3yrs)</b></p> <p>Deputy Chairman Korvest Limited (to 2003) and Deputy Chairman Challenger Wine Trust (to 2004).</p>	<p>Deputy Chairman of IOOF Holdings Ltd</p> <p>Member of the Remuneration and Nomination Committee</p> <p>Member of the Audit and Risk Committee</p>	<p>12,313 ordinary shares held directly</p> <p>1,013 ordinary shares held indirectly</p>	NIL	IOOF Supersaver 1,626.49 units
<p><b>Mr M U R Crivelli</b></p> <p>B.Eco, ASA, F Fin</p>	67	<p><b>Experience</b></p> <p>Mr Crivelli has been an Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1997 to 1999, and an executive Director from 1999 to 2002. Mr Crivelli is currently Chairman of Perennial Investment Partners 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) and the Sydney Futures Exchange Ltd. Mr Crivelli has over 40 years' experience in the investment banking and funds management industries.</p> <p><b>Current Other Directorships</b></p> <p>None</p> <p><b>Past Directorships (3yrs)</b></p> <p>None</p>	Executive Chairman of Perennial Investment Partners Limited	9,534 ordinary shares held directly	<p>Shares in Perennial Investment Partners Limited 4,140</p> <p>Shares in Perennial Investment Partners Asia Limited 5,000</p>	<p>Perennial Asia – 393,792.13 units</p> <p>Perennial Balanced – 435,693.74 units</p> <p>Perennial Value – 247,693.00 units</p> <p>Perennial Value Small – 126,121.18 units</p>



## 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
<p><b>Mr M W Parkinson</b></p> <p>CBE, BA (Hons), MBA</p> <p>(Retired 15 November 2005)</p>	62	<p><b>Experience</b></p> <p>Mr Parkinson was a Non-Executive Director of IOOF Holdings Ltd from 2002 to November 2005. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002. He was also a Director of a number of Group subsidiaries up to the date of his retirement. 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 included 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 a 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.</p> <p><b>Current Other Directorships</b></p> <p>None</p> <p><b>Past Directorships (3yrs)</b></p> <p>None</p>	Chairman of the Governance Committee	1,315 ordinary shares held directly	NIL	NIL
<p><b>Mr R Dewhurst</b></p> <p>F Fin</p>	54	<p><b>Experience</b></p> <p>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 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.</p> <p><b>Current Other Directorships</b></p> <p>Mr Dewhurst is a Director of Acctrak21 International Ltd, Breast Cancer Network of Australia, National Gallery of Victoria, Pride Capital Partners LLC, Australian United Investment Company Limited and Orchard Petroleum Ltd.</p> <p><b>Past Directorships (3yrs)</b></p> <p>None</p>	Chief Executive Officer of the IOOF Group	250,000 ordinary shares held indirectly	NIL	<p><b>IOOF Portfolio Service Investment Options</b> (Units in related entities):</p> <p>IOOF/Perennial Balanced Trust – 20,090.42 units</p> <p>IOOF/Perennial Cash Enhanced Trust – 31,818.71 units</p> <p>IOOF/Perennial Fixed Interest Trust – 59,790.45 units</p> <p>IOOF/Perennial Growth Shares Trust – 7,120.32 units</p> <p>IOOF/Perennial Value Shares Trust – 46,931.30 units</p> <p>Cash – 67,749.00 units</p> <p><b>IOOF Portfolio Service</b> (units in non related entities) – 383,815.53 units</p>

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
<p><b>Ms K D Spargo</b></p> <p>LLB (Hons.), BA, FAICD</p>	54	<p><b>Experience</b></p> <p>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 10 years following a career in legal practice in both the public and private sectors. Ms Spargo was Chairman of HomeStart Finance for 7 years.</p> <p><b>Current Other Directorships</b></p> <p>Ms Spargo is currently serving as a Director on the boards of Pacific Hydro Ltd, Fulton Hogan Ltd, Colinvest Ltd, Australian Pork Ltd and Investec Bank (Australia) Ltd. She is also a member of the Melbourne International Arts Festival and NeuroSciences Victoria Limited.</p> <p><b>Past Directorships (3yrs)</b></p> <p>Uniseed Pty Ltd, Melbourne Ventures Pty Ltd</p>	<p>Chairman of Remuneration and Nomination Committee</p> <p>Member of the Governance Committee</p>	<p>3,328 ordinary shares held directly</p> <p>1,196 ordinary shares held indirectly</p>	NIL	<p>IOOF Supersaver 2,853.88 units</p>
<p><b>Mr A P Hodges</b></p> <p>DipFP, FAICD (Dip), SF Fin</p>	51	<p><b>Experience</b></p> <p>Mr Hodges' 33-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.</p> <p><b>Current Other Directorships</b></p> <p>None</p> <p><b>Past Directorships (3yrs)</b></p> <p>None</p>	<p>Head of Group Strategy and Head of Retail Funds Management</p>	<p>5,595 ordinary shares held directly</p> <p>703,174 ordinary shares held indirectly</p>	NIL	<p><b>IOOF Benefit Funds –</b> 40,701.97 units</p> <p><b>Perennial Growth Share Trust –</b> 116.11 units</p> <p><b>IOOF Portfolio Service Investment Options:</b></p> <p>IOOF/Perennial Asia Trust – 155,550.17 units</p> <p>IOOF/Perennial Balanced Trust – 430,009.35 units</p> <p>IOOF/Perennial Global Property Trust – 188,318.65 units</p> <p>Cash – 25,779.63 units</p>

## 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
<p><b>Ms J Harvey</b></p> <p>B.Com, MBA, FCA, FAICD</p> <p>(Appointed 18 October 2005)</p>	51	<p><b>Experience</b></p> <p>Ms Harvey has been a Non-Executive Director of IOOF Holdings Ltd since October 2005. Ms Harvey has extensive business, finance and general management skills in a range of line management and consulting roles across many industry sectors. From 1996 to 2002 she was a Partner with PriceWaterhouseCoopers.</p> <p><b>Current Other Directorships</b></p> <p>Ms Harvey is a Non-Executive Director of Boom Logistics Limited, Bayside Health Services, Rural Finance Corporation, Royal Flying Doctor Service (Vic), Telecommunications Industry Ombudsman and the Legal Services Board.</p> <p><b>Past Directorships (3yrs)</b></p> <p>None</p>	<p>Chairman of Audit and Risk Committee from 15 November 2005</p> <p>Member of Remuneration and Nomination Committee</p>	NIL	NIL	NIL
<p><b>Mr J Pfeiffer</b></p> <p>BA, LLB</p> <p>(Appointed 18 October 2005)</p>	59	<p><b>Experience</b></p> <p>Mr Pfeiffer has been a Non-Executive Director of IOOF Holdings Ltd since October 2005. Mr Pfeiffer is a solicitor and consultant to Freehills. He was a Partner of that firm for 25 years practicing in the areas of corporate/commercial law.</p> <p>Mr Pfeiffer was previously a Director of Peter MacCallum Cancer Institute for over 10 years. He continues to be active in other community organisations. He brings to the Board experience in both corporate governance and risk management.</p> <p><b>Current Other Directorships</b></p> <p>Mr Pfeiffer is Chairman of Wesley Mission Melbourne Ltd and a member of the Board of Haileybury Ltd.</p> <p><b>Past Directorships (3yrs)</b></p> <p>None</p>	<p>Chairman of Governance Committee from 15 November 2005</p> <p>Member of Audit and Risk Committee</p>	NIL	NIL	NIL

## Directors (continued)

### The qualifications and experience of each person who is a Company Secretary as at the year end:

- The Company Secretary was Mrs Susan Foley SIA (Cert), Grad Dip Bus Mgt, M Mgt, AACI. Mrs Foley has over 27 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. Ms Bisogni has been the IOOF Group's General Counsel since 2003. Prior to that she had 11 years' experience in corporate law with firms such as Mallesons Stephen Jaques and Rothschild Asset Management Limited/Sagitta Wealth.
- Ms Mary Latham; B Fin Admin, CA, resigned as Company Secretary on 29 July 2005.

## 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, an IOOF Group subsidiary, acquired the remaining 75% ownership interest in Financial Partnership Pty Ltd making it a wholly owned subsidiary. This acquisition increases IOOF's retail distribution capability, through aligned advisers, which is a key part of Group strategy.

In January 2006 Perennial Real Estate Investments Pty Ltd was established and immediately commenced operations as a fund manager. At 30 June 2006, the IOOF Group held a 78% interest in this company. Subsequent to year end, this reduced to 39% following the issue of shares to Perennial Real Estate Investments Pty Ltd Executives pursuant to a shareholding agreement.

The IOOF Group adopted Australian equivalents to International Financial Reporting Standards (AIFRS) in accordance with the Australian Accounting Standards Board (AASB). The adoption of AIFRS is first reflected in the Company's financial statements for the year ending 30 June 2006. Information about the impacts of the transition to AIFRS and key differences in accounting policies are set out in Note 41 to the full Financial Report.

## Consolidated Results

The consolidated net profit for the period attributable to members of IOOF Holdings Ltd was \$23,273,000 (2005: \$15,085,000).

The Group's funds under management and administration (FUMA) continued to increase during the year, reaching \$28.95 billion at 30 June 2006. This is an increase of 29.2% over the 30 June 2005 figure of \$22.4 billion.

The growth in FUMA arose as a result of net inflows, good earning performance and favourable markets. This growth 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. A partial offset is the increased commission expense associated with increased sales.

FUMA growth was particularly strong in the wholesale sector with growth of \$5.1 billion or 50% whilst the retail sector achieved a FUMA increase of \$1.4 billion or 12%.

The share of equity profits recognised by the IOOF Group increased by 40% compared to last year due to the continued growth in profitability experienced by Perennial Value Management Limited, the results of which are equity accounted.

The Group's focus on cost management coupled with strong income growth resulted in a reduction in the operating efficiency ratio, down from 71% at 30 June 2005 to 64% at 30 June 2006, highlighting the continued focus on efficient use of resources.

## Dividends

In October 2005 a final dividend in respect of the year ended 30 June 2005 was paid. This amounted to \$7,701,000 and represented 12 cents per ordinary share franked to 100% based on tax paid at 30%.

## Dividends (continued)

In April 2006 an interim dividend in respect of the year ended 30 June 2006 was paid. This dividend amounted to \$7,745,000 and represented 12 cents per ordinary share franked to 100% based on tax paid at 30%.

The Directors have recommended the payment of a final dividend of 15 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 2006 is contained in the Review of Operations and Financial Condition report in the Annual Report.

## Matters Subsequent to the End of the Financial Year

Subsequent to 30 June 2006, litigation in relation to the sale of the retirement village business was settled. The amount of the settlement did not vary materially from the amount provided in the financial statements.

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

## 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 34 to the full Financial Report;
- 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 34 to the full Financial Report; and
- c. a benefit arising through a contractual relationship with entities in which the Directors have a financial interest as detailed in Note 35 to the full Financial Report.

## Remuneration Report

### Purpose of Report

This remuneration report sets out the remuneration arrangements for Directors and other Key Management Personnel of the IOOF Group in accordance with AASB 124: *Related Party Disclosures* and section 300A of the Corporations Act 2001 ('Corporations Act').

The Corporations Act requires disclosure of the five most highly remunerated Company and Group Executives, whilst AASB 124 requires disclosure of those persons with responsibility and authority for planning, directing and controlling the activities of the Company and the Group (Key Management Personnel). For the purposes of this report, the Key Management Personnel of the IOOF Group are the Directors (both Executive and Non-Executive) and the following senior Executives:

Name	Position
Ms Adrianna Bisogni	General Counsel
Mr Mark Blackburn	Chief Financial Officer
Mrs Susan Foley	General Manager - Corporate Operations
Mr Anthony Patterson	Managing Director – Perennial Investment Partners Limited
Mr Marshall Stephen	Chief Information Officer
Mr Peter Wallbridge	General Manager – Human Resources

### Key Management Personnel who departed during or since the end of the financial year

Mr Darren Booth (resigned 21 October 2005)	General Manager – Operations
Mr Jarrod Brown (resigned 8 August 2006)	General Manager – Retail Funds Management

## Remuneration Report (continued)

### Role of the Remuneration Committee

The role and composition of the Remuneration Committee is discussed in the Corporate Governance section of the Annual Report.

### Remuneration Policies

The remuneration policies for Non-Executive Directors, Executive Directors and Senior Executives are different. The policy for each category of Key Management Personnel is detailed in the relevant section of the remuneration report. The common objective of these policies is to attract, recruit and retain high calibre personnel and fairly remunerate them in accordance with market benchmarks.

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 an external consultant to conduct an external review of the fees of Non-Executive Directors. Similarly, an external and independent remuneration consulting firm is engaged to conduct a comprehensive benchmarking review of the remuneration of the CEO and Executive Team.

### Overview of Remuneration Elements

Further information regarding the specific elements applicable to each category of Key Management Personnel is provided in the commentary set out in pages 49 to 54 of this report.

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

\* Deferred Share Purchase Plan enables Directors and staff to salary sacrifice a portion of remuneration in order to acquire IOOF shares at market value on a tax deferred basis.

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

\*\*\* Applies to those Directors appointed before 15 April 2003.

## Remuneration of Non-Executive Directors (audited)

The primary objective of the policy for Non-Executive Directors is to ensure IOOF is able to both retain and attract high calibre Non-Executive Directors. Non-Executive Directors are remunerated by way of fixed fees and superannuation only, and do not participate in schemes designed for the remuneration of executives.

Non-Executive Directors are remunerated at a level consistent with independent advice, to ensure that IOOF remains competitive with specific competitors in the financial services sector, and the broader spectrum of public companies of similar size, revenue and profitability. The Non-Executive Director policy is a different policy to that applying to Executives or Executive Directors, and has been established so that Directors' remuneration is independent of the Company's earnings or growth in shareholder value.

Up until December 2005, IOOF adopted an approach whereby all Non-Executive Directors received a base fee, in addition to which a further fee or fees applied for work undertaken as Directors of Subsidiary Boards, or as members of the various Board Committees. The Group Chairman was not eligible to receive additional fees for work undertaken with Committees. From December 2005, the Board resolved to modify the approach taken so that each Non-Executive Director would receive a base fee to compensate them for all elements of their duty to the Board.

### 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.

### Approval of Funding for the Remuneration of Non-Executive Directors

IOOF's Constitution requires that the aggregate remuneration paid or provided to all Non-Executive Directors in any financial year by the Company, its subsidiaries and associated entities may not exceed an amount approved by shareholders in general meeting. This ceiling amount includes all remuneration provided to Non-Executive Directors, including superannuation but not including retirement benefits. The current limit of \$850,000 per annum was approved by shareholders at the 2005 Annual General Meeting.

## Non-Executive Director Equity Participation

IOOF has established a Deferred Share Purchase Plan for Non-Executive Directors to enable them, on an optional basis, to salary sacrifice a portion of annual fees in order to acquire IOOF shares at market value on a tax deferred basis.

The following table sets out the number of shares acquired by existing Directors at 30 June 2006 and the range of prices at which shares were acquired during the financial year ended 30 June 2006.

Name	Shares Acquired	Share price range at acquisition date	Dollar Value
Mr I Blair	2,949	\$6.92 - \$7.99	\$21,995
Dr R Sexton	1,013	\$7.52 - \$7.99	\$7,971
Ms K Spargo	1,196	\$7.03 - \$7.99	\$8,999

## Retirement Benefits

Historically, IOOF has maintained a retirement benefits program, providing a cash based benefit to Non-Executive Directors at the time of their retirement from the Board. The historical arrangement provides for benefits calculated as follows:

Period of Service as a Non-Executive Director	Benefit Value
0 to < 3 years	NIL
3 to 5 years	AAE times 1.0*
> 5 years to 10 years	AAE times 1.5
> 10 years	AAE times 2.0

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

The IOOF Board has elected to withdraw this benefit from the benefits package of new Non-Executive Directors. However, the program will continue for Directors appointed prior to 15 April 2003 to fulfil the terms of historical agreements.

## Remuneration of Non-Executive Directors (audited)

### Details of Remuneration

This table sets out the remuneration received by Non-Executive Directors for the financial year ended 30 June 2006 and the comparative year.

Name	Short-Term Benefits			Post-Employment Benefits	Share based Payments	Total	Post-Employment Benefits	Total
	Salary and Fees <sup>(1)</sup> \$	Non-Monetary Benefits <sup>(2)</sup> \$	Total Primary Benefits \$	Superannuation <sup>(3)</sup> \$	Shares <sup>(4)</sup> \$	Shareholder Approved Remuneration \$	Retirement Benefits <sup>(5)</sup> \$	\$
<b>Non-Executive Directors Consolidated</b>								
<b>Mr I Blair</b>								
2006	85,173	–	85,173	44,297	24,000	<b>153,470</b>	95,505	248,975
2005	91,000	–	91,000	8,190	–	<b>99,190</b>	21,236	120,426
<b>Dr R N Sexton</b>								
2006	96,473	–	96,473	10,528	9,978	<b>116,979</b>	31,715	148,694
2005	106,750	–	106,750	9,608	–	<b>116,358</b>	28,792	145,150
<b>Ms J Harvey (appointed 18 October 2005)</b>								
2006	73,558	–	73,558	7,275	–	<b>80,833</b>	–	80,833
2005	–	–	–	–	–	–	–	–
<b>Mr J Pfeiffer (appointed 18 October 2005)</b>								
2006	73,558	–	73,558	7,275	–	<b>80,833</b>	–	80,833
2005	–	–	–	–	–	–	–	–
<b>Ms K D Spargo</b>								
2006	84,033	–	84,033	9,300	10,000	<b>103,333</b>	59,705	163,038
2005	97,000	–	97,000	8,730	–	<b>105,730</b>	57,687	163,417
<b>Directors who retired in the year</b>								
<b>Mr R J Schoer (retired 15 November 2005)</b>								
2006	12,940	4,001	16,941	48,269	14,000	<b>79,210</b>	37,625	116,835
2005	163,000	4,492	167,492	21,502	7,000	<b>195,994</b>	136,075	332,069
<b>Mr M W Parkinson, C.B.E. (retired 15 November 2005)</b>								
2006	36,021	1,199	37,220	3,563	–	<b>40,783</b>	15,166	55,949
2005	113,000	–	113,000	10,170	–	<b>123,170</b>	31,271	154,441
<b>Total Non-Executive Directors 2006<sup>(6)</sup></b>	<b>461,756</b>	<b>5,200</b>	<b>466,956</b>	<b>130,507</b>	<b>57,978</b>	<b>655,441</b>	<b>239,716</b>	<b>895,157</b>
<b>Total Non-Executive Directors 2005<sup>(6)</sup></b>	<b>570,750</b>	<b>4,492</b>	<b>575,242</b>	<b>58,200</b>	<b>7,000</b>	<b>640,442</b>	<b>275,061</b>	<b>915,503</b>

<sup>(1)</sup> Salaries and fees include accruals for annual leave.

<sup>(2)</sup> Non-monetary benefits include Fringe Benefit Tax paid and the value of other non-monetary benefits.

<sup>(3)</sup> Superannuation includes Directors' fees sacrificed into superannuation funds.

<sup>(4)</sup> Share based payments represent Directors' fees sacrificed into the Non-Executive Director Deferred Share Purchase Plan.

<sup>(5)</sup> Non-Executive Directors appointed after 15 April 2003 are not entitled to retirement benefits. Non-Executive Directors appointed prior to this date accrue retirement benefits. Where entitled, the provision is based on the average annual emoluments of Non-Executive Directors over the previous three years' of service. The benefit accrues after three years of service and varies according to the number of years of service, reaching twice the average annual emoluments after ten years of service. Mr M Parkinson, C.B.E. received a cash retirement benefit of \$163,190. The amount accruing during the current financial year was \$15,116. Amounts accrued in prior periods have been disclosed in prior year financial statements. Mr R Schoer received a cash retirement benefit of \$326,140. The amount accruing during the current financial year was \$37,625. Amounts accrued in prior periods have been disclosed in prior year financial statements.

<sup>(6)</sup> Shareholder Approved Remuneration amounted to \$655,441 and was within the shareholder approved limit of \$850,000 per annum.



## Remuneration of Executive Directors (audited)

### **Mr Ron Dewhurst, Chief Executive Officer – IOOF Holdings Ltd**

The remuneration of the CEO is set by the Board and is based on a market review of the level of remuneration required to attract and retain a suitable candidate. In the case of Mr Dewhurst, his present remuneration package was originally structured in 2004 in order to secure his retention over the minimum period the Board felt would be required in order to achieve the strategic objectives of the Company.

The proportion of his total remuneration that is 'at risk' is directly linked to his ability to impact the performance of the Company whilst the guaranteed long-term equity reward encourages a longer term focus.

Mr Dewhurst receives a remuneration package comprising fixed remuneration (cash based), a Short Term Incentive (cash based) and annual allocations of IOOF equity. The Short-Term Incentive Opportunity (equivalent in value to the annual fixed remuneration) is tied to the achievement of a suite of financial and non financial performance conditions, set out in an agreed performance scorecard.

The performance scorecard framework includes various objectives including, the achievement of a Cash Earnings per Share target, a Growth in Shareholder Value objective, completion of key strategic projects and the achievement of compliance, risk management and culture objectives. These objectives were chosen as they align performance with shareholder interests, ensure focus on key strategic initiatives that should result in growth and improved financial performance, as well as safeguarding shareholder and investor interests.

Mr Dewhurst's executive service agreement provides for the issue to him of an equity component of 500,000 ordinary shares in IOOF credited as fully paid. Those shares vest evenly over 4 years at the end of each completed year of employment with IOOF. The shares may vest earlier in other circumstances relating to a takeover or scheme of arrangement in relation to IOOF. The first and second tranches of 125,000 shares vested in April 2005 and April 2006.

No performance hurdles apply to the award of these shares. The Board of Directors considered that the award of shares on each anniversary date provided an incentive for Mr Dewhurst to join and remain with IOOF.

### **Mr Michael Crivelli, Executive Chairman – Perennial Investment Partners Limited**

The policy for remunerating Mr Crivelli is based on the performance of his role as Executive Chairman of the Perennial Group and is not directly aligned with IOOF's policy for remuneration. Mr Crivelli sits on the IOOF Holdings Ltd Board as an Executive Director.

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

Whilst Mr Crivelli holds the position of Executive Chairman of Perennial Investment Partners, no further compensation is payable to him for his service on other Boards across the IOOF and Perennial Group, including his service as an Executive Director of IOOF Holdings Ltd.

### **Mr Anthony Hodges, Executive Director – IOOF Holdings Ltd and IOOF Investment Management Limited**

In addition to his role as an Executive Director of IOOF Holdings Ltd and IOOF Investment Management Limited, Mr Hodges holds the role of Head of Strategy and Head of Retail Funds Management, reporting to the IOOF CEO. Mr Hodges' remuneration is provided under the same framework that applies to other Senior Executives (see below).

Disclosure regarding remuneration of the Executive Directors is located in a table of remuneration following the information on remuneration of senior executives.

## Remuneration for Senior Executives (audited)

### **Mr Anthony Patterson, Managing Director – Perennial Investment Partners Limited**

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

Mr Patterson receives a cash based remuneration package comprising fixed remuneration, a Short-Term Incentive and a Deferred Incentive Component.

## Remuneration for Senior Executives (audited) (continued)

The combined value of Mr Patterson's Short Term and Deferred Incentive Opportunity amounts is equivalent in value to the Fixed Remuneration. His Total Incentive Compensation Opportunity is tied to a performance scorecard incorporating a suite of performance objectives, reinforcing Mr Patterson's accountability for revenue as well as profitability (given his joint role as Managing Director and Head of Sales) and his responsibility to ensure the retention of the key people who are critical to Perennial's success. Eighty per cent of Mr Patterson's Incentive Compensation is tied to financial objectives, including an Enterprise Revenue Target and an Earnings Before Interest and Tax target, and twenty per cent is tied to the achievement of a Key People Retention Target.

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

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

It has been agreed that the deferred component related to 2005/06 will be provided to Mr Patterson as cash, to vest on 1 July 2009, subject to Mr Patterson still being employed by Perennial, IOOF or a related subsidiary company, at that time. Over the vesting period the value of the deferred cash entitlement will grow (or decline) in line with the performance of the IOOF/ Perennial Balanced Fund.

Mr Patterson's employment contract provided for Mr Patterson to acquire, upon execution of a Shareholders Agreement, 4% of the equity in Perennial Investment Partners Limited, subject to the possibility of forfeiture over three, four or five years if wholesale revenue targets were not met. The wholesale revenue targets that underpinned the full vesting of Mr Patterson's equity opportunity have now been fully met.

### IOOF Executive Team Members

The remuneration framework set out below applies to the executives who report directly to the IOOF Chief Executive Officer, including the Company Secretary and alternate Company Secretary. This policy also applies to Mr Anthony Hodges.

### Policy Objectives

The IOOF Executive Remuneration Policy has been developed to:

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

The policy links an executive team members' total remuneration that is 'at risk' to the individual's ability to impact the performance of the Company. 'At risk' elements of total remuneration comprise both short-term incentives as a reward for performance and long-term incentives that align medium and long-term shareholder interests. Remuneration Components are detailed below.

### Remuneration Components (unaudited)

Component	Explanation	2005/2006
A fixed remuneration package	A combination of base salary, superannuation and other fringe benefits the executive may choose to salary sacrifice.	Policy is to position fixed remuneration between the median and the 62nd percentile of market benchmark data.*
Short-Term Incentive ('STI') opportunity.	An 'at risk' cash based incentive opportunity, tied to the achievement of pre-agreed financial and strategic objectives.  For key management personnel, STI opportunity, as a percentage of the fixed remuneration package is scaled in a range between 25% and 50% of fixed remuneration base.	Forms part of the Executive's Total Incentive Compensation Opportunity, the value of which is tied to the successful achievement of a suite of performance scorecard objectives of the performance period.  At the conclusion of the performance period a component of the total incentive compensation award is apportioned to fund a cash based payment.
A Long-Term Incentive ('LTI') component.	Delivered through the IOOF Executive Performance Share Plan, an equity based facility created by the Board at the time of IOOF's ASX Listing.  For key management personnel, LTI opportunity, as a percentage of the fixed remuneration package is scaled in a range between 25% and 50% of fixed remuneration base.	Forms part of the same at risk incentive compensation. At the conclusion of the performance period a component of the total incentive compensation award is apportioned to fund an equity allocation and is based on the assessment of performance by the CEO.

\* Market benchmark data is obtained from CSI (Classified Salary Information Services, a remuneration consulting firm).

## Remuneration for Senior Executives (audited) (continued)

### Remuneration components as a percentage of total remuneration (audited)

Remuneration Components				
Names	Fixed	Total Incentive Compensation Award	Other	Total Remuneration
<b>Executive Directors</b>				
Mr R Dewhurst <sup>(1)</sup>	35%	35%	30%	100%
Mr M U R Crivelli	100%	–	–	100%
Mr A P Hodges	45%	55%	–	100%
<b>Other Key Management Personnel</b>				
Ms A Bisogni	46%	54%	–	100%
Mr M Blackburn	45%	55%	–	100%
Mrs S Foley	47%	53%	–	100%
Mr A Patterson	50%	50%	–	100%
Mr M Stephen	47%	53%	–	100%
Mr P Wallbridge	48%	52%	–	100%
<i>Specified Executives who departed during or since the end of the financial year</i>				
Mr D Booth	74%	26%	–	100%
Mr J Brown	45%	55%	–	100%
<b>Other</b>				
Ms H Hutchison <sup>(2)</sup>	65%	35%	–	100%

<sup>(1)</sup> Mr R Dewhurst's contract of employment includes a guaranteed long-term equity reward that vests on each anniversary date subject to continued employment.

<sup>(2)</sup> Ms H Hutchison is the fifth most highly remunerated executive of the parent entity in 2006.

### Operation of the Performance Scorecard Methodology

As indicated above, each Executive has a substantial element of their short-term and long-term remuneration at risk, subject to the financial performance of the organisation and their own performance relative to pre-agreed objectives. These objectives are set out in an Executive performance scorecard. In 2005/06 each executives' scorecard included:

- a Cash Earnings Per Share objective;
- a Growth in Shareholder Value objective;

- a 'Personal Financial' objective, pertaining to each Executive's own divisional expense budget;
- key strategic objectives related to the Executive's own function and business priorities;
- individualised Compliance, Risk Management and People Management objectives.

These objectives were selected in order to ensure:

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

The 2005/06 scorecard model provided for a scaling of incentive opportunity whereby a premium level of incentive payment could be provided if Group financial targets were exceeded by 10% or above. The premium for achieving the exceed level of performance was an additional 25% in addition to the on plan opportunity. No premium became payable until the result achieved was 110% of plan or greater. For 2006/07 the Board has agreed to apply a more scaled methodology, whereby, for each 1% above plan, an additional 2.5% of the incentive opportunity will become payable, up to a maximum of an additional 25% of total incentive. This change has been introduced to recognise that performance in excess of 100% of plan warrants moderate reward but higher levels of results warrant more substantial recognition. This change in methodology applies only to that component of the incentive compensation that is tied to the financial components of the scorecard.

To further focus the team on expense management objectives, an additional scorecard component, tied to the achievement of the Group's Total Operating Cost target, has also been added. The weighting attributed to this component will be 5-15% depending upon the specific role performed, ensuring that each executive has at least 45% of their incentive compensation tied to the achievement of Group Financial results.

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

## Remuneration for Senior Executives (audited) (continued)

Under the 2005/06 policy, pre-agreed percentages of the Incentive Compensation award are then apportioned so as to fund:

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

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

Name	Cash		LTI	
	Paid %	Forfeited %	Awarded %	Forfeited %
Mr R Dewhurst	97.5	2.5	100	–
Mr A P Hodges	100	–	100	–
Ms A Bisogni (alternate Company Secretary)	100	–	100	–
Mr M Blackburn	100	–	100	–
Mrs S Foley (Company Secretary)	100	–	100	–
Ms H Hutchison	100	–	100	–
Mr A Patterson	100	–	100	–
Mr M Stephen	100	–	100	–
Mr P Wallbridge	100	–	100	–
<i>Specified executives who departed during or since the end of the financial year</i>				
Mr D R Booth	100	–	–	–
Mr J Brown	98.5	1.5	98.5	1.5

The 2006 allocations have time based vesting conditions (three years). No additional performance conditions are attached because performance objectives must be achieved prior to eligibility.

The 2003, 2004 and 2005 allocations are 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:

The proportion of the equity allocations that will vest will be determined by reference to three performance hurdles:

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

Refer to graphs on page 55.

These performance hurdles were selected because they align the interests of executives with the interests of shareholders.

### Details of Remuneration

The table overleaf sets out the remuneration received by Executive Directors and other Key Management Personnel for the financial year ended 30 June 2006 and the comparative year.

## Remuneration for Senior Executives (audited) (continued)

Name	Short-Term Benefits				Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits	Share based Payments	Total
	Salary and Fees <sup>(1)</sup> \$	Bonus <sup>(2)</sup> \$	Non-Monetary Benefits <sup>(3)</sup> \$	Total Primary Benefits \$	Superannuation <sup>(4)</sup> \$	Termination Benefits \$	Other Long-Term Benefits <sup>(5)</sup> \$	Shares <sup>(6)</sup> \$	
<b>Other Key Management Personnel Consolidated</b>									
<b>Executive Directors</b>									
<b>Mr R Dewhurst</b>									
2006	574,860	682,500	-	1,257,360	95,963	-	-	587,500	1,940,823
2005	575,814	300,000	2,418	878,232	92,102	-	-	587,500	1,557,834
<b>Mr M U R Crivelli</b>									
2006	269,767	-	14,515	284,282	21,664	-	13,504	-	319,450
2005	320,550	-	18,553	339,103	26,990	-	29,269	-	395,362
<b>Mr A P Hodges</b>									
2006	300,325	147,928	6,190	454,443	23,774	-	4,488	125,697	608,402
2005	287,559	126,000	42,210	455,769	20,974	-	21,332	71,823	569,898
<b>Other Key Management Personnel(7)</b>									
<b>Ms A Bisogni</b>									
2006	264,923	100,238	-	365,161	22,958	-	-	71,375	459,494
2005	234,621	90,000	-	324,621	21,104	-	-	38,500	384,225
<b>Mr M Blackburn</b>									
2006	332,611	162,908	-	495,519	45,513	-	-	71,605	612,637
2005 (commenced October 2004)	194,571	123,500	-	318,071	45,269	-	-	35,305	398,645
<b>Mrs S Foley</b>									
2006	210,595	85,800	-	296,395	38,278	-	-	30,950	365,623
2005	157,644	35,000	-	192,644	15,451	-	-	-	208,095
<b>Ms H Hutchison</b>									
2006	116,882	35,000	-	151,882	40,094	-	5,626	1,867	199,469
<b>Mr A Patterson</b>									
2006	492,167	250,000	-	742,167	11,769	-	67,261	-	821,197
2005	411,783	250,000	4,635	666,418	11,052	-	-	1,000	678,470
<b>Mr M Stephen<sup>(8)</sup></b>									
2006	238,430	85,868	3,767	328,065	19,277	-	-	32,949	380,291
2005	213,116	61,750	2,231	277,097	16,736	-	-	15,823	309,656
<b>Mr P Wallbridge</b>									
2006	225,336	87,473	8,828	321,637	21,043	-	8,420	75,550	426,650
2005	227,302	70,000	6,225	303,527	19,671	-	7,511	61,759	392,468

## Remuneration for Senior Executives (audited) (continued)

Name	Short-term Benefits				Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits	Share based Payments	Total
	Salary and Fees <sup>(1)</sup> \$	Bonus <sup>(2)</sup> \$	Non-Monetary Benefits <sup>(3)</sup> \$	Total Primary Benefits \$	Superannuation <sup>(4)</sup> \$	Termination Benefits \$	Other Long-Term Benefits <sup>(5)</sup> \$	Shares <sup>(6)</sup> \$	
<i>Other Key Management Personnel who departed during or since the end of the financial year</i>									
<b>Mr D Booth (resigned 21 October 2005)</b>									
2006	98,028	40,000	10,306	148,334	6,090	474,651	-	166,752	795,827
2005	264,612	108,000	12,799	385,411	19,168	-	-	84,875	489,454
<b>Mr J Brown (resigned 8 August 2006)</b>									
2006	307,251	159,077	1,043	467,371	26,835	-	-	75,261	569,467
2005	280,833	143,200	3,456	427,489	26,525	-	-	51,916	505,930
<i>Other Key Management Personnel who departed during or since the end of the previous financial year</i>									
<b>Ms M Latham (resigned 1 July 2005)<sup>(9)</sup></b>									
2005	217,360	-	-	217,360	16,851	540,268	-	79,129	853,608
<b>Mr A Mollison (resigned 30 September 2004)<sup>(10)</sup></b>									
2005	80,228	-	2,005	82,233	7,412	-	-	-	89,645
<b>TOTAL 2006</b>	<b>3,431,175</b>	<b>1,836,792</b>	<b>44,649</b>	<b>5,312,616</b>	<b>373,258</b>	<b>474,651</b>	<b>99,299</b>	<b>1,239,506</b>	<b>7,499,330</b>
<b>TOTAL 2005</b>	<b>3,465,993</b>	<b>1,307,450</b>	<b>94,532</b>	<b>4,867,975</b>	<b>339,305</b>	<b>540,268</b>	<b>58,112</b>	<b>1,027,630</b>	<b>6,833,290</b>

<sup>(1)</sup> Salaries and fees include accruals for annual leave.

<sup>(2)</sup> The bonus reflects amounts provided under the short-term incentive program in relation to the financial year. This incentive opportunity was communicated to participants in September 2006. The maximum value of the bonuses is the amount paid. The minimum value of the bonuses, had the performance hurdles not been met, would have been zero.

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

<sup>(4)</sup> Superannuation includes salary and performance incentives sacrificed into superannuation funds.

<sup>(5)</sup> Other Long-term benefits includes accruals for long service leave and a long term incentive of \$50,000 accruing to Mr A Patterson, which is not payable within 12 months after the end of the period.

<sup>(6)</sup> Equity compensation 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 were 1 December 2003, 1 December 2004 and 1 December 2005. The shares accruing to Mr R Dewhurst relate to guaranteed long-term equity rewards. The grant date for shares accruing to Mr R Dewhurst is 19 April 2004. The shares accruing to Mr A P Hodges relate to the IOOF 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 accrued under this plan was 1 December 2003.

<sup>(7)</sup> Mrs S Foley, Ms A Bisogni, Mr P Wallbridge and Mr M Blackburn are Key Management Personnel of the parent entity. Ms H Hutchison is the fifth most highly remunerated executive of the parent entity in 2006.

<sup>(8)</sup> Mr M Stephen was appointed a member of the Executive Team on 1 August 2005.

<sup>(9)</sup> Ms M Latham ceased her employment effective from 31 July 2005. The termination benefit, which was accrued in the 2004/05 financial year, included a share component that vested on termination date.

<sup>(10)</sup> Mr A Mollison entered into an agreement to cease his employment effective 30 September 2004. Termination benefits were recognised in and disclosed in the year ended 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.

## Remuneration and Company Performance

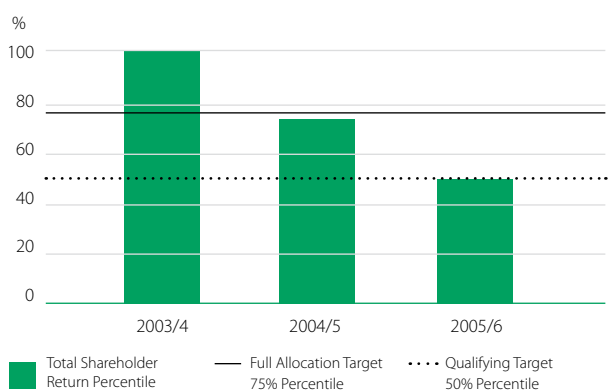
Performance scorecard objectives align individual performance with the interests of shareholders by linking an individual's remuneration and incentives to the creation of shareholder wealth. Executives' remuneration includes a fixed remuneration package and a total incentive compensation award which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

The following charts compare company performance since listing in December 2003 against the performance scorecard measures over the same period.

Further details of company performance over the past five years, including details of IOOF's revenue, operating efficiency ratio, net profit after tax, cash earnings, funds inflow and assets under management and share price, are included on pages 22 and 23 of the Annual Report.

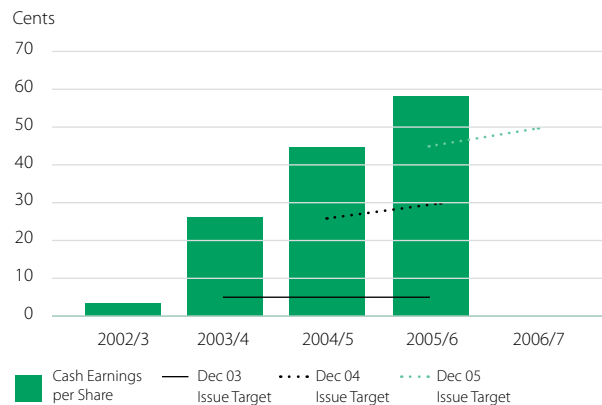
Dividends paid and shareholder return can be found on page 25. Details of Contributed equity are disclosed in Note 23 of the Annual Report.

### Total Shareholder Return Percentile



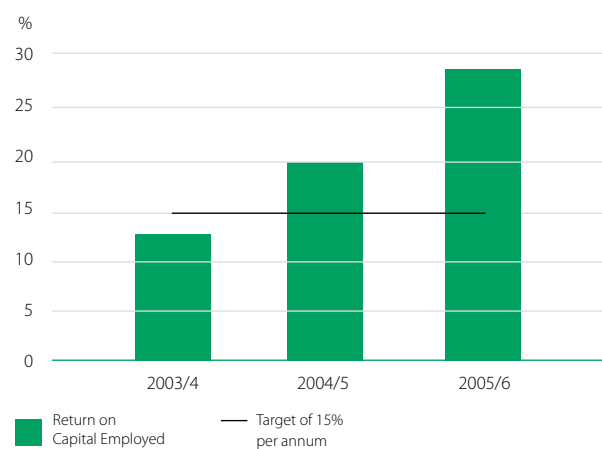
The Total Shareholder Return Percentile measures the growth in IOOF's share price and dividends paid compared to a peer group that has the same underlying business drivers and faces similar growth opportunities and challenges.

### Cash Earnings Per Share



The Cash Earnings Per Share ratio demonstrates cash flow generated by IOOF on a per share basis. Each year a new Cash Earnings Per Share target is set. This target is 10% average growth per annum in Cash Earnings Per Share over a three year period.

### Return on Capital Employed



IOOF's Return On Capital Employed indicates that shareholders' return on the company's capital has exceeded the target of 15% per annum over three years.

## Remuneration Report – Executive Employment Contracts (audited)

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

Details of the employment contracts are as follows.

### Chief Executive Officer – IOOF Holdings Ltd

Mr Dewhurst is employed under a five year executive service agreement which commenced on 19 April 2004. Under that agreement Mr Dewhurst receives a fixed remuneration package (which is subject to review), a short-term incentive component, and an equity component. A more detailed overview of these components is set out in the table on page 53.

There are no performance conditions other than a time based vesting condition attached to the equity component of remuneration provided to Mr Dewhurst under the terms of his agreement.

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.

IOOF may terminate employment at any time. If it does so, IOOF must pay Mr Dewhurst an amount equal to 12 months' fixed remuneration package or fixed remuneration for the balance of the term of his employment (whichever is lesser) subject to a minimum payment of six months' fixed remuneration.

Mr Dewhurst will be entitled to six months' pay based on his fixed 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 employment is terminated for reasons other than substantial failure to meet agreed key performance criteria or failure to remedy key performance deficiencies, the total of his unissued equity component will vest and be issued to him. Employment may also be terminated for specified causes without notice or payment in lieu of notice. If terminated by IOOF for cause, Mr Dewhurst will not be entitled to any of the unvested equity component of his remuneration at the time of termination.

### Employment Contracts and Termination Arrangements for Specified Executive Directors (excluding the CEO) and Specified Executives (audited)

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

As noted in the following table, 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 Mr Hodges and the Group.



## Remuneration Report – Executive Employment Contracts (audited) (continued)

The following table sets out the terms and conditions of employment (audited).

Name	Employing Company	Commencement Date	Term	Termination Provisions/Benefits
<b>Executive Directors</b>				
<b>Michael Crivelli</b>	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.
<b>Anthony Hodges</b>	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, the IOOF Holdings Ltd Board will agree the terms with Mr Hodges.
<b>Executives</b>				
<b>Adrianna Bisogni</b>	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.
<b>Mark Blackburn</b>	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 Senior Staff Redundancy Policy applies.
<b>Susan Foley</b>	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.
<b>Helen Hutchison</b>	IOOF Holdings Ltd	27 September 2000	Ongoing	The Company may terminate the contract for cause on one month's written notice (or payment in lieu). In the case of redundancy, the Senior Staff Redundancy Policy applies.
<b>Anthony Patterson</b>	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).
<b>Marshall Stephen</b>	IOOF Investment Management Limited	24 September 2001	Ongoing	The Company may terminate the contract for cause on one month's written notice (or payment in lieu). In the case of redundancy, the Senior Staff Redundancy Policy applies.
<b>Peter Wallbridge</b>	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.
<b>Key Management Personnel who departed during or since the end of the financial year</b>				
<b>Darren Booth</b>	IOOF Investment Management Limited	23 April 2001	Resigned 21 October 2005	The Company may terminate the contract for cause on three months' written notice. In the case of redundancy, the Senior Staff Redundancy Policy applies.
<b>Jarrod Brown</b>	IOOF Investment Management Limited	13 November 2003	Resigned 8 August 2006	The Company may terminate the contract for cause on five months' written notice (or payment in lieu) based on fixed remuneration. In the case of redundancy, the Senior Staff Redundancy Policy applies.

## Remuneration Report – Unvested Shareholdings – number and value of shares (audited)

Key Management Personnel	Grant Date	Issue Price	Vesting Date <sup>(1)</sup>	Unvested at 30 June 2005	Granted	Forfeited	Vested	Unvested at 30 June 2006
<b>Executive Directors</b>								
<b>Mr R Dewhurst</b>	Apr-04	\$4.70	Apr 06 to Apr 09	375,000	–	–	(125,000)	250,000
			Total Value	\$1,762,500	–	–	(\$587,500)	\$1,175,000
<b>Mr M U R Crivelli</b>				–	–	–	–	–
			Total Value	–	–	–	–	–
<b>Mr A P Hodges</b>	Nov-03	\$3.15	Oct-06	50,000	–	–	–	50,000
	Nov-04	\$8.65	Oct-07	29,493	–	–	–	29,493
	Nov-05	\$7.42	Oct-08	–	34,376	–	–	34,376
			Total Value	\$412,614	\$255,070	–	–	\$667,684
<b>Other Key Management Personnel</b>								
<b>Ms A Bisogni</b>	Nov-03	\$3.15	Oct-06	20,000	–	–	–	20,000
	Nov-04	\$8.65	Oct-07	23,421	–	–	–	23,421
	Nov-05	\$7.42	Oct-08	–	28,815	–	–	28,815
			Total Value	\$265,592	\$213,807	–	–	\$479,399
<b>Mr M Blackburn</b>	Nov-04	\$8.65	Oct-07	42,000	–	–	–	42,000
	Nov-05	\$7.42	Oct-08	–	38,420	–	–	38,420
			Total Value	\$363,300	\$285,076	–	–	\$648,376
<b>Mrs S Foley</b>	Nov-05	\$7.42	Oct-08	–	32,758	–	–	32,758
			Total Value	–	\$243,064	–	–	\$243,064
<b>Ms H Hutchison</b>	Nov-05	\$7.42	Oct-08	–	6,471	–	–	6,471
			Total Value	–	\$48,015	–	–	\$48,015
<b>Mr A Patterson</b>				–	–	–	–	–
			Total Value	–	–	–	–	–
<b>Mr M Stephen</b>	Nov-03	\$3.15	Oct-06	10,000	–	–	–	10,000
	Nov-04	\$8.65	Oct-07	7,634	–	–	–	7,634
	Nov-05	\$7.42	Oct-08	–	25,276	–	–	25,276
			Total Value	\$97,534	\$187,548	–	–	\$285,082
<b>Mr P Wallbridge</b>	Nov-03	\$3.15	Oct-06	24,000	–	–	–	24,000
	Nov-04	\$8.65	Oct-07	22,554	–	–	–	22,554
	Nov-05	\$7.42	Oct-08	–	27,298	–	–	27,298
			Total Value	\$270,692	\$202,551	–	–	\$473,243

<sup>(1)</sup> Vesting dates for shares granted under the Executive Performance Share Plan represent the earliest date shares can vest, subject to performance criteria.

## Remuneration Report – Unvested Shareholdings – number and value of shares (audited) (continued)

Key Management Personnel	Grant Date	Issue Price	Vesting Date <sup>(1)</sup>	Unvested at 30 June 2005	Granted	Forfeited	Vested	Unvested at 30 June 2006
<i>Key Management Personnel who have departed during or since the end of the financial year</i>								
<b>Mr D R Booth</b> (resigned 21 October 2005)	Nov-03	\$3.15	Oct-06	40,000	–	–	(40,000)	–
	Nov-04	\$8.65	Oct-07	26,023	–	(13,011)	(13,012)	–
			Total Value	\$351,099	–	(\$112,545)	(\$238,554)	–
<b>Mr J Brown</b> (resigned 8 August 2006)	Nov-03	\$3.15	Oct-06	30,000	–	–	–	30,000
	Nov-04	\$8.65	Oct-07	28,192	–	–	–	28,192
	Nov-05	\$7.42	Oct-08	–	32,859	–	–	32,859
			Total Value	\$338,361	\$243,814	–	–	\$582,175
<b>Ms M Latham</b> (resigned 31 July 2005)	Nov-03	\$3.15	Oct-06	24,000	–	–	(24,000)	–
	Nov-04	\$8.65	Oct-07	18,650	–	–	(18,650)	–
			Total Value	\$236,923	–	–	(\$236,923)	–

<sup>(1)</sup> Vesting dates for shares granted under the Executive Performance Share Plan represent the earliest date shares can vest, subject to performance criteria.

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

### Maximum value of previous year Executive Performance Share Grants that vest in future periods (unaudited)

Key Management Personnel (Executive Directors and Executives)	30 June 2007	30 June 2008	30 June 2009
	\$	\$	\$
<b>Mr R Dewhurst</b>	587,500	440,625	–
<b>Mr M U R Crivelli</b>	–	–	–
<b>Mr A P Hodges</b>	231,540	187,708	35,417
<b>Ms A Bisogni</b>	177,780	155,781	29,688
<b>Mr M Blackburn</b>	280,996	220,643	39,583
<b>Mrs S Foley</b>	54,675	145,125	33,750
<b>Ms H Hutchison</b>	10,800	28,667	6,667
<b>Mr A Patterson</b>	–	–	–
<b>Mr M Stephen</b>	85,981	121,146	26,042
<b>Mr P Wallbridge</b>	172,522	148,021	28,125
<i>Executives who departed during or since the end of the financial year</i>			
<b>Mr J Brown</b>	213,540	179,427	33,854

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.

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

Mr Dewhurst's shares vest on anniversary date, the final vesting date under his executive service agreement is 19 April 2008.

Refer to the notes to the financial statements for further details of Key Management Personnel 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 (a)	Number of Meetings Attended (b)	Remuneration Nominations (c) (d)		Audit & Risk Committee (c) (d)		Governance Committee (c) (d)		Meetings Attended by Directors (e)
Mr R J Schoer	5	5	1	1	2	2	3	3	7
Mr I Blair	12	12	7	7	5	4	1	1	18
Dr R N Sexton	12	11	7	7	3	3	-	-	15
Mr M W Parkinson	5	5	1	1	-	-	3	3	12
Ms K D Spargo	12	12	7	7	2	2	3	3	11
Mr J Pfeiffer (appointed 18 October 2005)	9	9	-	-	3	3	3	3	18
Ms J Harvey (appointed 18 October 2005)	9	9	3	3	4	4	-	-	13
Mr R Dewhurst	12	12	3	3	1	1	6	6	33
Mr A Hodges (appointed 27 September 2005)	12	12	-	-	-	-	-	-	28
Mr M U R Crivelli	12	9	-	-	-	-	-	-	11

- Reflects the number of regular board meetings held during the time the Director held office during the year.
- 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.
- Reflects the number of meetings held of the sub-committees of the Board comprising the Remuneration and Nominations Committee, the Audit and Risk Committee and the Governance Committee.
- Reflects the attendance at meetings by the appointed Board representatives of the above committees.
- Reflects the number of regular board meetings of subsidiary entities attended during the time the Director held office during the year.

## Indemnification

During the financial year, the IOOF Group paid a premium to insure the Directors and secretaries of the Company and its controlled entities, and the general officers of the Consolidated Company.

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

## Proceedings on Behalf of the Company

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

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

## Non-Audit Services

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

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

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; 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 \$20,000 (2005: \$343,335).

A copy of the auditors' independence declaration as required under S307C of the *Corporations Act 2001* is set out on page 62.

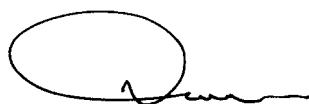
## Environmental Regulation

The IOOF Group is not subject to significant environmental regulation.

## Rounding Off of Amounts

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

Signed in accordance with a resolution of the Directors.



**I Blair**

*Chairman of the Board*



**R Dewhurst**

*Director and Chief Executive Officer*

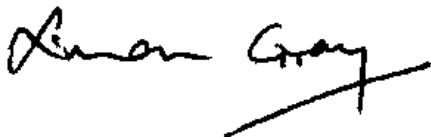
Melbourne, 13 September 2006.

## Auditors' Independence Declaration

As lead auditor for the audit of IOOF Holdings Ltd for the year ended 30 June 2006, 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  
Partner  
PricewaterhouseCoopers

Melbourne  
13 September 2006

# Income Statement

IOOF Holdings Ltd  
Income Statement for the year ended 30 June 2006

	Notes	Consolidated	
		2006 \$'000	2005 \$'000
Revenue	3	403,549	308,784
Expenses, excluding finance costs	5	(350,044)	(268,275)
Finance costs	5	(13)	(56)
Share of profit or loss of associates	4	7,130	5,099
<b>Profit before income tax</b>		<b>60,622</b>	<b>45,552</b>
Income tax expense	6	(34,335)	(28,917)
<b>Profit for the year</b>		<b>26,287</b>	<b>16,635</b>
Profit attributable to minority interest		(3,014)	(1,550)
<b>Profit attributable to members of IOOF Holdings Ltd</b>		<b>23,273</b>	<b>15,085</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	8	36.7	23.9
Diluted earnings per share	8	36.1	23.6

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

# Balance Sheet

IOOF Holdings Ltd  
Balance Sheet as at 30 June 2006

	Notes	Consolidated	
		2006 \$'000	2005 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	502,385	914,339
Receivables		54,178	47,901
Current tax assets		-	541
Other financial assets		928,667	240,343
Investments accounted for using the equity method		2,762	2,167
Other assets		13,352	15,397
Plant and equipment		2,595	1,948
Deferred tax assets		4,813	3,431
Intangible assets		76,658	71,656
<b>Total Assets</b>		<b>1,585,410</b>	<b>1,297,723</b>
<b>Liabilities</b>			
Payables		29,481	21,987
Current tax liabilities		26,678	19,308
Deferred tax liabilities		24,865	25,465
Provisions		7,656	7,630
Deferred revenue liability		4,972	4,982
Investment contract liabilities		457,678	1,042,455
Insurance contract liabilities		593,721	453
Outside interest in controlled trusts		251,337	-
<b>Total Liabilities</b>		<b>1,396,388</b>	<b>1,122,280</b>
<b>Net Assets</b>		<b>189,022</b>	<b>175,443</b>
<b>Equity</b>			
Parent entity interest			
Contributed equity		178,740	175,983
Treasury shares		(7,416)	(5,460)
Preference shares		1,400	-
Reserves		3,686	1,588
Retained profits/(losses)		7,283	(865)
Total parent entity interest		183,693	171,246
Minority interest		5,329	4,197
<b>Total Equity</b>		<b>189,022</b>	<b>175,443</b>

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



# Changes in Equity

IOOF Holdings Ltd

Statement of Changes in Equity for the year ended 30 June 2006

	Consolidated	
	2006 \$'000	2005 \$'000
<b>Total Equity at the beginning of the year</b>	<b>175,443</b>	<b>170,058</b>
Asset revaluation reserve recognised	1,071	-
<b>Net income recognised directly in equity</b>	<b>1,071</b>	<b>-</b>
Profit for the year	26,287	16,635
<b>Total recognised income and expense for the year</b>	<b>26,287</b>	<b>16,635</b>
Shares issued to General staff share acquisition plan	269	-
Shares issued to Executive performance share scheme	2,488	4,555
Preference share capital issued	1,400	-
Less Treasury shares - Executive performance share plan	(1,956)	(4,168)
Reserve for share based payments	1,027	1,115
Minority interest decrease on change in shareholding	-	(65)
Dividends paid to shareholders of the Company	(15,125)	(12,619)
Dividends paid to minority interests in subsidiaries	(1,882)	(68)
<b>Transactions with equity holders in their capacity as equity holders</b>	<b>(13,779)</b>	<b>(11,250)</b>
<b>Total Equity at the end of the year</b>	<b>189,022</b>	<b>175,443</b>
<b>Total recognised income and expense for the year is attributable to:</b>		
– Members of IOOF Holdings Ltd	23,273	15,085
– Minority interest	3,014	1,550
	<b>26,287</b>	<b>16,635</b>

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

# Cash Flow

## IOOF Holdings Ltd Cash Flow Statement for the year ended 30 June 2006

	Note	Consolidated	
		2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>			
Management fees and commission income received		234,881	212,669
Premium income received		928	1,001
Contributions proceeds		61,459	48,283
Payments to suppliers and employees		(225,470)	(203,787)
Distributions received		62,121	51,550
Dividends received from associate		6,536	4,020
Interest income received		27,667	4,026
Interest paid		(13)	-
Withdrawal payments		(123,926)	(112,969)
Net proceeds from sales of trading securities		53,412	24,674
Other income received		2,137	2,340
GST paid		(3,366)	(4,849)
Income tax paid		(28,406)	(5,824)
Net cash provided by operating activities		<b>67,960</b>	<b>21,134</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders of the Company		(15,125)	(12,680)
Dividends paid to minority interests in subsidiaries		(1,882)	(456)
Net cash used in financing activities		<b>(17,007)</b>	<b>(13,136)</b>
<b>Cash flows from investing activities</b>			
Deferred payment for acquisition of business		-	(12,600)
Payment for purchase of investments		-	(3,809)
Proceeds from sale of investment securities		-	9,112
Proceeds from repayment of loans and mortgage securities		280	76
Payment for purchase of plant and equipment		(1,506)	(824)
Payment for the purchase of shares in a controlled entity		(700)	-
Payment for purchase of other intangible assets		(1,085)	(3,633)
Loans made to Directors of controlled entities		-	(89)
Proceeds from loans repaid by Directors		-	252
Loans made to related parties		-	(68)
Proceeds from loans repaid by related parties		-	60
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		<b>(3,011)</b>	<b>(11,800)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Net cash adjustment upon consolidation of controlled trusts		47,942	(3,802)
Cash and cash equivalents at the beginning of the year		(459,896)	-
Cash and cash equivalents at the beginning of the year		914,339	918,141
<b>Cash and cash equivalents at the end of the year</b>	9	<b>502,385</b>	<b>914,339</b>

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

# Notes

## IOOF Holdings Ltd Notes to the Financial Statements for the year ended 30 June 2006

### 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 2006.

#### Consolidated Income Statement

The consolidated net profit for the year attributable to members of the IOOF Holdings Ltd Group ('the Group') was \$23,273,000 (2005: \$15,085,000).

Management fee income increased as a result of a 29.2% increase in funds under management and administration (FUMA) from \$22.4 billion at 30 June 2005 to \$28.95 billion at 30 June 2006.

The growth in FUMA arose as a result of net inflows, good earning performance and favourable markets. This growth 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. A partial offset is the increased commission expense associated with increased sales.

FUMA growth was particularly strong in the wholesale sector with growth of \$5.1 billion or 50% whilst the retail sector achieved a FUMA increase of \$1.4 billion or 12%.

Operating expenses, excluding commission and management fee expenses, reduced during the year. A strong focus on cost control together with strong income growth resulted in a reduction in the operating efficiency ratio from 71% at 30 June 2005 to 64% at 30 June 2006.

Continued growth in the Perennial Value Management Limited business resulted in a 40% increase in the share of equity profits recognised by the IOOF Group compared to last year.

#### Consolidated Balance Sheet

Growth in net assets has arisen from:

- profit after tax of \$26,287,000;
- issue of \$1,400,000 of redeemable converting preference shares as part consideration for the Financial Partnership Pty Ltd acquisition;
- accumulation of a reserve for share-based payments of \$1,027,000;
- revaluation of the adviser relationship asset at the time of acquisition of Financial Partnership Pty Ltd, creating an asset revaluation reserve of \$1,071,000; and
- shares issued to executives and staff of \$801,000.

This growth in net assets has been partly offset by payment of dividends to shareholders of the Company and minority interests in subsidiaries totalling \$17,007,000.

The IOOF Group, including the Benefit Funds, has a 74.6% interest in the IOOF / Perennial Cash Enhanced Trust (formerly Wholesale Cash and Short Term Securities Trust). Accordingly, this trust has been consolidated with the result that the Group's surplus cash invested in this entity has been replaced by the underlying assets and liabilities of the trust. Surplus cash of the IOOF Group, excluding the Benefit Funds, invested in this trust amounted to \$74,013,000 at 30 June 2006.

#### Consolidated Cash Flows

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

- cash generated from operating activities;
- payment of \$15,125,000 dividends to shareholders and payment of \$1,882,000 dividends to minority interests during the year;
- payment of \$700,000 as part consideration for the acquisition of Financial Partnership Pty Ltd; and
- funding of Perennial Real Estate Investments Pty Ltd activities since January 2006.

## 2. Basis of Presentation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the IOOF Group, being the Company and its controlled entities as defined in accounting standard AASB 127 *Consolidated and Separate Financial Statements*. This includes the Benefit Funds of its subsidiary, IOOF Ltd, and any trusts controlled by the Group.

The Benefit Funds, and any trusts controlled by those funds, are treated as statutory funds in accordance with the Life Insurance Act 1995. These statutory funds, in addition to the statutory funds of the life insurance business conducted by the Group, are shown separately from shareholder funds in the notes to the financial statements.

The presentation currency used in this Concise Financial Report is Australian dollars.

## 3. Revenue

For the year ended 30 June 2006	Consolidated		
	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>Revenue</b>			
Management fees:			
- Investment products	180,269	-	180,269
- Benefit funds	17,754	-	17,754
- Associated entity	2,006	-	2,006
- Related entities	-	5,896	5,896
- Other entities	7,344	-	7,344
Deposits received - investment contracts with DPF	-	19,452	19,452
Commission revenue:			
- Non-related entities	14,166	-	14,166
Other fee revenue	382	-	382
Interest revenue:			
- Directors & Director-related entities	291	-	291
- Other related parties	116	-	116
- Non-related entities	1,532	26,900	28,432
Dividends:			
- Non-related entities	66	10,478	10,544
Distributions:			
- Other related parties	3,359	44,884	48,243
	227,285	107,610	334,895
<b>Other income</b>			
Gains on investments	64	64,767	64,831
Other	2,694	-	2,694
	2,758	64,767	67,525
<b>Life Insurance Revenue</b>			
Direct insurance premiums	-	727	727
Insurance claims recovered	-	402	402
	-	1,129	1,129
<b>Revenue</b>	<b>230,043</b>	<b>173,506</b>	<b>403,549</b>

### 3. Revenue (continued)

For the year ended 30 June 2005	Consolidated		
	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>Revenue</b>			
Management fees:			
- Investment products	146,318	-	146,318
- Benefit funds	17,364	-	17,364
- Associated entity	1,833	-	1,833
- Related entities	-	5,228	5,228
- Other entities	5,788	-	5,788
Commission revenue:			
- Non-related entities	14,416	-	14,416
Other fee revenue	692	282	974
Interest revenue:			
- Directors & Director-related entities	288	-	288
- Other related parties	102	-	102
- Non-related entities	2,219	1,826	4,045
Dividends:			
- Non-related entities	124	-	124
Distributions:			
- Other related parties	2,799	55,478	58,277
	191,943	62,814	254,757
<b>Other income</b>			
Gains on investments	2,913	48,712	51,625
Other	1,434	-	1,434
	4,347	48,712	53,059
<b>Life Insurance Revenue</b>			
Direct insurance premiums	-	643	643
Insurance claims recovered	-	325	325
	-	968	968
<b>Revenue</b>	<b>196,290</b>	<b>112,494</b>	<b>308,784</b>

### 4. Share of Equity Profits of Associates

<b>For the year ended 30 June 2006</b>			
Share of profit or loss of associates	7,130	-	7,130
<b>For the year ended 30 June 2005</b>			
Share of profit or loss of associates	5,099	-	5,099

## 5. Expenses

For the year ended 30 June 2006	Consolidated		
	Shareholder \$'000	Statutory \$'000	Total \$'000
Profit before income tax includes the following specific expenses:			
<b>Finance costs :</b>			
Interest – non related entities	13	-	13
<b>Expenses, excluding finance costs :</b>			
Net movement in provision for doubtful debts in respect of amounts receivable from:			
- Non-related parties	917	-	917
Depreciation of plant and equipment	834	-	834
Loss on disposal of assets	47	-	47
Amortisation of software and infrastructure projects	1,163	-	1,163
Losses on investments	318	35,901	36,219
Operating lease rental expenses			
- Non-related entities	2,687	-	2,687
- Surplus lease space	47	-	47
Occupancy related expenses	1,695	-	1,695
Net transfers to employee provisions	3,143	-	3,143
Salaries and related expenses	41,472	-	41,472
Employee Share-based payments expense	1,826	-	1,826
Employee Defined contribution plan expense	2,961	-	2,961
Commission and management fees:			
- Related entity	13,171	-	13,171
- Benefit funds	-	16,228	16,228
- Non-related entities	99,806	4,327	104,133
Investment contracts with DPF			
- Benefits and withdrawals paid	-	73,684	73,684
- Decrease in policyholder liabilities	-	(36,332)	(36,332)
Termination bonuses	-	562	562
Distribution to policyholders	-	51,072	51,072
Professional fees	9,761	12	9,773
Marketing	3,860	-	3,860
Deferred acquisition costs amortisation	4,715	-	4,715
Computer maintenance and support	4,693	-	4,693
Office support	4,061	-	4,061
Travel and entertainment	2,802	-	2,802
Other expenses from ordinary activities	3,118	511	3,629
	203,097	145,965	349,062
<b>Life Insurance operating expenses includes:</b>			
Outward reinsurance expense	-	413	413
Policy payments/claims	-	468	468
Operating expenses	-	101	101
	-	982	982
<b>Total expenses, excluding finance costs</b>	<b>203,097</b>	<b>146,947</b>	<b>350,044</b>

## 5. Expenses (continued)

For the year ended 30 June 2005	Consolidated		
	Shareholder \$'000	Statutory \$'000	Total \$'000
Profit before income tax includes the following specific expenses:			
<b>Finance costs :</b>			
Interest – non related entities	56	-	56
<b>Expenses, excluding finance costs :</b>			
Net movement in provision for doubtful debts in respect of amounts receivable from:			
- Non-related parties	317	-	317
Depreciation of plant and equipment	732	-	732
Amortisation of software and infrastructure projects	1,597	-	1,597
Loss on disposal of plant and equipment	13	-	13
Losses on investments	634	-	634
Operating lease rental expenses			
- Non-related entities	2,658	-	2,658
Occupancy related expenses	1,826	-	1,826
Net transfers to employee provisions	2,793	-	2,793
Salaries and related expenses	38,050	-	38,050
Employee Share-based payments expense	1,594	-	1,594
Employee Defined contribution plan expense	2,751	-	2,751
Commission and management fees:			
- Related entity	10,261	-	10,261
- Benefit funds	-	15,848	15,848
- Non-related entities	79,382	-	79,382
Termination bonuses	-	544	544
Distribution to policyholders	-	69,261	69,261
Professional fees	11,084	18	11,102
Provision for diminution in value of investment	1,747	-	1,747
Marketing	3,910	-	3,910
Deferred acquisition costs amortisation	7,109	-	7,109
Computer maintenance and support	6,408	-	6,408
Office support	4,251	-	4,251
Travel and entertainment	2,574	-	2,574
Other expenses from ordinary activities	2,049	13	2,062
	181,740	85,684	267,424
<b>Life Insurance operating expenses includes:</b>			
Outward reinsurance expense	-	353	353
Policy payments/claims	-	415	415
Decrease in policyholder liabilities	-	(13)	(13)
Operating expenses	-	96	96
	-	851	851
<b>Total expenses, excluding finance costs</b>	<b>181,740</b>	<b>86,535</b>	<b>268,275</b>

## 6. Income Tax Expense

For the year ended 30 June 2006	Consolidated		
	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>(a) Income tax expense</b>			
Current tax	9,309	26,829	36,138
Deferred tax	(1,421)	(613)	(2,034)
Under / (over) provided in prior years	337	(106)	231
Income tax expense attributed to Profit from continuing operations	<b>8,225</b>	<b>26,110</b>	<b>34,335</b>
Deferred income tax (revenue)/ expense included in income tax expense comprises:			
Increase in deferred tax assets	(798)	(111)	(909)
Decrease in deferred tax liabilities	(623)	(502)	(1,125)
	(1,421)	(613)	(2,034)
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>			
Profit from operations before income tax expense and items eliminated on consolidation	34,063	26,559	60,622
Inter-group management fee and interest income eliminated on consolidation	336	(336)	-
Profit from continuing operations before income tax expense	<b>34,399</b>	<b>26,223</b>	<b>60,622</b>
Tax at the Australian tax rate of 30%	10,320	7,867	18,187
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:			
– Share of tax credits with Benefit Funds	2,992	(2,544)	448
– Tax on the income of Benefit Funds not reflected in consolidated profit	-	20,893	20,893
– Non assessable income	(6,308)	-	(6,308)
– Tax losses and temporary differences not recognised	884	-	884
	7,888	26,216	34,104
Under / (over) provided in prior years	337	(106)	231
Income tax expense	<b>8,225</b>	<b>26,110</b>	<b>34,335</b>
<b>(c) Amounts recognised directly in equity</b>	-	-	-
<b>(d) Tax consolidation</b>			
IOOF Holdings Ltd and its wholly owned entities have implemented the tax consolidation legislation.			
The entities have entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly owned entities reimburse IOOF Holdings Ltd for their share of the income tax expense arising in respect of their activities. This is recognised as a current tax related receivable / payable by IOOF Holdings Ltd and is reimbursed by the wholly owned entities each month. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by IOOF Holdings Ltd.			
Taxable income for the tax consolidated group includes the profit generated by IOOF Ltd Benefit Funds, which is distributable to policyholders of the Benefit Fund. The profit of these funds forms part of the consolidated profit for the calculation of the tax expense.			
<b>(e) Tax losses</b>			
Unused tax losses for which no deferred tax asset has been recognised	4,862	-	4,862
Potential tax benefit at 30% not recognised	1,459	-	1,459



## 6. Income Tax Expense (continued)

For the year ended 30 June 2005	Consolidated		
	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>(a) Income tax expense</b>			
Current tax	6,258	12,862	19,120
Deferred tax	(1,746)	12,680	10,934
Under / (over) provided in prior years	(1,349)	212	(1,137)
Income tax expense is attributed to Profit from continuing operations	<b>3,163</b>	<b>25,754</b>	<b>28,917</b>
Deferred income tax (revenue)/ expense included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	(561)	410	(151)
(Decrease)/increase in deferred tax liabilities	(1,185)	12,270	11,085
	(1,746)	12,680	10,934
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>			
Profit from operations before income tax expense and items eliminated on consolidation	19,593	25,959	45,552
Inter-group management fee and interest income eliminated on consolidation	149	(149)	-
Profit from continuing operations before income tax expense	<b>19,742</b>	<b>25,810</b>	<b>45,552</b>
Tax at the Australian tax rate of 30%	5,923	7,742	13,665
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:			
- Share of tax credits with Benefit Funds	3,005	(2,914)	91
- Tax on the income of Benefit Funds not reflected in consolidated profit	-	20,714	20,714
- Non assessable income	(4,064)	-	(4,064)
- Sundry items	(352)	-	(352)
	4,512	25,542	30,054
Under / (over) provided in prior years	(1,349)	212	(1,137)
Income tax expense	<b>3,163</b>	<b>25,754</b>	<b>28,917</b>
<b>(c) Amounts recognised directly in equity</b>	-	-	-
<b>(d) Tax losses</b>			
Unused tax losses for which no deferred tax asset has been recognised	2,051	-	2,051
Potential tax benefit at 30% not recognised	615	-	615

## 7. Dividends

A final dividend of 12 cents per ordinary share franked to 100% based on a tax paid at 30% was paid in October 2005 in respect of the financial year ended 30 June 2005. This dividend amounted to \$7,700,876.

An interim dividend of 12 cents per ordinary share franked to 100% based on a tax paid at 30% was paid in April 2006 in respect of the financial year ended 30 June 2006. This dividend amounted to \$7,745,547.

The Directors have recommended the payment of a final dividend of 15 cents per ordinary share franked to 100% based on tax at 30%.

	Consolidated	
	2006 \$'000	2005 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005: 30%)	26,263	13,914

The above amounts represent the balance of 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.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$4,149,400 (2005: \$3,300,375).

## 8. Earnings per Share

	Consolidated	
	2006	2005
	Cents	Cents
Basic earnings per share	36.7	23.9
Diluted earnings per share	36.1	23.6
<b>Reconciliations of earnings used in calculating earnings per share</b>	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax	26,287	16,635
Profit attributable to minority interests	(3,014)	(1,550)
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	23,273	15,085
<b>Weighted average number of shares used in the calculation of earnings per share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	63,357,972	63,106,339
Adjustments for calculation of diluted earnings per share:		
Unvested shares held in IOOF Executive Performance Share Plan Trust	1,083,853	772,262
Redeemable Converting Preference Shares	17,360	–
<b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>64,459,185</b>	<b>63,878,601</b>

## 9. Notes to the Cash Flow Statement

	Consolidated	
	2006 \$'000	2005 \$'000
<b>Reconciliation of cash assets</b>		
For the purpose of the cash flow statement, 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 cash flow statement is reconciled to the related items in the balance sheets as follows:		
Cash	34,927	38,821
Deposits on call	667	8,497
	35,594	47,318
Units in IOOF Sectoral Unit Trusts	466,791	867,021
	<b>502,385</b>	<b>914,339</b>

## 10. Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

The full Financial Report on which this Concise Financial Report is based is the first annual IOOF Holdings Ltd Concise Financial Report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRSs'). AASB 1 *First-time adoption to International Financial Reporting Standards* has been applied in preparing the full Financial Report.

Financial statements of IOOF Holdings Ltd until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ('AGAAP'). AGAAP differs in certain respects from AIFRS. When preparing IOOF Holdings Ltd 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments and insurance contracts, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 1038 *Life Insurance Contracts* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in Note 41 to the full Financial Report. A summary of this information is provided below:

	Consolidated	
	30 June 2005 \$'000	1 July 2004 \$'000
<b>(1) Impact on total equity reported under previous AGAAP</b>		
Total Equity under previous AGAAP	302,641	248,704
Adjustments to retained profits:		
Excess of net market value over net assets of controlled entities	(184,785)	(125,637)
Goodwill on acquisition of subsidiaries	66,599	53,818
Intangible assets de-recognised	(8,013)	(5,956)
Executive share plan trust consolidation	142	-
Directors' and employee entitlements	144	206
Deferred acquisition costs	3,694	4,003
Deferred revenue liabilities	(4,982)	(5,086)
Income tax	(4)	(4)
Minority share of AIFRS adjustments	7	10
Total Equity under AIFRS	175,443	170,058

### (2) Impact on profit for the year ended 30 June 2005

Profit for the year ended 30 June 2005 as reported under AGAAP	65,133
Excess of net market value over net assets of controlled entities	(46,814)
Amortisation of goodwill on acquisition of subsidiaries	448
Intangible assets de-recognised	(2,057)
Executive share plan expense	(1,358)
Directors' and employee entitlements	(62)
Deferred acquisition costs	(309)
Deferred revenue liabilities	104
Profit for the year ended 30 June 2005 as reported under AIFRS	15,085

### (3) Impact on cash flow statement for the year ended 30 June 2005

Adjustments to the cash statement primarily result from the consolidation of the Benefit Funds. Under previous AGAAP these Benefit Funds were not included in the consolidated cash flow statement. Other reclassifications within the statement are due to the AIFRS treatment of GST, but have no effect on the net increase/ decrease in cash held.

## 11. Segment Information

Primary reporting – business segments	Wholesale Funds Management	Retail Funds Management and Administration	Inter-Segment Eliminations/ Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>2006</b>				
Operating revenue	9,732	215,452	2,101	227,285
Other revenue	2	2,507	249	2,758
Benefit fund revenues	-	173,506	-	173,506
Inter-segment sales	22,581	(16,128)	(6,453)	-
<b>Total Revenue</b>	<b>32,315</b>	<b>375,337</b>	<b>(4,103)</b>	<b>403,549</b>
Share of net profits of associates	7,130	-	-	7,130
<b>Total Segment Revenue</b>	<b>39,445</b>	<b>375,337</b>	<b>(4,103)</b>	<b>410,679</b>
Operating expenses				
- Commissions and management expenses	13,931	105,230	(6,184)	112,977
- Depreciation	35	396	403	834
- Amortisation of deferred acquisition costs	58	1,105	-	1,163
- Benefit fund expenses	-	146,947	-	146,947
- Other expenses	15,078	62,351	10,707	88,136
<b>Total Segment Expense</b>	<b>29,102</b>	<b>316,029</b>	<b>4,926</b>	<b>350,057</b>
Profit from ordinary activities before income tax expense	10,343	59,308	(9,029)	60,622
Income tax expense	(2,387)	(31,215)	(733)	(34,335)
<b>Net Profit / (Loss)</b>	<b>7,956</b>	<b>28,093</b>	<b>(9,762)</b>	<b>26,287</b>
Segment assets	24,780	1,533,738	26,892	1,585,410
Inter-segment assets	(3,393)	(36,542)	39,935	-
<b>Total assets</b>	<b>21,387</b>	<b>1,497,196</b>	<b>66,827</b>	<b>1,585,410</b>
Segment liabilities	9,621	1,399,588	(12,821)	1,396,388
Inter-segment liabilities	700	(563)	(137)	-
<b>Total liabilities</b>	<b>10,321</b>	<b>1,399,025</b>	<b>(12,958)</b>	<b>1,396,388</b>
Investments in associates and joint venture partnerships	2,762	-	-	2,762
Acquisition of plant and equipment, intangibles and other non-current segment assets	74	7,534	63	7,671

### Secondary reporting - geographical segments

The Group operates in the one geographical segment of Australia.

## 11. Segment Information (continued)

Primary reporting – business segments	Wholesale Funds Management	Retail Funds Management and Administration	Inter-Segment Eliminations/ Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>2005</b>				
Operating revenue	6,731	182,872	2,340	191,943
Other revenue	-	1,493	101	1,594
Benefit fund revenues	-	112,494	-	112,494
Inter-segment sales	15,721	(11,160)	(4,561)	-
Profit on sale of shares	-	-	2,753	2,753
<b>Total Revenue</b>	<b>22,452</b>	<b>285,699</b>	<b>633</b>	<b>308,784</b>
Share of net profits of associates	5,018	81	-	5,099
<b>Total Segment Revenue</b>	<b>27,470</b>	<b>285,780</b>	<b>633</b>	<b>313,883</b>
Operating expenses				
- Commissions and management expenses	10,486	79,157	-	89,643
- Depreciation	57	1,902	370	2,329
- Amortisation of deferred acquisition costs	-	7,109	-	7,109
- Benefit fund expenses	-	86,535	-	86,535
- Other expenses	11,590	56,532	14,593	82,715
<b>Total Segment Expense</b>	<b>22,133</b>	<b>231,235</b>	<b>14,963</b>	<b>268,331</b>
Profit from ordinary activities before income tax expense	5,337	54,545	(14,330)	45,552
Income tax expense	(755)	(28,024)	(138)	(28,917)
<b>Net Profit / (Loss)</b>	<b>4,582</b>	<b>26,521</b>	<b>(14,468)</b>	<b>16,635</b>
Segment assets	13,085	1,194,820	89,818	1,297,723
Inter-segment assets	5,972	5,415	(11,387)	-
<b>Total assets</b>	<b>19,057</b>	<b>1,200,235</b>	<b>78,431</b>	<b>1,297,723</b>
Segment liabilities	695	1,067,811	53,774	1,122,280
Inter-segment liabilities	10,998	36,734	(47,732)	-
<b>Total liabilities</b>	<b>11,693</b>	<b>1,104,545</b>	<b>6,042</b>	<b>1,122,280</b>
Investments in associates and joint venture partnerships	2,167	-	-	2,167
Acquisition of plant and equipment, intangibles and other non-current segment assets	22	13,162	415	13,599

### Secondary reporting - geographical segments

The Group operates in the one geographical segment of Australia.

## 11. Segment Information (continued)

### (a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the segment reporting accounting standard, AASB 114 *Segment Reporting*.

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

### (b) Inter-segment eliminations

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

### (c) Segments

- *Wholesale Funds Management*  
Management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
- *Retail Funds Management and Administration*  
Distribution and administration of retail funds including financial planning and back office services to dealer groups aligned to the Group.

### (d) Comparative Information

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

## 12. Further Information

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

IOOF Holdings Ltd

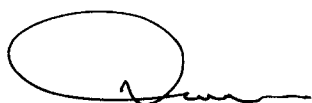
## In the Directors' opinion:

The Directors declare that in their opinion, the Annual Concise Financial Report of the consolidated entity for the year ended 30 June 2006 as set out on pages 63 to 79 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

The Concise Financial Report is an extract from the full Financial Report for the year ended 30 June 2006. The financial statements and specific disclosures included in this Annual Concise Financial Report have been derived from the full Financial Report.

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.



**I Blair**

*Chairman of the Board*



**R Dewhurst**

*Director and Chief Executive Officer*

*Melbourne, 13 September 2006*



## Independent Audit Report to the members of IOOF Holdings Ltd

### Audit opinion

In our opinion, the Concise Financial Report of IOOF Holdings Ltd for the year ended 30 June 2006 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

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

### Scope

#### The Concise Financial Report and directors' responsibility

The Concise Financial Report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the financial statements, and the directors' declaration for IOOF Holdings Ltd (the company) for the year ended 30 June 2006.

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

### Audit approach

We conducted an independent audit of the Concise Financial Report in order to express an opinion 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. 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 2006. Our Audit Report on the full Financial Report was signed on 13 September 2006, and was not subject to any qualification.

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

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

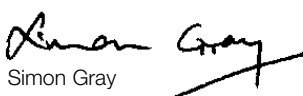
- testing that the information included in the Concise Financial Report is consistent with the information in the full Financial Report, and
- examining, on a test basis, information to provide evidence supporting the amounts, and other disclosures in the Concise Financial Report which were not directly derived from the full Financial Report.

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

  
Simon Gray  
Partner

Melbourne  
13 September 2006

# Shareholder Information

The number of shares on issue as at Friday 1 September 2006 is 64,546,226 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 1 September 2006, are shown in the table '20 largest shareholders as at Friday 1 September 2006'.

## Distribution of shares

The following table summarises the distribution of our listed shares as at Friday 1 September 2006.

Range	Investors	Securities	Issued Capital %
1 – 1,000	17,561	8,027,143	12.44
1,001 – 5,000	10,846	22,823,829	35.36
5,001 – 10,000	1,113	7,824,122	12.12
10,001 – 100,000	413	8,280,212	12.83
100,001 and over	26	17,590,920	27.25
<b>Total</b>	<b>29,959</b>	<b>64,546,226</b>	<b>100.00</b>

The number of investors holding less than a marketable parcel of 59 shares (\$8,510 as at 1 September 2006) is 48 and they hold a total of 1,405 shares.

## 20 largest shareholders as at Friday 1 September 2006

Rank	Investor	Current Balance	Issued Capital %
1	Bendigo Bank Limited	5,341,690	8.28
2	J P Morgan Nominees Australia Limited	1,435,641	2.22
3	IOOF Investment Management Limited	1,298,301	2.01
4	IOOF Holdings Trustee Pty Ltd	1,227,897	1.90
5	Westpac Custodian Nominees Limited	938,309	1.45
6	ANZ Nominees Limited	822,392	1.27
7	CitiCorp Nominees Pty Limited	772,816	1.20
8	Sandhurst Trustees Ltd	703,174	1.09
9	Diversified United Investment Limited	700,000	1.08
10	National Nominees Limited	593,893	.92
11	Cogent Nominees Pty Limited	500,320	.78
12	Australian United Investment Company Limited	500,000	.77
13	ANZ Nominees Limited	484,702	.75
14	Invia Custodian Pty Limited	468,637	.73
15	Banos Asset Management Ltd	368,816	.57
16	IOOF SA Ltd	300,000	.46
17	Catholic Church Insurances Ltd	283,111	.44
18	Ravenscourt Pty Ltd	225,000	.35
19	HSBC Custody Nominees (Australia) Limited	221,399	.34
20	Equity Trustees Limited	200,979	.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 15 cents per share (fully franked) will be paid on 13 October 2006 to shareholders entitled to receive dividends and registered on 26 September 2006, being the record date.

### Direct payment into shareholders' accounts

In future, any dividends IOOF pays will be paid only to shareholders who register their Australian bank account details with the share registry. Direct credit is a cost effective and secure way of paying dividends.

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

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

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

### Removal from Annual Report mailing

If you are an IOOF shareholder and no longer want to receive a hard copy 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, Link Market Services, or visit their website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Link Market Services Limited

Level 12  
680 George Street  
Sydney NSW 2000  
Australia

Locked Bag A14  
Sydney South NSW 1235

Telephone: 1300 55 22 03  
Rest of the world telephone: +61 2 8280 7419  
Facsimile for general use: +61 2 9287 0303  
Facsimile for proxies: +61 2 9287 0309

### IOOF Holdings Ltd Registered Office

Level 29  
303 Collins Street  
Melbourne VIC 3000  
Australia

Telephone: 13 13 69  
Facsimile: +61 3 8614 4888  
Web site: [www.ioof.com.au](http://www.ioof.com.au)



Your Investment Guardians

**IOOF Holdings Ltd**  
ABN 49 100 103 722

**Registered Office**  
Level 29  
303 Collins Street  
Melbourne VIC 3000  
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