

# Annual Report 2004



**IOOF**

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

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

IOOF offers a comprehensive range of financial services, including:

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

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

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

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# Review of Operations and Financial Condition

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



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## Who is IOOF?

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

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

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

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

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

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

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

growing

## What does IOOF do?

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

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

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

## What is our purpose?

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

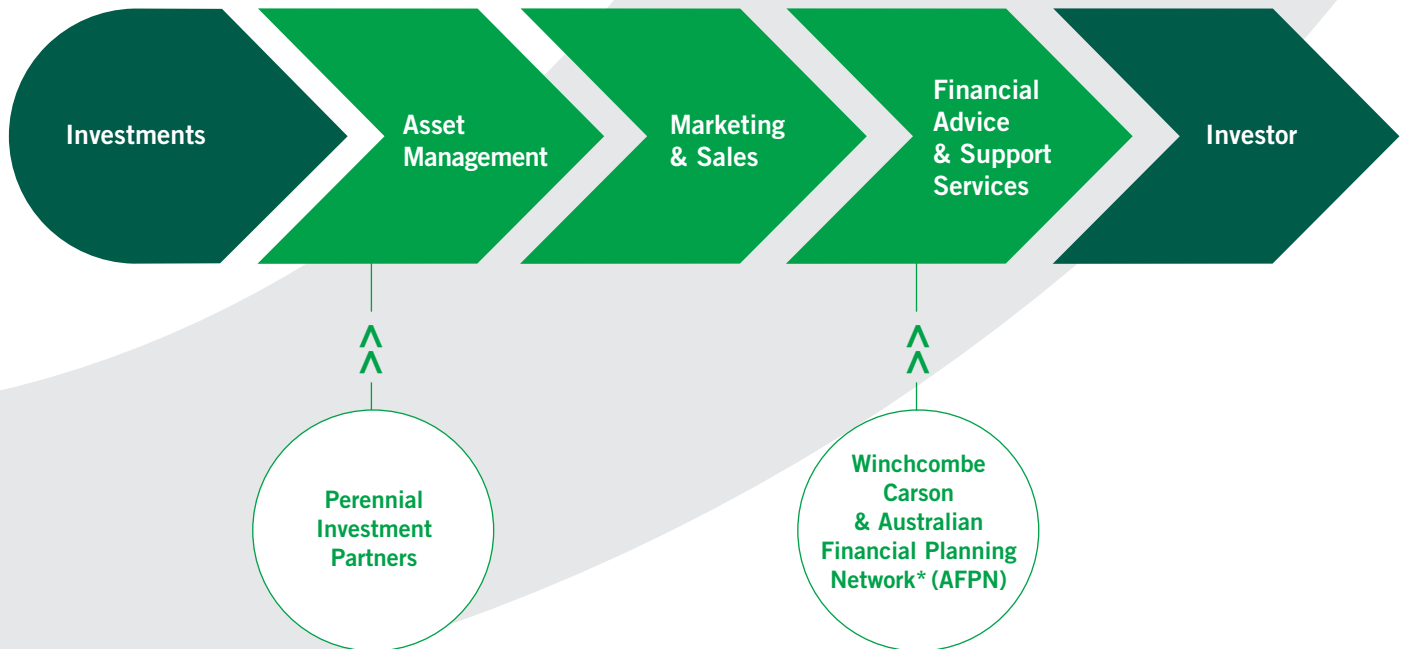
- Applying investment expertise to successfully manage large portfolios via in-house investment professionals;
- Managing the administration and servicing requirements via our financial planning dealer group services, Australian Financial Planning Network\*;
- Access to best of breed third party products;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

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

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

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





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

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

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

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

## What are the objectives of IOOF?

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

### Investors

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

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

### Advisers

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

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

### Employees

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

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

# delivering

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

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

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

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

### Asset Management

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

#### IOOF Multi-Investment Manager Funds

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

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

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

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

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

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

#### Perennial Investment Partners (Perennial)

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

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

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

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

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

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

**Morningstar**

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

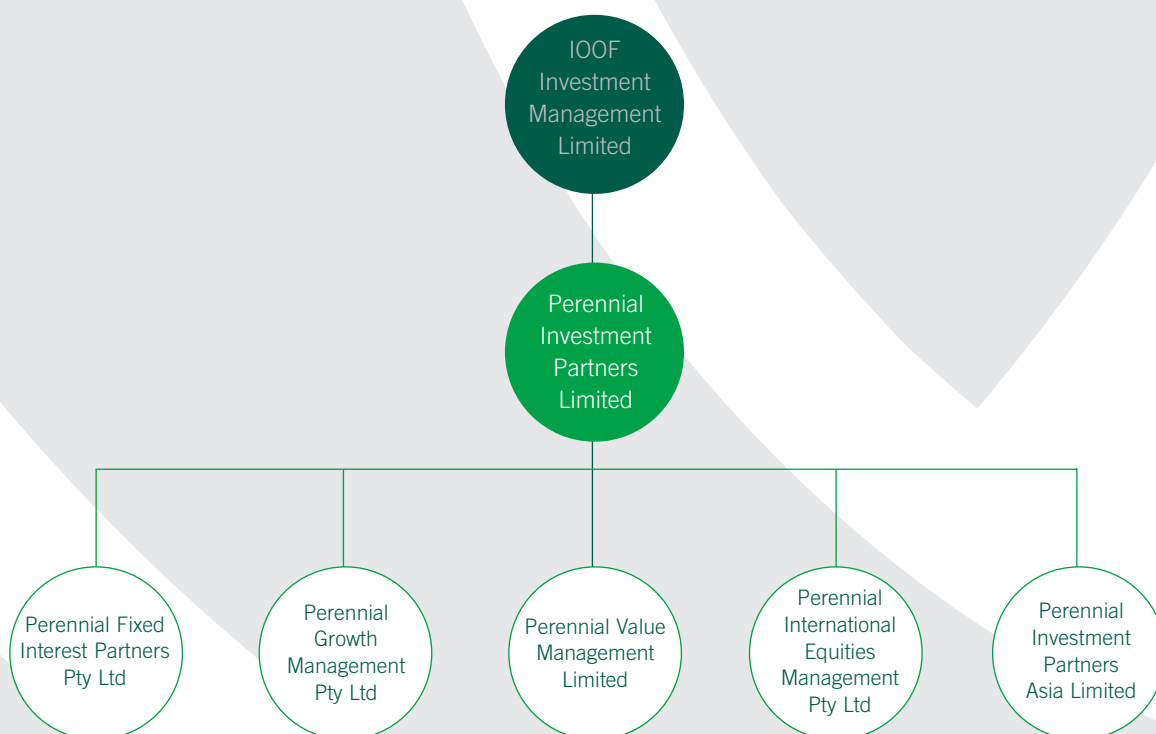
**Lonsec**

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

**ASSIRT**

Perennial Fixed Interest '5 stars'.

### IOOF's holding of the Perennial businesses



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

### Retail Funds Management

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

#### Distribution

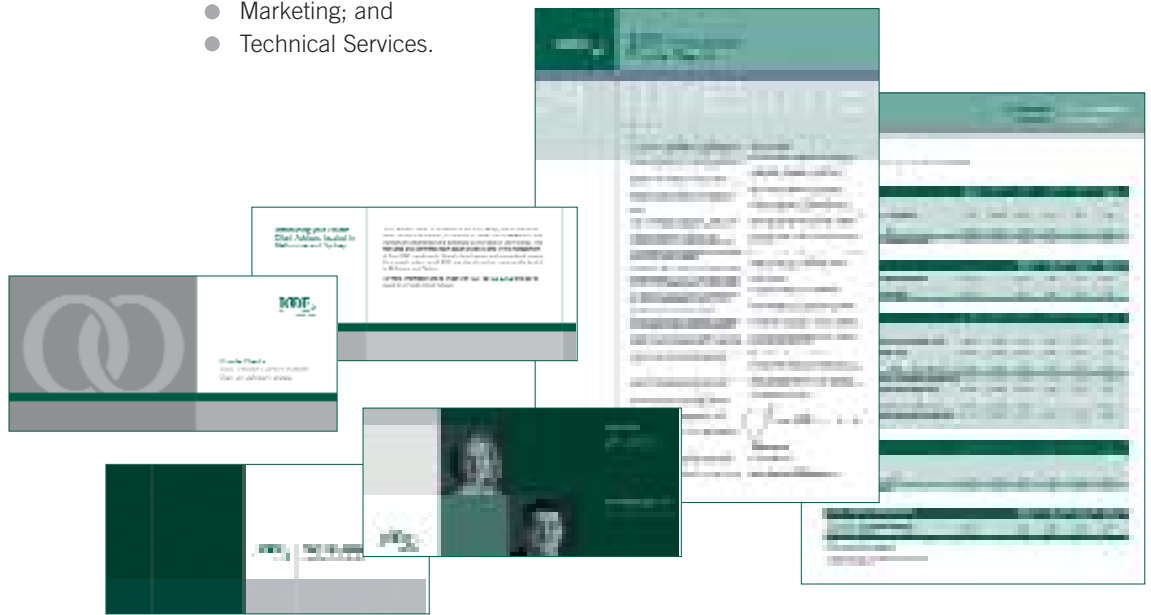
IOOF investment products and services are sold and supported via a range of distribution channels, including nationally represented dealer groups and a diverse cross section of independently owned dealer groups.

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

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

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

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



### Product

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

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

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

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

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

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

## Marketing

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

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

## Who runs IOOF?

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

### Executive Team

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





### Board of Directors



## Directors

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

### Board of Directors

			
<p><b>Mr R J Schoer</b> B.Admin., FCPA, FAICD, FCIS, FAIM.</p>	<p><b>Dr R N Sexton</b> B.Econ. (Hons), M. Econ, Ph.D.(Econ), FAICD, FAIM.</p>	<p><b>Mr M U R Crivelli</b> B.Ec., ASA, ASIA.</p>	<p><b>Mr M W Parkinson C.B.E.</b> B.A (Hons), MBA. (Stanford).</p>
<p>Mr Schoer is the Group Chairman of IOOF Holdings and has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1994 to 2002. Mr Schoer brings considerable business and corporate governance experience to the Board. From 1990 to 1995 he was National Director of the Australian Stock Exchange Ltd and from 1980 to 1990 he was the Chief Executive Officer of the National Companies and Securities Commission. Currently Mr Schoer is Chairman of IOOF Investment Management Limited, a Director of IOOF Life Ltd and a member of the Audit Committee and the Governance, Compliance and Risk Committee. His other directorships include Chairman of Rabinov Diversified Property Trust and Blue Tongue Entertainment Ltd and a Director of Ferngrove Vineyards Ltd, The Australian Pacific Exchange Ltd and Tambour Holdings Ltd. He is a member of the advisory board of the Centre for Corporate Law and Securities Regulation at the University of Melbourne. He is an Emeritus Trustee of the Committee for Economic Development of Australia.</p>	<p>Dr Sexton has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002 and was previously Chairman of IOOF Australia Trustees Limited. He is currently Chairman of Australian Financial Planning Network Ltd, a Director of Perennial Investments Partners Limited, and a member of the Remuneration and Nominations Committee. Dr Sexton is Chairman of the Venture Capital Board in South Australia, Deputy Chairman of the Beston Wine Industry Trust and a Director of IBIS World Pty Ltd and the Motor Accident Commission (SA). He served as Chairman of IOOF Friendly Society (SA) and the SA Motor Accident Commission, Deputy Chairman of Korvest Ltd and a Director of Hyundai Automotive Distributors. He was Managing Director of investment bank Challenger Beston Limited (formerly Beston Pacific Corporation Limited) from 1991 to 2002. Dr Sexton has 20 years experience in senior management and is a specialist in the areas of corporate reconstruction, mergers and acquisitions and privatisation.</p>	<p>Mr Crivelli has been an Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1997 to 1999, and an Executive Director from 1999 to 2002. Mr Crivelli is currently Chairman of Perennial Investment Partners Ltd, Perennial Investment Partners Asia Ltd and Perennial Value Management Ltd and other subsidiary companies within the Perennial Group. Mr Crivelli has previously been a Director of BT Funds Management Ltd and various listed BT investment companies, Barnardos Ltd, State Super Financial Services Ltd, TIF Nominees Pty Ltd (Manager of the TWU Super Fund), State Wide Roads Ltd, Colonial Agricultural Ltd and Australian Investment Managers' Association (now part of IFSA). Mr Crivelli has over 40 years experience in the investment banking and funds management industries.</p>	<p>Mr Parkinson has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002. He is currently a Director of IOOF Investment Management Ltd, Perennial Investment Partners Ltd and IOOF Life Ltd. He is also Chairman of the Governance, Compliance and Risk Committee. Mr Parkinson spent 12 years with the Citibank Group in Australia (commencing in 1971), in senior management roles in corporate and merchant banking, including Managing Director of Grindlays Australia for five years. Previous experience also includes several years with Unilever Ltd in the UK. For the past 20 years he has run his own corporate advisory business specialising in international trade and investment opportunities. Awarded CBE in 1990, he is a Past Federal Chairman of the Australian-British Chamber of Commerce and Past Chairman of the National Fund Raising Committee of the Cambridge Australia Trust.</p>





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

Mr Blair has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 2000 to 2002 and he was previously a Director of IOOF Australia Trustees Ltd. He is currently Chairman of the Audit Committee and a member of the Remuneration and Nominations Committee. Mr Blair is a Chartered Accountant and a company Director, having had a long career with accounting firm Deloitte Touche Tohmatsu, including 5 years as Chief Executive Officer of the firm. He is also a Director of SAS Trustee Corporation (NSW State Superannuation Fund), Melbourne Business School Ltd and Sisters of Charity Health Service Ltd. Mr Blair has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community.



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

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



**Mr R Dewhurst**  
ASIA

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

# committed

## Executive Team



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

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



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

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



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

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



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

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



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

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



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

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



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

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

## Regulatory bodies that govern IOOF

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

### Australian Securities and Investments Commission (ASIC)

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

### Australian Prudential Regulation Authority (APRA)

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

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

### Australian Taxation Office (ATO)

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

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

### Australian Stock Exchange (ASX)

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

### Industry Professional Bodies

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

Some of these include the following:

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

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

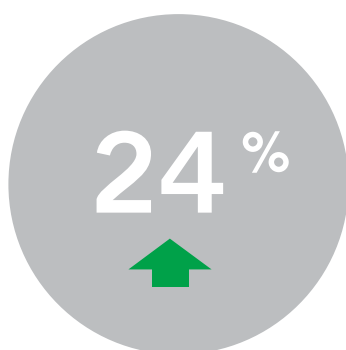


## How does IOOF measure its performance?

Revenue

Operating expense to gross margin

Net profit after tax



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

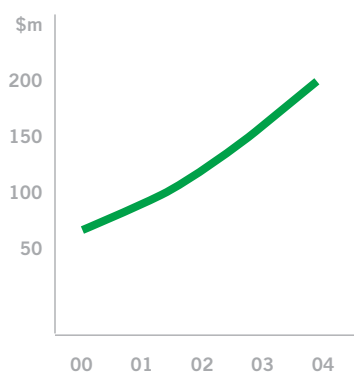


Operating expense to gross margin has decreased from 96% to 80%.

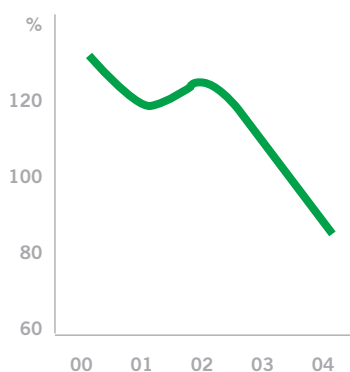


Net profit after tax has increased from \$34.7 million to \$41.6 million.

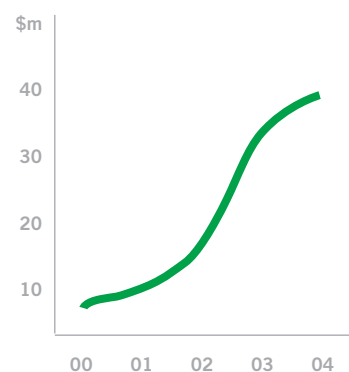
### Scorecard – our 5 year performance



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



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



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

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

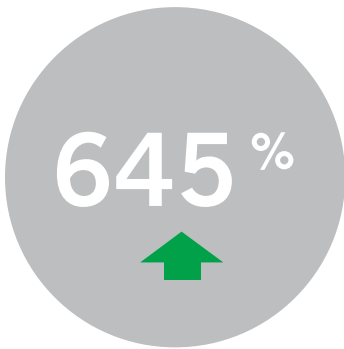
Prospectus: 81%  
Actual: 80%

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

Cash earnings

Funds inflows

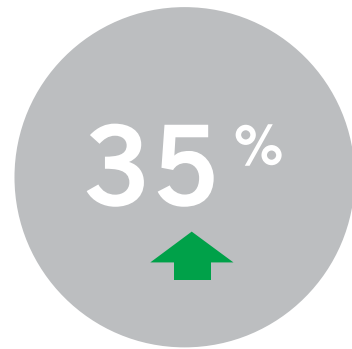
Assets under Management



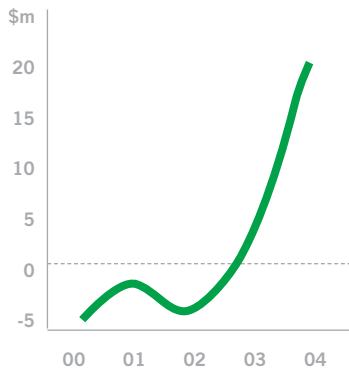
Cash earnings have increased from \$2.5 million to \$18.8 million.



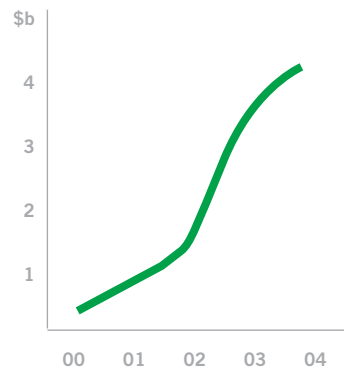
Funds inflows have increased from \$3.6 billion to \$4.5 billion.



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



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



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



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

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

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

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

## How did IOOF perform last year?

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

### Non-Recurring Events

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

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

### Shareholder returns

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

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

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





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

### Cash, Liquidity and Funding

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

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

## What is IOOF doing to improve its performance?

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

### Relationships

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

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

### Continuous improvement of IOOF resource management

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

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

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

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

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

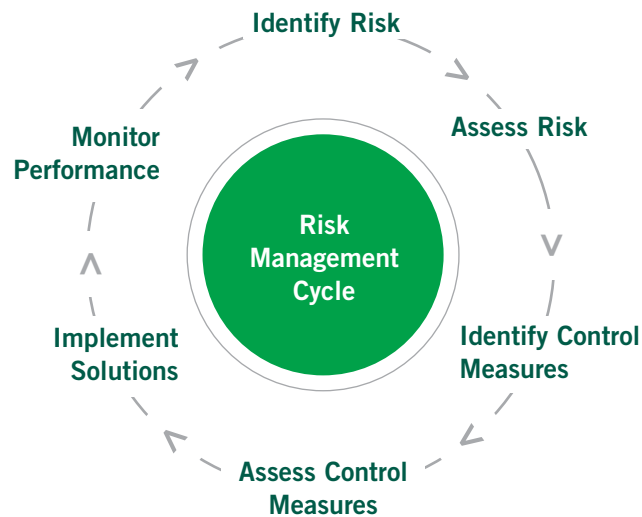
The IOOF Group has risk management policies and procedures in place to identify and manage its business risks. A formal risk management framework is in place which is aimed at identifying and controlling risks and reporting them to the Board via the relevant Committee. The framework takes account of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

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

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

**The Risk Management Process**

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



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

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

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

## IOOF Corporate Governance

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

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

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

### Role of the Board

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

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

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

### Role of the Chairman

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

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

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

### **Role of Independent Directors**

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

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

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

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

### **Board Committees**

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

### **Audit Committee**

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

The Audit Committee oversees and appraises the quality of the audits conducted by the IOOF Group's internal and external auditors and emphasises areas where the Committee believes special attention is required. The current internal and external auditors were both appointed as a result of external tender processes conducted in 1999 and 2000 respectively. These appointments will each be reviewed periodically, in line with industry best practice. We believe in the ongoing assessment of our audit arrangements and will comply with any regulatory requirements to rotate our external audit partner.

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

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

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

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

### **Remuneration & Nomination Committee**

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

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

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

### **Performance Evaluation**

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

### **Continuous Disclosure**

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

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

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

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

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

**Other Shareholder Communications**

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

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

**Independent Legal and Other Advice**

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

**Code of Conduct**

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

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



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

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

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

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

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

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

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

## Our commitment to the community

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

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

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

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

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

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

**Good Shepherd Youth  
& Family Services**

#### Hanover Welfare Services

- 1.1 \$25,000 to the Kids First program at Hanover's Dandenong-based service.

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

- 2.1 \$25,000 to fund the ongoing operations of the Hanover Inner North Support Service and the Hanover Outreach Team

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

#### Somebody's Daughter Theatre

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

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

#### Very Special Kids

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

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





**Wintringham**

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

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

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

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

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

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

## Our commitment to the environment

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

## Our commitment to IOOF staff

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

A number of other initiatives for our staff aim to:

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

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

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

# **Financial Report**

**For the year ended 30 June 2004**

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## IOOF HOLDINGS LTD

### Directors' Report

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

### Directors

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

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

#### Experience and Directorships

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

#### Special Responsibilities

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

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

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

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

**Experience and Directorships**

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

**Special Responsibilities**

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

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

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

Mr Crivelli has been an Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1997 to 1999, and an Executive Director from 1999 to 2002. Mr Crivelli is currently Chairman of Perennial Investment Partners Limited, Perennial Investment Partners Asia Limited and Perennial Value Management Limited. Mr Crivelli has previously been a Director of BT Funds Management Ltd and various listed BT investment companies, Barnardos Ltd, State Super Financial Services Ltd, TIF Nominees Pty Ltd (Manager of the TWU Super Fund), State Wide Roads Ltd, Colonial Agricultural Ltd and Australian Investment Managers' Association (now part of IFSA). Mr Crivelli has over 40 years experience in the investment banking and funds management industries.

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

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

#### Experience and Directorships

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

#### Special Responsibilities

- Chairman of the Governance, Compliance and Risk Committee

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

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

#### Experience and Directorships

Mr Blair has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 2000 to 2002 and he was previously a Director of IOOF Australia Trustees Ltd. He is currently Chairman of the Audit Committee and a member of the Remuneration and Nominations Committee. Mr Blair is a Chartered Accountant and a company Director, having had a long career with accounting firm Deloitte Touche Tohmatsu, including 5 years as Chief Executive Officer of the firm. He is also a Director of SAS Trustee Corporation (NSW State Superannuation Fund), Melbourne Business School Ltd and Sisters of Charity Health Service Ltd. Mr Blair has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community.

#### Special Responsibilities

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

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

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

#### Experience and Directorships

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

#### Special Responsibilities

- Audit Committee Member
- Chairman of Remuneration and Nominations Committee

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

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

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

#### Experience and Directorships

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

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

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

#### Experience and Directorships

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

#### Special Responsibilities

- Former Member of Listing Due Diligence Committee

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

**Mr C Macek** (Age 57)

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

#### Experience and Directorships

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

#### Special Responsibilities

- Former Member of Remuneration and Nominations Committee

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

## Principal Activities

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

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



## Significant Change in State of Affairs

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

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

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

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

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

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

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

IOOF Holdings Ltd, as head entity in the tax consolidation group, has decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office will be notified of this decision when the consolidated income tax return for the year ended 30 June 2004 is lodged. Under the tax consolidation legislation, all wholly owned subsidiaries will become part of the tax consolidated group and will therefore no longer be subject to income tax. The tax consolidated entities have entered into a tax sharing agreement whereby each subsidiary member is oncharged its share of tax expense from the Head Entity.

## Consolidated Results

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

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

## Dividends

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

## Review of Operations

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

## Matters Subsequent to the End of the Financial Year

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board interpretations originated by the Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the IOOF Group's financial statements for the half year ending 31 December 2005. Information about how the transition to Australian equivalents to IFRS is being managed and the key differences in accounting policies that are expected to arise, is set out in Note 34.

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

## Future Developments

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

## Directors' Benefits

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

- a. | a benefit included in the aggregate amounts received or due and receivable by the Directors as detailed in Note 27;
- 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 27; and
- c. | a benefit arising through a contractual relationship with entities in which the Directors have a financial interest as detailed in Note 28.

## Directors' and Executives' Remuneration

The company has applied ASIC Class Order 98/2395 whereby readers are referred to the Notes to the financial statements. The principles used to determine remuneration and rewards of the company's directors and specific executives are set out in Note 27. This note includes disclosure for each of the 5 named officers of the company receiving the highest emoluments.

## Directors' Meetings

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

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

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

(b) Reflects the number of board meetings attended during the year. Note, in addition to the above regular scheduled meetings a number of additional meetings were held during the year to address special Board issues. These were attended by all, or the majority of, the Directors.

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

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

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

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

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

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

## Indemnification

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

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

## Proceedings on behalf of the company

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

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

## Non-audit Services

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

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

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

## Environmental Regulation

The IOOF Group is not subject to significant environmental regulation.

## Rounding Off of Amounts

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

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



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



**R Dewhurst** Director and Chief Executive Officer

## IOOF HOLDINGS LTD

### Statements of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated		Parent	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Revenues from ordinary activities</b>	2	198,420	159,712	24,210	15,717
Expenses from ordinary activities, excluding borrowing costs expense	3	(166,425)	(125,288)	(16,344)	(11,361)
Borrowing costs expense	3	(56)	(92)	-	-
Share of Net Profits/(Losses) of associated entities accounted for using the equity method	3	2,214	(83)	-	-
<b>Profit from ordinary activities before income tax</b>		34,153	34,249	7,866	4,356
Income tax benefit/(expense)	4	7,423	424	566	(828)
<b>Net Profit</b>		41,576	34,673	8,432	3,528
Net (profit)/loss attributable to outside equity interest		(474)	20	-	-
<b>Net Profit attributable to members of IOOF Holdings Ltd</b>		41,102	34,693	8,432	3,528
<b>Total revenues, expenses and valuation adjustments attributable to members of IOOF Holdings Ltd and recognised directly in equity</b>		-	-	-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	19	<b>41,102</b>	<b>34,693</b>	<b>8,432</b>	<b>3,528</b>
		<b>Cents</b>	<b>Cents</b>		
<b>Basic earnings per share</b>	22	71.70	71.91		

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

## Statements of Financial Position

AS AT 30 JUNE 2004

	Notes	Consolidated		Parent	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Assets</b>					
Cash assets	5	62,124	24,356	38,999	5,436
Receivables	6	44,064	14,044	52,888	18,378
Other financial assets	7	35,687	39,363	119,419	115,346
Investments accounted for using the equity method	8	4,138	4,263	-	-
Other assets	9	14,325	15,655	99	38
Plant and equipment	10	1,932	2,186	1,125	16
Tax assets	11	5,938	3,891	5,560	1,522
Gross policy liabilities ceded under reinsurance	33	396	551	-	-
Intangible assets	12	14,983	9,474	-	-
Excess of net market value over net assets of controlled entities	13	125,637	93,986	-	-
<b>Total Assets</b>		<b>309,224</b>	<b>207,769</b>	<b>218,090</b>	<b>140,736</b>
<b>Liabilities</b>					
Payables	14	21,154	18,177	7,252	3,557
Tax liabilities	15	23,968	1,027	23,631	43
Provisions	16	14,898	22,187	5,111	4,226
Policy liabilities	33	500	685	-	-
Interest bearing liabilities	17	-	1,315	-	-
<b>Total Liabilities</b>		<b>60,520</b>	<b>43,391</b>	<b>35,994</b>	<b>7,826</b>
<b>NET ASSETS</b>		<b>248,704</b>	<b>164,378</b>	<b>182,096</b>	<b>132,910</b>
<b>Equity</b>					
Parent entity interest					
- Contributed capital	18	170,136	129,382	170,136	129,382
- Retained profits	19	75,863	34,693	11,960	3,528
<b>Total Parent Entity Interest</b>		<b>245,999</b>	<b>164,075</b>	<b>182,096</b>	<b>132,910</b>
Outside equity interests	20	2,705	303	-	-
<b>TOTAL EQUITY</b>		<b>248,704</b>	<b>164,378</b>	<b>182,096</b>	<b>132,910</b>

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

## IOOF HOLDINGS LTD

### Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated		Parent	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>					
Management fees received		136,416	85,371	7,845	6,227
Premium income received		773	14,142	-	-
Commission income received		12,049	10,733	-	-
Payments to suppliers and employees		(154,355)	(132,507)	(25,619)	(14,045)
Dividends/distributions received		1,013	1,891	13,303	910
Interest income received		2,573	1,042	1,425	250
Other income received		2,691	6,483	548	403
Income tax benefit received		1,247	1,259	(669)	(489)
Net cash provided by/(used in) operating activities	31(b)	2,407	(11,586)	(3,167)	(6,744)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares (net of issuing costs)		40,753	-	40,753	-
Payments for leased assets		(1,315)	-	-	-
Proceeds from issue of shares to minority interests		1,999	172	-	-
Dividends received		1,069	-	-	-
Funds provided to controlled entity		-	-	-	(17,826)
Net cash provided by/(used in) financing activities		42,506	172	40,753	(17,826)
<b>Cash flows from investing activities</b>					
Cash acquired on acquisition of controlled entity		-	458	-	-
Payment for purchase of investment securities		(4,368)	(105)	(4,591)	-
Proceeds from sale of investment securities		6,578	423	6,617	-
Proceeds from sale of shares in controlled entity net of cash disposed		2,057	4,233	-	13,768
Payment for purchase of shares in controlled entity		-	-	-	(11,700)
Payment for purchase of shares in associated entity		(506)	(4,217)	-	-
Payment for purchase of funds management business		-	(3,416)	-	-
Proceeds from repayment of loans and mortgage securities		97	63	-	108
Payment for purchase of plant and equipment		(1,411)	(5,500)	(1,126)	-
Payment for purchase of other intangible assets		(7,366)	-	-	-
Proceeds from sale of options		-	15	-	-
Loans to controlled entity		-	-	(4,875)	-
Loans to directors of controlled entities		(2,029)	(80)	-	-
Loans to related parties		(1,829)	-	-	-
Loans to executives of related entity		(1,251)	(92)	-	-
Proceeds from disposal of plant and equipment		-	3	-	4,233
Net cash provided by/(used in) investing activities		(10,028)	(8,215)	(3,975)	6,409
<b>Net increase/(decrease) in cash held</b>		<b>34,885</b>	<b>(19,629)</b>	<b>33,611</b>	<b>(18,161)</b>
<b>Cash at the beginning of the financial year</b>		<b>40,577</b>	<b>60,206</b>	<b>6,378</b>	<b>24,539</b>
<b>Cash at the end of the financial year</b>	31(a)	<b>75,462</b>	<b>40,577</b>	<b>39,989</b>	<b>6,378</b>

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



## Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### Financial Reporting Framework

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

It has been prepared in accordance with the historical cost convention, except for certain assets, which as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. The adoption of Australian equivalents to IFRS will be first reflected in the company's financial statements for the half year ending 31 December 2005. Information about how the transition to IFRS is being managed and the key differences in accounting policies that are expected to arise, is set out in Note 34.

#### Significant Accounting Policies

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

##### a. Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being the Company and its controlled entities as defined in accounting standard AASB 1024 Consolidated Accounts. A list of controlled entities appears in Note 29 to the financial statements. Consistent accounting policies have been employed across all entities comprising the economic entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

The financial statements of controlled life insurance entities, comprising policyholder funds and shareholders' funds are included in the consolidated financial report on a line by line basis except that, in the consolidated entity's statement of financial position, the following are separately identified:

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

##### b. Shareholders entitlement to monies held in Statutory Funds

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

##### c. Claims Recognition

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

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

##### d. Other Financial Assets

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

###### *Controlled Entities*

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

###### *Equity Securities*

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

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

###### *Unlisted Unit Trusts*

Net market value of units in unlisted unit trusts is determined at the net asset value per unit at balance date.

The net asset value is calculated by deducting from the value of the unit trust's gross assets, the value of liabilities of the unit trust.

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

###### *Controlled Entities*

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

###### *Debt Securities*

Interest bearing securities are recorded at market value.

###### *Equity Securities*

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

###### *Mortgage Securities*

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

###### *Unlisted Unit Trusts*

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

##### e. Revenue

###### **Revenue is recognised for the major business activities as follows:**

Management fees earned from the funds are calculated based on an agreed percentage of the respective funds under management or administration and are recognised on an accruals basis.

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

Commission income from the provision of financial advisory services is recognised on an accruals basis.

Life insurance premiums with no due date are recognised as revenue on a cash received basis. Premiums with regular due dates are recognised as revenue on a basis which is consistent with the Actuary's valuation of liabilities.

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

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### f. Income Tax

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

IOOF Holdings Ltd and its wholly owned entities (including IOOF Ltd benefit funds) have decided to implement the tax consolidation legislation on 1 July 2003. The Australian Taxation Office will be notified of this decision when a consolidated income tax return for the year ended 30 June 2004 is lodged.

As a consequence, IOOF Holdings Ltd, as head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to the wholly owned entities joining the tax consolidated group are measured based on their carrying amount at the level of the tax consolidated group before the implementation of the tax consolidation regime. The impact on the income tax expense for the year is disclosed in Note 4.

The applicable rates of income tax vary depending upon the fund or entity involved. Segregated superannuation and rollover fund business of IOOF Ltd benefit funds attracts income tax at the rate of 15% (2003: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2003: 30%).

#### g. Depreciation and Amortisation

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

Plant and Equipment - 3 - 10 years

#### h. Intangible Assets and Expenditure Carried Forward

##### (i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net asset acquired, including any liability for restructuring cost, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise. The period over which amortisation is applied does not exceed 20 years. The cost of acquisition is discounted as described in Note 1(j) where settlement of any part of cash consideration is deferred.

##### (ii) Development of Assets

Costs incurred with major software development and major projects are capitalised where it is probable that future economic benefits will eventuate. Capitalised costs are deferred until such time the asset is ready for use. Capitalised costs are amortised over 3 years.

#### i. Leasehold Improvements

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

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2004

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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##### j. Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus any incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on issue of equity instruments are recognised directly in equity.

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

Goodwill is brought to account on the basis described in Note 1(h)(i).

##### k. Cash

For purposes of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

##### l. Receivables

All trade debtors are recognised at the amounts receivable. They are due for settlement at terms which vary between 14 days and, in exceptional circumstances, 180 days from the date of recognition.

The recoverability of trade debtors is reviewed on an ongoing basis. Debts which are known to be unrecoverable are written-off to the Statement of Financial Performance. A provision for doubtful debts is raised where some doubt as to collection exists, based on the amount that is expected to be doubtful of recovery.

##### m. Accounts Payable

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

##### n. Recoverable Amount of Long Term Assets

Assets with future economic benefits expected to exceed 12 months are written down to their recoverable amounts where the carrying amount of these asset exceeds its recoverable amount. Recoverable amounts are determined as the amounts expected to be recovered through the cash inflows and outflows arising from the continued use and subsequent disposal of these assets, which have been discounted where appropriate.

##### o. Leases

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

Finance leases are capitalised. A leased asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

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

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

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### o. Leases (Cont.)

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

#### p. Employee Entitlements

##### (i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave represent the amount which the IOOF Holdings Ltd Group has a present obligation to pay resulting from employees' services provided up to balance date. Amounts to be settled within 12 months are recognised in other creditors. These liabilities are recognised at the remuneration rates expected to be paid when obligations are settled and include related on-costs.

##### (ii) Long Service Leave

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

Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using rates attaching to Commonwealth Government securities, which most closely match the terms of maturity of the related liabilities at balance date. This liability represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date.

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

##### (iii) Termination Benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. These liabilities for termination benefits are recognised within other creditors.

Liabilities for redundancies arising from restructuring occurring as a consequence of an acquisition of an entity or operation, are only recognised when the main features of a plan have been developed for redundancies and a valid expectation has been raised in those employees affected that the redundancies will be carried out. These liabilities for redundancies are recognised within provisions for restructure.

Liability for termination benefits and redundancies that are expected to be settled within 12 months are measured at the amount expected to be paid when they are settled.

Liabilities for termination benefits and redundancies which are not expected to be settled within 12 months are discounted using rates attaching to Commonwealth Government securities, which most closely match the terms of maturity of the related liabilities at balance date. This liability represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date.

##### (iv) Employee Benefits On-Costs

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

##### (v) Equity Based Compensation Benefits

Equity based compensation benefits are provided to employees via an employee share scheme. Shares allocated to employees pending the satisfaction of performance prerequisites, are placed with the IOOF Executive Performance Share Plan Trust. IOOF Holdings Ltd has no control over the Trust and therefore has no right to recall placed shares. The acquisition cost of shares provided to the IOOF Executive Performance Share Plan Trust is recognised as an employee benefits expense when the shares are acquired. Where shares are issued to this trust, no expense is recognised. The shares will vest with individuals in accordance with the plan.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

##### p. Employee Entitlements (Cont.)

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

##### (vi) Incentive Plans

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

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

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

##### q. Deferred Acquisition Costs

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

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

##### r. Dividends

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

##### s. Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after tax attributable to members of the company, excluding any costs of serving equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

##### t. Goods and Services Tax

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

##### u. Rounding off of amounts

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

##### v. Comparatives

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial period.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>2. REVENUE</b>				
<b>Revenue from operating activities</b>				
Management fees:				
- Benefit funds	17,071	17,864	-	-
- Investment products	122,615	69,403	-	-
- Controlled entities	-	-	7,845	6,227
- Related entities	2,085	-	-	-
- Other entities	2,863	4,300	-	-
Commission revenue:				
- Non-related entities	12,049	10,610	-	-
Health premium income	-	14,198	-	-
Other fee revenue	437	284	-	-
	157,120	116,659	7,845	6,227
<b>Revenue from outside the operating activities</b>				
Interest revenue:				
- Directors & director-related entities	112	29	11	10
- Other related parties	147	146	-	-
- Non-related entities	2,352	950	1,367	118
	2,611	1,125	1,378	128
<b>Dividends:</b>				
- Controlled entities	-	-	13,000	-
- Non-related entities	291	475	243	475
Distributions:				
- Other related parties	672	1,160	47	259
Operating lease rental revenue				
- Non-related entities	495	192	-	-
Realised gains on investments	1,544	204	1,494	128
Unrealised losses on investments	-	(36)	-	(1)
Change in excess of net market value over net assets of controlled entities	31,135	30,896	-	-
Profit on sale of shares in controlled entities	2,039	7,323	-	8,096
Other	1,895	1,563	203	405
	38,071	41,777	14,987	9,362
<b>Life Insurance Revenue</b>				
Direct insurance premiums	618	151	-	-
<b>Revenues from ordinary activities</b>	<b>198,420</b>	<b>159,712</b>	<b>24,210</b>	<b>15,717</b>

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>3. EXPENSES</b>				
Profit from ordinary activities before income tax includes the following specific expenses:				
Borrowing costs expense				
Interest:				
- Non-related entities	56	92	-	-
Share of (Net profits)/Losses of associated entities:				
Share of associated entities' operating (profit)/loss after income tax	(2,214)	83	-	-
Expenses from ordinary activities, excluding borrowing costs expense:				
Net movement in provision for doubtful debts in respect of amounts receivable from:				
- Non-related parties	87	(25)	87	-
Depreciation of plant and equipment	1,563	1,176	21	3
Amortisation of Goodwill	146	-	-	-
Amortisation of software and infrastructure projects	5,343	2,232	-	-
Loss on disposal of plant and equipment	1	-	-	-
Operating lease rental expenses:				
- Non-related entities	3,829	2,413	446	293
Surplus lease space	-	74	-	-
Occupancy related expenses	1,230	1,276	100	106
Net transfers to employee provisions	2,989	3,184	506	617
Salaries and related expenses	43,037	32,820	7,502	3,893
Commission and management fees				
- Related entity	3,797	-	-	-
- Non-related entities	67,299	45,373	-	-
Insurance	1,184	979	111	192
Professional fees	8,200	7,053	4,857	3,064
Provision for diminution in value of investment				
- Other financial assets (Note 7)	1,390	-	300	-
- Associated entity (Note 8)	1,800	-	-	-
Marketing	4,337	3,275	94	46
Health benefits paid	-	11,181	-	-
Deferred acquisition costs amortisation	4,940	4,121	-	-
Computer maintenance and support	5,941	2,454	328	439
Office support	3,064	3,014	1,241	1,360
Other expenses from ordinary activities	5,938	4,575	751	1,348
	166,115	125,175	16,344	11,361
<b>Life insurance operating expenses includes:</b>				
Outward reinsurance expense	340	79	-	-
Increase/(decrease) in policy liabilities	(30)	-	-	-
Operating expenses	-	34	-	-
	310	113	-	-
<b>Total expenses from ordinary activities, excluding borrowing costs expense</b>	<b>166,425</b>	<b>125,288</b>	<b>16,344</b>	<b>11,361</b>



## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>4. INCOME TAX EXPENSE</b>				
<b>Income tax expense</b>				
<b>Profit from ordinary activities before income tax</b>	<b>34,153</b>	<b>34,249</b>	<b>7,866</b>	<b>4,356</b>
Prima facie income tax expense calculated on profit before tax at 30%	(10,246)	(10,280)	(2,360)	(1,307)
<b>Tax effect of permanent differences:</b>				
Share of tax credits with benefit funds	(2,920)	(3,662)	-	-
(Non-deductible expenditure)/non assessable income	14,398	13,337	3,454	(541)
Over/(under) provision in prior years (Note 4 (a))	5,992	269	(656)	-
Other	199	760	128	1,020
Income tax (expense)/benefit attributable to profit from ordinary activities before impact of tax consolidation	<b>7,423</b>	<b>424</b>	<b>566</b>	<b>(828)</b>
Profit from ordinary activities before income tax expense - tax consolidation group (excluding parent entity) (Note 4 (c))			104,528	-
Prima facie income tax benefit/(expense) calculated on profit before tax at 30%			(31,358)	-
<b>Tax effect of permanent differences:</b>				
(Non-deductible expenditure)/non assessable income			7,690	-
Over provision in prior years			6,298	-
Other			2,507	-
Income tax (expense)/benefit attributable to profit - tax consolidated group (excluding parent entity)			(14,863)	-
Income tax (expense)/benefit attributable to profit - tax consolidated group (inclusive of parent entity)			(14,297)	-
Net deferred tax liabilities of tax consolidated group entities assumed on implementation of tax consolidation			(2,914)	-
Pre-tax consolidation tax refund			(6,297)	-
Compensation received from tax consolidated group entities			24,074	-
<b>Income tax (expense)/benefit attributable to profit from ordinary activities</b>	<b>7,423</b>	<b>424</b>	<b>566</b>	<b>-</b>
Aggregate income tax expense comprises:				
Current taxation provision	1,113		827	
Deferred income tax provision	248		16	
Future income tax benefit	70		379	
Over/(under) provision in prior year	5,992		(656)	
	7,423		566	

### (a) Over provision for tax

The over provision for tax in relation to the prior year arose due to lodgment of an amended prior year tax return for a subsidiary following a change in tax legislation that allowed the utilisation of tax losses.

### (b) Tax Losses

No part of the future income tax benefit shown in Note 11 is attributable to tax losses. Details of the potential future income tax benefit at 30 June 2004 in respect of tax losses not brought to account is set out in Note 11(b).

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 4. INCOME TAX EXPENSE (Cont.)

##### (c) Tax Consolidation

IOOF Holdings Ltd and its wholly owned entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office will be notified of this decision when a consolidated income tax return for the year ended 30 June 2004 is lodged. The accounting policy on implementation of the legislation is set out in Note 1(f). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The entities have also 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.

Profit from ordinary activities for the tax consolidated group includes the profit generated by IOOF Ltd benefit funds. The profit of these funds is included in the tax consolidation group but does not form part of the consolidated profit disclosed in the financial statements.

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>5. CASH ASSETS</b>				
Cash	60,141	22,019	38,398	4,864
Deposits on call	1,983	2,337	601	572
	<b>62,124</b>	<b>24,356</b>	<b>38,999</b>	<b>5,436</b>

#### 6. RECEIVABLES

Receivables	5,327	7,216	1,036	1,460
Provision for doubtful debts	(847)	(761)	(437)	(351)
	4,480	6,455	599	1,109
Interest receivable	93	55	-	-
Amount receivable from controlled entities	-	-	28,426	17,100
Amounts receivable from related parties	18,353	7,010	33	58
Distributions receivable	309	358	-	13
Dividends receivable	55	97	55	97
Tax related receivable from controlled entities	-	-	3,005	-
Tax related receivable from related entities (Note 6 (a))	20,774	-	20,770	-
Other receivable	-	69	-	1
	<b>44,064</b>	<b>14,044</b>	<b>52,888</b>	<b>18,378</b>

##### (a) Tax related receivables from related entities

IOOF Holdings Ltd, as head entity in the tax consolidation group, has recognised current and deferred net tax amounts relating to transactions and balances of the IOOF Ltd benefit funds and is compensated by the benefit funds. The benefit funds are not consolidated in the financial statements of the IOOF Holdings Ltd Group. (Note 15)

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>7. OTHER FINANCIAL ASSETS</b>				
<b>Debt securities</b>				
- Unlisted unit trusts - other related parties	13,489	15,932	1,234	1,105
- Other debt securities	300	300	300	300
- Provision for diminution in value of investment	(300)	-	(300)	-
<b>Total Debt Securities</b>	<b>13,489</b>	<b>16,232</b>	<b>1,234</b>	<b>1,405</b>
<b>Equity investments</b>				
- Shares in listed corporations	5,485	10,585	5,485	10,585
- Shares in other corporations	3,932	3,254	-	-
- Provision for diminution in value of investment	(1,090)	-	-	-
- Shares in controlled entities	-	-	106,839	102,339
- Equity investment in member funds	7,192	7,192	-	-
- Unlisted unit trusts - other related parties	560	537	560	537
<b>Total Equity Securities</b>	<b>16,079</b>	<b>21,568</b>	<b>112,884</b>	<b>113,461</b>
<b>Property Securities</b>				
- Mortgages	189	228	189	228
- Unlisted unit trusts - other related parties	44	40	44	40
<b>Total Property Securities</b>	<b>233</b>	<b>268</b>	<b>233</b>	<b>268</b>
<b>Other</b>				
- Unlisted unit trusts - other related parties	119	496	26	45
- Unlisted unit trusts	150	150	-	-
- Loan to related parties (Note 28)	1,977	186	-	-
- Loans to directors of controlled entities (Note 28)	2,308	363	167	167
- Loans to executives of related entities (Note 28)	1,251	-	-	-
- Subordinated loan receivable from controlled entity (Note 28)	-	-	4,875	-
- Regulatory deposits (Note 7(a))	81	100	-	-
<b>Total Other</b>	<b>5,886</b>	<b>1,295</b>	<b>5,068</b>	<b>212</b>
<b>Total</b>	<b>35,687</b>	<b>39,363</b>	<b>119,419</b>	<b>115,346</b>

### (a) Cash not available for use

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

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated	
	2004 \$'000	2003 \$'000
<b>8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		
Investment in associated companies (Note 8 (a))	4,138	4,263
Reconciliation of carrying amounts:		
Balance at beginning of financial year	4,263	2,000
Additions during the year	531	2,346
Dividend paid	(1,069)	-
Provision for diminution in value of investment	(1,800)	-
Share of operating profit / (loss)	3,164	(83)
Share of tax (expense)/credit	(951)	-
	<b>4,138</b>	<b>4,263</b>

#### (a) Associated Entities

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

The IOOF Group has a 5% interest in Financial Partnership Pty Ltd. Financial Partnership Pty Ltd is equity accounted on the basis that it is economically dependent upon the IOOF Group.

Perennial Investment Partners Limited no longer controls Perennial Value Management Limited and therefore, Perennial Value Management Limited has not been consolidated for the entire year. An amended shareholding agreement between Perennial Investment Partners Limited and Perennial Value Management Limited has resulted in the sale of shares to Directors and Executives of the Perennial Group. A profit on sale of shares in Perennial Value Management Limited of \$2,052,000 was realised as a result. As Perennial Investment Partners Limited can significantly influence Perennial Value Management Limited under the terms of the agreements, the investment in Perennial Value Management Limited has been equity accounted.

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>9. OTHER ASSETS</b>				
Prepayments	887	1,175	99	38
Deferred acquisition costs (Note 1(q))	13,438	14,480	-	-
	<b>14,325</b>	<b>15,655</b>	<b>99</b>	<b>38</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>10. PLANT AND EQUIPMENT</b>				
<b>Office Equipment</b>				
Cost	1,938	1,674	116	-
Accumulated depreciation	(1,250)	(645)	(1)	-
	688	1,029	115	-
<b>Leasehold Improvements</b>				
Cost	3,808	2,777	1,032	19
Accumulated depreciation	(2,564)	(1,620)	(22)	(3)
	1,244	1,157	1,010	16
<b>Total Plant and Equipment</b>				
Cost	5,746	4,451	1,148	19
Accumulated depreciation	(3,814)	(2,265)	(23)	(3)
	<b>1,932</b>	<b>2,186</b>	<b>1,125</b>	<b>16</b>

### Reconciliations

	Consolidated					
	Total	Total	Leasehold	Leasehold	Office	Office
	2004 \$'000	2003 \$'000	Improvements 2004 \$'000	Improvements 2003 \$'000	Equipment 2004 \$'000	Equipment 2003 \$'000
Carrying amount at start of year	2,186	2,224	1,157	1,639	1,029	585
Additions	1,411	1,186	1,110	313	301	873
Disposals	(102)	(48)	(79)	-	(23)	(48)
Depreciation/amortisation	(1,563)	(1,176)	(944)	(795)	(619)	(381)
<b>Carrying amount at end of year</b>	<b>1,932</b>	<b>2,186</b>	<b>1,244</b>	<b>1,157</b>	<b>688</b>	<b>1,029</b>

	Parent					
	Total	Total	Leasehold	Leasehold	Office	Office
	2004 \$'000	2003 \$'000	Improvements 2004 \$'000	Improvements 2003 \$'000	Equipment 2004 \$'000	Equipment 2003 \$'000
Carrying amount at start of year	16	103	16	103	-	-
Additions	1,129	19	1,013	19	116	-
Disposals	-	(103)	-	(103)	-	-
Depreciation/amortisation	(20)	(3)	(19)	(3)	(1)	-
<b>Carrying amount at end of year</b>	<b>1,125</b>	<b>16</b>	<b>1,010</b>	<b>16</b>	<b>115</b>	<b>-</b>

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>11. TAX ASSETS</b>				
Tax refund due	-	364	-	-
Future income tax benefit (Note 11(a))	5,938	3,527	5,560	1,522
	<b>5,938</b>	<b>3,891</b>	<b>5,560</b>	<b>1,522</b>
<b>(a) Future Income Tax Benefit carried forward</b>				
Future income tax benefits carried forward comprise:				
Timing differences	5,938	3,527	5,560	1,522
Tax losses	-	-	-	-
	<b>5,938</b>	<b>3,527</b>	<b>5,560</b>	<b>1,522</b>
Reconciliation of the carrying amounts of future income tax benefits at the beginning and end of the current financial year are set out below:				
Carrying amount at start of year	3,527	3,267	1,522	1,817
Acquired on acquisition of subsidiary assets	-	331	-	-
Disposed on sale of business	(13)	(150)	-	-
Transfer of Future Income Tax Benefit other group company	-	(20)	(13)	(410)
Transfer of Future Income Tax Benefit on tax consolidation	-	-	3,702	-
Tax return adjustments	(7)	(29)	(17)	(145)
Amount arising during the year	149	21	379	260
Future Income Tax Benefits not previously recognised/Adjustment to opening balances	2,282	107	(13)	-
<b>Carrying amount at end of year</b>	<b>5,938</b>	<b>3,527</b>	<b>5,560</b>	<b>1,522</b>

#### (b) Future Income Tax Benefits not recognised

Certain future income tax benefits have

not been recognised as an asset:

Attributable to timing differences, the benefits of which are not assured beyond reasonable doubt

36 1,529 - -

Attributable to tax losses, the benefits of which are not virtually certain

- 8,195 - -

**36 9,724 - -**

The future income tax benefits will only be realised if:

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

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

#### (c) Tax Consolidation

IOOF Holdings Ltd and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office will be notified of this decision when the consolidated tax return for the year ended 30 June 2004 is lodged.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>12. INTANGIBLE ASSETS</b>				
Computer Software and Infrastructure projects - at cost	26,624	19,258	-	-
Accumulated Amortisation	(15,128)	(9,784)	-	-
	11,496	9,474	-	-
Goodwill on acquisition	3,633	-	-	-
Accumulated Amortisation	(146)	-	-	-
	3,487	-	-	-
	<b>14,983</b>	<b>9,474</b>	-	-

### 13. EXCESS OF NET MARKET VALUE OVER NET ASSETS OF CONTROLLED ENTITIES

Excess of net market value over net assets of controlled entities (Note 13(a))	125,637	93,986	-	-
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(a) The movement in Excess of net market value over net assets of controlled entities is summarised as follows:

	Consolidated		
	2004 \$'000	2003 \$'000	Movement
IOOF Investment Management Limited	80,842	48,652	32,190
IOOF Investment Holdings Ltd	25,495	28,434	(2,939)
IOOF Ltd	19,300	16,900	2,400
	<b>125,637</b>	<b>93,986</b>	31,651
Adjustment to acquisition provisions regarding Superannuation and funds management business acquired from AM Corporation Limited			(516)
Movement in excess of net market value over net assets recognised in the Statement of Financial Performance			<b>31,135</b>

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>14. PAYABLES</b>				
Accounts payable	12,780	13,194	875	848
Amounts payable to controlled entities	-	-	2,136	1,017
Amounts payable to other related parties	2,082	479	-	-
Tax related payable to controlled entities	-	-	2,990	-
Other creditors - employee entitlements	6,292	4,504	1,251	1,692
	<b>21,154</b>	<b>18,177</b>	<b>7,252</b>	<b>3,557</b>

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>15. TAX LIABILITIES</b>				
Income tax (Note 15 (a))	6,622	274	6,311	-
Deferred income tax (Note 15 (a))	17,346	753	17,320	43
	<b>23,968</b>	<b>1,027</b>	<b>23,631</b>	<b>43</b>

#### (a) Tax Consolidation

IOOF Holdings Ltd, as head entity in the tax consolidation group, has recognised current and deferred net tax amounts relating to transactions and balances of the IOOF Ltd benefit funds and will be compensated by the benefit funds. (Note 6)

#### 16. PROVISIONS

Employee entitlements	1,939	2,131	377	217
Directors' retirement	536	294	536	294
Acquisition costs	3,853	6,011	-	-
Restructuring costs	872	4,052	-	-
Other provisions	7,698	9,699	4,198	3,715
	<b>14,898</b>	<b>22,187</b>	<b>5,111</b>	<b>4,226</b>

#### Acquisition costs

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

#### Restructuring costs

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

#### Other provisions

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



## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 16. PROVISIONS (Cont.)

#### Movements in provisions

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

	Directors' Retirement \$'000	Acquisition Costs \$'000	Restructure Costs \$'000	Other Provisions \$'000
<b>Consolidated - 2004</b>				
Balance at beginning of financial year	294	6,011	4,052	9,699
Additional provisions recognised	242	653	970	1,186
Reductions for provisions no longer required	-	(7)	-	(458)
Payments/other sacrifices of economic benefits	-	(2,804)	(4,150)	(2,729)
Balance at end of the financial year	536	3,853	872	7,698
<b>Parent - 2004</b>				
Balance at beginning of financial year	294	-	-	3,715
Additional provisions recognised	242	-	-	1,189
Reductions for remeasurement without cost	-	-	-	(42)
Payments/other sacrifices of economic benefits	-	-	-	(664)
Balance at end of the financial year	536	-	-	4,198

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Employee Benefits and Related On-Costs Liabilities</b>				
Included in other creditors (Note 14)	6,292	4,504	1,251	1,692
Provision for employee entitlements (Note 16)	1,939	2,131	377	217
	8,231	6,635	1,628	1,909
	2004 Number	2003 Number	2004 Number	2003 Number
<b>Employee Numbers</b>				
Number of employees at the end of the financial year	358	402	32	31

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>17. INTEREST BEARING LIABILITIES</b>				
Finance lease liability (Note 26)	-	1,315	-	-
	-	<b>1,315</b>	-	-
<b>Financing arrangements</b>				
Unrestricted access was available at balance date to the following lines of credit:				
<b>Cash Advance Facility</b>				
Total facility	20,000	-	20,000	-
<b>Unused at balance date</b>	<b>20,000</b>	-	<b>20,000</b>	-

The cash advance facility may be drawn down at any time following the 2 day drawdown notice period required by the lender, the Westpac Banking Corporation. The facility was established in September 2003 and was extended following a review. Each advance must be in multiples of \$1,000,000 with the base interest rate being the Reuters BBSY bid rate for that period on the first day of the period drawn down.

	Number of Shares	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>18. CONTRIBUTED CAPITAL</b>					
Opening balance	49,210,580	129,382	129,382	129,382	129,382
Issued during the financial year	14,246,337	43,708	-	43,708	-
Cancelled during the financial year	(21,370)	-	-	-	-
Less: Transaction costs arising on share issues	-	(2,954)	-	(2,954)	-
<b>Closing Balance</b>	<b>63,435,547</b>	<b>170,136</b>	<b>129,382</b>	<b>170,136</b>	<b>129,382</b>

At the time of listing 13,875,391 shares were issued at \$3.15 per share and a further 370,946 shares were issued (366,690 shares form part of the total allocation to various employee share plans and 4,256 shares were issued as part of an ongoing review of the share allocation). 21,370 shares were cancelled also as a result of the ongoing review of share allocation.

	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>19. RETAINED PROFITS</b>				
<b>Retained Profits</b>				
Balance at beginning of financial year	34,693	-	3,528	-
Net profit attributable to members of IOOF Holdings Ltd	41,102	34,693	8,432	3,528
Retained losses attributable to entities leaving the Group	68	-	-	-
<b>Balance at end of the financial year</b>	<b>75,863</b>	<b>34,693</b>	<b>11,960</b>	<b>3,528</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>20. OUTSIDE EQUITY INTEREST IN CONTROLLED ENTITIES</b>				
Interest in:				
- Share capital	2,242	314	-	-
- Retained earnings	463	(11)	-	-
	<b>2,705</b>	<b>303</b>	-	-

### 21. DIVIDENDS

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

#### Franked Dividends

The franking portions of the final dividends recommended after 30 June 2004 will be franked out of the existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2005.

	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2003: 30%)	18,193	17,841	17,595	-

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.

Franking credits of \$17,595,000 were transferred from wholly-owned entities to the parent entity at the time these entities entered the tax consolidated group on 1 July 2003.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated	
22. EARNINGS PER SHARE	2004 Cents	2003 Cents
Basic earnings per share	71.70	71.91

	Consolidated	
	2004 \$'000	2003 \$'000
<b>Reconciliations of earnings used in calculating earnings per share</b>		
Net Profit	41,576	34,673
Net (profit) / loss attributable to outside equity interests	(474)	20
<b>Earnings used in calculating earnings per share</b>	<b>41,102</b>	<b>34,693</b>

	Consolidated	
	2004 Number	2003 Number
<b>Weighted average number of shares used in the calculation of earnings per share</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	57,333,580	48,244,777

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

### 23. AUDITORS' REMUNERATION

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

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
a. Auditing the financial reports				
PricewaterhouseCoopers				
- Parent entity	167,329	145,890	167,329	145,890
- Controlled entities	209,703	204,160	3,279	-
- Other related parties	864,234	679,874	-	-
	<b>1,241,266</b>	<b>1,029,924</b>	<b>170,608</b>	<b>145,890</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>23. AUDITORS' REMUNERATION (Cont.)</b>				
b. Other services				
PricewaterhouseCoopers				
- Audit related services	98,454	149,389	-	7,073
- Taxation compliance and advisory services	213,242	262,848	96,229	35,680
- Other advisory services	307,458	310,803	254,624	197,191
- Investigating Accountants report	338,386	-	338,386	-
	<b>957,540</b>	<b>723,040</b>	<b>689,239</b>	<b>239,944</b>

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.

### 24. CONTINGENT LIABILITIES

The Company has provided a warranty capped at \$2.5 million in relation to the sale of IOOF Health Services Ltd. This warranty expires on 31 December 2004. Contingent liabilities exist in relation to matters of litigation and/or possible litigation which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims on a claim by claim basis and specific provision has been made where appropriate. The consolidated entity does not consider that the outcome of any current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

The Economic Entity has provided indemnities for contingent obligations to Westpac Banking Corporation Limited in respect of bankers undertakings provided by Westpac to various parties.

The total contingent obligation at 30 June 2004 is \$253,345.

Contingent liabilities amounting to \$1.5 million exist in relation to guarantees provided to support loans to advisors.

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

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>25. CAPITAL COMMITMENTS</b>				
During prior years, a subsidiary acquired interests in various dealer group entities and has part paid the agreed purchase price. Under the terms of the agreements with these dealer entities, the IOOF Holdings Ltd Group has a contingent commitment to contribute the remaining purchase price. The amount of the additional purchase price is contingent on the dealer entities reaching agreed levels of funds under management and administration.				
The maximum contingent consideration payable in respect of the dealer group agreements due within 12 months is:	2,839	3,318	-	-

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>25. CAPITAL COMMITMENTS (Cont.)</b>				
Pursuant to a Share and Business sale agreement, the Company acquired the shares in AM Life Ltd and business of AM Corporation Ltd. The consideration included a deferred payment which is contingent on retention of prescribed levels of funds under management.				
The maximum contingent consideration payable in respect of this contract due within 12 months is:	12,600	12,600	-	-
<b>26. OTHER COMMITMENTS</b>				
<b>Operating Leases</b>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
- not later than one year	3,479	4,707	-	1,733
- later than one year, not later than five years	9,567	7,156	-	2,483
- later than five years	-	261	-	-
	13,046	12,124	-	4,216
Less: Liability recognised for surplus lease space under non cancellable operating leases	-	(409)	-	-
Commitments not recognised in the financial statements	13,046	11,715	-	4,216
<b>Finance Leases</b>				
Commitments in relation to finance leases are payable as follows:				
- within one year	-	1,377	-	-
- later than one year, not later than five years	-	-	-	-
- later than five years	-	-	-	-
Minimum lease payments	-	1,377	-	-
Less future finance charges	-	(62)	-	-
<b>Total lease liability recognised as a liability</b>	-	1,315	-	-

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 27. DIRECTORS' AND EXECUTIVES' DISCLOSURES

#### Directors

The Directors of the Company during the financial year were:

#### Chairman

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

Mr C Macek (Resigned 19 August 2003)

#### Non-Executive Directors

Dr R N Sexton (Deputy Chairman)

Mr I Blair

Mr M W Parkinson, C.B.E.

Ms K D Spargo

#### Executive Directors

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

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

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

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

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

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

#### Remuneration of directors and executives

##### Principles used to determine remuneration

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

- competitiveness and reasonableness/appropriate mix of short and long term rewards including equity based components;
- alignment with shareholder interests;

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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

- performance linkage/alignment with long term goals;
- transparency;
- capacity to attract and retain talented and experienced professionals.

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

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

#### Non-Executive Directors Fees

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

#### Executive Director and Executive Rewards

The executive salaries and rewards framework has three components:

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

#### *Fixed remuneration*

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

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

#### *Performance incentives*

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



## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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

#### Equity benefits

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

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

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

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

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

#### Details of remuneration

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

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

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

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

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

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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

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

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

<sup>(6)</sup> Bonus includes special grants in relation to the successful acquisition of the AM business amounting to \$607,700, as well as amounts provided under the performance incentive program. The grant date for the special bonus and the performance incentives was 3 September 2003.

<sup>(7)</sup> Non-monetary benefits represents reportable Fringe Benefit Tax amounts.

<sup>(8)</sup> Equity compensation includes salary and performance incentives sacrificed into the Deferred Share Purchase Plan and the current year portion of the Executive Performance Share Plan. The value of the number of shares expected to vest in the Executive Performance Share Plan has been apportioned over the term from grant date to vesting date. The grant date for shares allocated during the year under this plan was 1 December 2003.

<sup>(9)</sup> Other benefits represents principle and interest on loans forgiven as part of arrangements regarding sale of equity in Perennial Investment Partners Ltd.

<sup>(10)</sup> Mr A Mollison has entered into an agreement to cease his employment effective from 30 September 2004. The agreed termination benefit, which has been accrued, includes a share component that will vest on termination date.

#### Contracts for service

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

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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

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

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

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

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

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

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

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

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

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

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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

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

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

#### Loans to directors and executives

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

#### Aggregates for directors and specified executives

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

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

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

#### Terms and Conditions of Loans Issued

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

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

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

#### Other transactions with directors and specified executives

There were no other transactions with directors and specified executives.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 28. RELATED PARTIES

##### a. Identities of Related Parties

Controlled entities are detailed in Note 29. Other related parties were:

- IOOF unit trusts including IOOF superannuation products;
- IOOF Benefit Funds.

Directors and specified executives are set out in note 27.

##### b. Controlled Entities

The ownership interest in controlled entities is set out in note 29.

The following related party transactions occurred between entities in the IOOF Holdings Ltd Group during the year:

- Payment of management fees on normal terms and conditions.
- Provision of administrative services to and from controlled entities based on cost and/or agreed charges. Services include accounting, secretarial, payroll, taxation, group management, legal, computer and investment management.
- Provision of office accommodation on normal terms and conditions.
- Reimbursement of expenses and disbursements made on behalf of controlled entities.
- Loan facilities made at market rates.
- Acquisition of assets from subsidiary.
- Subscription of shares in controlled entities.

##### c. Other Transaction with Related Parties

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Investments in related party trusts:</b>				
IOOF Wholesale Cash & Short Term Securities Fund 12,508,785 units (2003: 15,241,444 units)	13,338	16,221	990	942
IOOF Balanced Trust 831,830 units (2003: 844,891 units)	874	785	874	785

Aggregate amounts included in the determination of profit from ordinary activities before related income tax that resulted from transactions with related parties other than disclosed in Note 2 and Note 3:

Dividend revenue	-	-	13,000	-
Interest revenue				
- Director and director related entities	112	29	11	10
- Other related parties	147	146	-	-
	259	175	11	10
Management and Commission fees	-	-	7,845	6,227

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 28. RELATED PARTIES (Cont.)

#### d. Unsecured loans to Directors of the IOOF Holdings Ltd, subsidiaries and related entities

	Notes	Consolidated		Parent	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The aggregate value of loans to Directors of the IOOF Holdings Ltd subsidiaries and related entities as at balance date amounted to		3,930,569	314,034	3,872,727	234,034
Interest revenue on loans to Directors of the IOOF Holdings Ltd, subsidiaries and related parties		75,979	18,083	75,979	11,157
Loans made to Directors of the IOOF Holdings Ltd subsidiaries and related parties during the year	(d(i))	3,700,310	172,417	3,700,310	92,417

(i) The Directors of the IOOF Holdings Ltd Group who received the loans referred to above were Mr A Patterson, Mr J Murray and Mr K Series. The loans were made on commercial terms and conditions for the specific purpose of assisting Directors to acquire an equity interest in related entities.

Amounts written off during the financial year by an entity in the IOOF Holdings Ltd Group in relation to loans provided for equity no longer held	(d(ii))	86,042	-	28,344	-
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(ii) Amounts written off during the financial year related to loans advanced to Mr I Macoun, Mr M Crivelli, and Mr A Hodges and were \$38,124, \$19,574, and \$28,344 respectively including interest.

#### e. Secured loans to Directors of the IOOF Holdings Ltd Group

The value of the loan to a Director of the IOOF Holdings Ltd subsidiaries as at balance date amounted to	(e(i))	167,000	167,000	-	-
Interest revenue on the loan from IOOF Holdings Ltd Group		11,147	7,765	-	-
Loans made to Directors of the IOOF Holdings Ltd subsidiaries during the year		-	167,000	-	-

(i) The Director within the IOOF Holdings Ltd Group who received the loan referred to above was Mr K Series. The loan was made on commercial terms and conditions for the specific purpose of providing mortgage finance.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 28. RELATED PARTIES (Cont.)

##### f. Other unsecured loans to related and associated parties of the IOOF Holdings Ltd Group

	Notes	Consolidated		Parent	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The value of the loans to related and associated parties as at balance date amounted to		187,253	94,869	27,253	64,869
Interest revenue on the loans from IOOF Holdings Ltd Group		429	-	-	-
Loans repaid during the year		67,616	-	-	-
Loans made to related and associated parties of the IOOF Holdings Ltd Group during the year	(f(i))	160,000	30,000	-	-

(i) The related and associated parties who received loans from the IOOF Holdings Ltd Group were Pinnacle Partners Pty Ltd and Financial Partnership Pty Ltd. The Pinnacle Partners loan was advanced on 30 June 2004 for the amount of \$100,000. The Financial Partnership loan was advanced in May 2004 for the amount of \$60,000. These loans are short term interest bearing loans made on commercial terms and conditions. No interest has been charged on the Pinnacle Partners loan for the year ended 30 June 2004.

##### g. Unsecured loans to Executives of the IOOF Holdings Ltd Group

The aggregate value of loans to Executives of the IOOF Holdings Limited subsidiaries and related parties as at balance date amounted to		1,250,974	-	1,250,974	-
Interest revenue on loans to Executives of the IOOF Holdings Ltd subsidiaries and related parties		21,505	-	21,505	-
Loans made to Executives of the IOOF Holdings Ltd subsidiaries and related parties during the year		1,250,974	-	1,250,974	-

Executives who were advanced loans in this financial year referred to above are Mr H Giddy, Mr P Durham, Mr H Behncke and Mr S Bruce. The unsecured loans were made on commercial terms and conditions for the specific purpose of assisting Executives to acquire an equity interest in related entities.

##### h. Subordinated loan advanced to a controlled entity from the Company

The value of the loan advanced by IOOF Holdings Ltd as at balance date amounted to		-	-	4,875,284	-
Loans advanced during the financial year to controlled entities by the Company		-	-	4,875,284	-

IOOF Holdings Ltd, the ultimate parent entity, advanced an Subordinated loan of \$4,875,284 to Perennial Investment Partners Limited on 29 June 2004. The loan has been advanced for a period of 5 years with interest payable quarterly in arrears at the one year swap rate plus 2% determined quarterly.

No interest has been charged on these loans for the year ended 30 June 2004.

##### i. Ultimate parent entity

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



## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 29. CONTROLLED ENTITIES

	Company's Equity Holding 2004 %	Company's Equity Holding 2003 %
<b>Parent entity:</b>		
IOOF Holdings Ltd		
<b>Controlled entities:</b>		
IOOF Life Ltd	100.0	100.0
IOOF Ltd	100.0	100.0
Security Management Services Pty Ltd	100.0	100.0
IOOF Investment Holdings Ltd	100.0	100.0
IOOF Investment Management Limited	100.0	100.0
Perennial Investment Partners Limited	77.2	70.4
Perennial Investment Partners Asia Limited	59.4	67.1
Perennial Fixed Interest Partners Pty Ltd	77.2	70.4
Perennial Growth Management Pty Ltd (formerly Perennial Capital Management Pty Ltd)	77.2	70.4
Perennial International Equities Management Pty Ltd	77.2	70.4
Australian Financial Planning Network Ltd	100.0	100.0
Winchcombe Carson Financial Planning Pty Ltd	100.0	100.0
August Management Services Pty Limited	100.0	100.0
Pinnacle Partners Pty Ltd	-	100.0
AM Life Ltd	-	100.0
Perennial Value Management Limited	-	49.7

All companies are incorporated and carry on business in Australia.

- a. The investment in IOOF Investment Management Limited, IOOF Ltd and IOOF Investment Holdings Limited is through IOOF Life Limited which directly holds a 100% shareholding in these entities.
- b. (i) The investment in Perennial Investment Partners Limited is through IOOF Investment Management Limited which directly holds a 77.2% (2003: 70.4%) shareholding in Perennial Investment Partners Limited. During the year IOOF Investment Management Limited acquired shares previously held by executives of Perennial Investment Partners Limited for cash resulting in a goodwill on consolidation of \$3.6m. IOOF Holdings Limited acquired Perennial Investment Partners Limited shares, recorded at market value, from an executive in exchange for the equivalent dollar value of shares in IOOF Holdings Limited. The differential between the market value of shares in Perennial Investment Partners Ltd and actual assets acquired, resulted in goodwill on consolidation of \$1.7m. These shares were later transferred to IOOF Investment Management Limited and then sold to executives of Perennial Investment Partners Limited at the same value.
- (ii) During the year, an amended shareholding agreement between Perennial Investment Partners Limited and Perennial Value Management Limited was signed. Effective ownership fell from 49.7% to 38.6% following the sale of shares to executives and issue of shares by Perennial Value Management Ltd to executives. Control of Perennial Value Management Limited passed to a Director and related parties and the company ceased to be a controlled entity for the entire year. As a result of this transaction, Perennial Investments Partners Ltd received consideration of \$2m and recognised a profit on sale of its investment in Perennial Value Management Limited of \$2m. As Perennial Investment Partners Limited can significantly influence Perennial Value Management Limited under the terms of the agreements, the investment in Perennial Value Management Limited has been equity accounted.

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2004

#### 29. CONTROLLED ENTITIES (Cont.)

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- (iii) The investment in Perennial Investment Partners Asia Limited is through Perennial Investment Partners Limited which directly holds a 76.9% (2003: 95%) shareholding in Perennial Investment Partners Asia Limited. During the year Perennial Investment Partners Asia Limited issued shares to an executive director minority interest.
- (iv) The investment in Perennial Fixed Interest Partners Pty Ltd, Perennial Growth Management Pty Ltd and Perennial International Equities Management Pty Ltd is through Perennial Investment Partners Limited which directly holds a 100% (2003: 100%) interest in these entities.
- c. The investment in Winchcombe Carson Financial Planning Pty Limited is through Australian Financial Planning Network Limited which directly holds a 100% (2003: 100%) shareholding in the entity.
- d. Security Management Services Pty Limited has an interest of 90.7% (2003: 90.7%) in the issued units of the IOOF Split Property Trust.
- e. The investment in Pinnacle Partners Pty Ltd was through Australian Financial Planning Network Ltd which directly held a 100% shareholding in this company. During the year, 80% of the shareholding was sold to Director related entities of Pinnacle Partners Pty Ltd and the company ceased to be a controlled entity. Consideration for the sale of these shares amounted to \$105,191.
- f. The investment in August Management Services Pty Limited is through IOOF Investment Holdings Limited which directly holds a 100% interest. During the year, IOOF Investment Holdings Ltd exercised a put option to return AM Life Limited to the original vendor and no longer controls this entity. Consideration of \$1,190,590 was offset against an amount due to the vendor as final settlement under the contract of purchase of the AM business.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 30. SEGMENT INFORMATION

#### Primary reporting – business segments

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

#### Secondary reporting - geographical segments

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

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 30. SEGMENT INFORMATION (Cont.)

##### Primary reporting – business segments

	Wholesale Funds Management	Retail Funds Management and Administration	Health Business Discontinued	Inter-segment eliminations/ Unallocated	Consolidated
2003	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities	5,613	97,000	14,197	-	116,810
Revenue from other activities	76	2,800	414	1,393	4,683
Inter-segment sales	4,964	732	-	(5,696)	-
Profit on sale of division	-	-	7,323	-	7,323
Movement in excess of net market value over net assets	27,360	3,536	-	-	30,896
<b>Total Revenue</b>	<b>38,013</b>	<b>104,068</b>	<b>21,934</b>	<b>(4,303)</b>	<b>159,712</b>
Share of net profits of associates	-	(83)	-	-	(83)
<b>Total Segment Revenue</b>	<b>38,013</b>	<b>103,985</b>	<b>21,934</b>	<b>(4,303)</b>	<b>159,629</b>
<b>Operating expenses</b>					
- Commissions and management expenses	38	45,246	89	-	45,373
- Depreciation and amortisation	8	3,373	25	2	3,408
- Amortisation of deferred acquisition costs	-	4,121	-	-	4,121
- Other expenses	10,646	37,114	13,357	11,361	72,478
<b>Total Segment Expense</b>	<b>10,692</b>	<b>89,854</b>	<b>13,471</b>	<b>11,363</b>	<b>125,380</b>
Profit from ordinary activities before income tax expense	27,321	14,131	8,463	(15,666)	34,249
Income tax credit/(expense)	(6)	1,589	(331)	(828)	424
<b>Net Profit</b>	<b>27,315</b>	<b>15,720</b>	<b>8,132</b>	<b>(16,494)</b>	<b>34,673</b>
Segment assets	30,939	155,441	-	21,389	207,769
Inter-segment assets	135	1,064	-	(1,199)	-
<b>Total assets</b>	<b>31,074</b>	<b>156,505</b>	<b>-</b>	<b>20,190</b>	<b>207,769</b>
Segment liabilities	2,612	33,968	-	6,811	43,391
Inter-segment liabilities	62	17,279	-	(17,341)	-
<b>Total liabilities</b>	<b>2,674</b>	<b>51,247</b>	<b>-</b>	<b>(10,530)</b>	<b>43,391</b>
Investments in associates and joint venture partnerships	-	4,263	-	-	4,263
Acquisition of property, plant and equipment	24	1,107	36	19	1,186
Profit on sale of division before tax	-	-	7,323	-	7,323

##### Secondary reporting - geographical segments

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

## Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2004

### 30. SEGMENT INFORMATION (Cont.)

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#### (a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the segment reporting accounting standard, AASB 1005 Segment Reporting.

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

#### (b) Inter-segment eliminations

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

#### (c) Segments

##### *Wholesale Funds Management*

Management and investment of monies on behalf of private, corporate, superannuation and institutional clients.

##### *Retail Funds Management and Administration*

Distribution and administration of retail funds including financial planning and back office services to dealers groups aligned to the IOOF Group.

##### *Health*

Provider of health insurance services. IOOF Holdings Ltd divested its holdings in IOOF Health Services Limited on 30 April 2003.

#### (d) Comparative Information

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

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

31. NOTES TO THE STATEMENTS OF CASH FLOWS	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>a. Reconciliation of cash assets</b>				
For the purpose of the statements of cash flows, cash includes cash on hand and in banks, deposits at call, including unit investments readily convertible to cash and subject to insignificant risk of changes in value, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:				
- Cash	60,141	22,019	38,398	4,864
- Deposits on call	1,983	2,337	601	572
	62,124	24,356	38,999	5,436
Units in IOOF Wholesale Cash & Short Term Securities Trust	13,338	16,221	990	942
	75,462	40,577	39,989	6,378
<b>b. Reconciliation of net cash provided by/(used in) operating activities to profit from ordinary activities after income tax</b>				
Profit from ordinary activities after income tax	41,576	34,673	8,432	3,528
Net depreciation on plant and equipment	1,563	1,176	20	3
Net amortisation of intangible assets	5,490	2,232	-	-
(Profit)/loss on disposal of assets	(1)	-	-	-
(Profit)/loss on disposal of businesses	-	(7,323)	-	(7,268)
(Profit)/loss on disposal of investments	(3,530)	-	(1,478)	-
Share of profit in associated investment	(2,130)	84	-	-
Non cash adjustment for unrealised gains	(89)	-	-	-
Non cash adjustment for provision for diminution	3,190	-	-	-
Non cash adjustment to financial assets	83	-	-	-
Non cash adjustment on acquisition	-	(28,435)	-	-
Net non cash adjustment to outside equity interest	44	-	-	-
Changes in excess of net market value	(31,651)	(30,895)	300	(4)
Changes in net operating assets and liabilities:				
- (Increase)/decrease in receivables	(30,020)	2,997	(34,510)	(11)
- (Increase)/decrease in other assets	1,330	(1,602)	(61)	594
- (Increase)/decrease in future income tax benefit	364	(216)	(4,038)	295
- (Increase)/decrease in income tax receivable	(2,411)	1,415	-	-
- Increase/(decrease) in payables	2,977	2,275	3,695	(2,253)
- Increase/(decrease) in life insurance liabilities (net)	(30)	-	-	-
- Increase/(decrease) in provisions	(7,289)	11,943	885	(1,671)
- Increase/(decrease) in income tax payable	6,348	(222)	6,311	-
- Increase/(decrease) in deferred income tax payable	16,593	312	17,277	43
<b>Net cash provided by/(used in) operating activities</b>	<b>2,407</b>	<b>(11,586)</b>	<b>(3,167)</b>	<b>(6,744)</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 32. FINANCIAL INSTRUMENTS

#### a. Significant Accounting Policies

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

#### b. Credit Risk

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

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

#### c. Interest Rate Risk

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

2004		Average Interest Rate	Variable Interest Rate	Fixed Interest Rate			Total
	Notes	Rate %	Rate \$'000	Less than 1 Year \$'000	1 to 5 Years \$'000	Non Interest Bearing \$'000	\$'000
<b>Financial Assets</b>							
Cash & cash equivalents	5	4.87	62,124	-	-	-	62,124
Receivables	6	-	-	-	-	44,064	44,064
Other financial assets - investments	7 (i)	7.5 - 11.9	4,285	-	489	30,832	35,606
			66,409	-	489	74,896	141,794
<b>Financial Liabilities</b>							
Accounts payable	14 (ii)	-	-	-	-	14,862	14,862
Tax liabilities	15	-	-	-	-	6,622	6,622
			-	-	-	21,484	21,484
<b>Net Financial Assets</b>			66,409	-	489	53,412	120,310

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 32. FINANCIAL INSTRUMENTS (Cont.)

	2003	Average Interest Rate		Fixed Interest Rate			Total
		Variable Interest Rate		Less than 1 Year	1 to 5 Years	Non Interest Bearing	
	Notes	Rate %	Rate \$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Cash & cash equivalents	5	4.18	24,356	-	-	-	24,356
Receivables	6	6.55	-	-	-	14,044	14,044
Other financial assets - investments	7 (i)	7 - 15.5	548	-	528	38,187	39,263
Tax assets	11	-	-	-	-	364	364
			24,904	-	528	52,595	78,027
<b>Financial Liabilities</b>							
Accounts payable	14 (ii)	-	-	-	-	13,673	13,673
Tax liabilities	15	-	-	-	-	274	274
Finance lease liabilities	17	9.01	1,315	-	-	-	1,315
			1,315	-	-	13,947	15,262
<b>Net Financial Assets</b>			23,589	-	528	38,648	62,765

(i) The other financial assets total above excludes the \$80,904 (2003:\$100,000) regulatory deposit as it is not considered to be a financial instrument. This deposit is held in cash to satisfy the Australian Financial Services licence requirements and is not available for use within the operations of the company.

(ii) Accounts payable total as shown above excludes other creditors relating to employee entitlements as this item does not meet the definition of a financial instrument.

#### d. Net Fair Value

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



## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 33. LIFE INSURANCE BUSINESS

On 31 December 2003, the life insurance business of the group was transferred from AM Life Ltd to IOOF Life Ltd under a Part 9 Scheme of Arrangement. Following the transfer, AM Life Ltd left the Group.

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>a. Life insurance underwriting result</b>				
Premium income and related income	617	151	-	-
Outwards reinsurance expense	(340)	(79)	-	-
<b>Net premium income</b>	277	72	-	-
Net claims expense	60	-	-	-
Policy maintenance	85	30	-	-
Other	22	4	-	-
<b>Operating expenses</b>	167	34	-	-
<b>Underwriting result</b>	110	38	-	-
<b>b. Life insurance investment result</b>				
Life insurance investment revenue:				
Equity securities	-	(5,214)	-	-
Debt securities	-	-	-	-
Other investments	37	11	-	-
	37	(5,203)	-	-
<b>c. Operating profit after income tax</b>				
Life insurance business operating profit after income tax arose from movements in policy liabilities	164	(5,172)	-	-
Planned margins of revenue over expenses released	10	-	-	-
Difference between actuarial and assumed experience	144	-	-	-
Investment earnings on assets in excess of policy liabilities	10	(5,172)	-	-
Operating profit after income tax	164	(5,172)	-	-
<b>d. Life insurance investment assets</b>				
Equity securities	-	-	-	-
Debt securities	-	-	-	-
Other investments	676	-	-	-
	676	-	-	-
<b>e. Life insurance policy liabilities</b>				
Future policy benefits	104	134	-	-
Future expenses	-	-	-	-
Future shareholder profit margins	-	-	-	-
Balance of future premiums	-	-	-	-
	104	134	-	-
Gross policy liabilities	500	685	-	-
Less: Reinsured policy liabilities	-	-	-	-
- Gross policy liabilities ceded	(396)	(551)	-	-
	104	134	-	-

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2004

#### 33. LIFE INSURANCE BUSINESS (Cont.)

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f. Allocation and distribution of profit of statutory funds

*Allocation of profit from ordinary activities*

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

*Distribution of retained profits*

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

g. Summary of significant actuarial methods and assumptions

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2004. The actuarial report was prepared by Mr G.C.Martin, BA, FIAA, ASIA and was dated 20 August 2004. The actuarial report indicates that Mr Martin is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

*Policy Liabilities*

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

The Policy Liabilities relate to policies in force at 30 June 2004 and together with applicable future premiums and investment earnings, are sufficient to:

- (i) meet the expected payment of future benefits and expenses; and
- (ii) provide for the systematic release of profit from those policies as services are provided and incomes received.

*Actuarial Methods*

Expenses upon policy acquisition and policy maintenance for all products are defined in terms of a service agreement with other entities within the IOOF Group. These expense levels are expected to continue during any foreseeable ownership by the IOOF Group and have been adopted in the calculations for Policy Liabilities and Solvency Reserves.

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

*Solvency requirements*

Solvency reserves are required to meet the prudential standards determined in accordance with Actuarial Standard AS 2.03 "Solvency Standard" issued by the Life Insurance Actuarial Standards Board under Section 65 of the Life Insurance Act 1995. Solvency reserves provide additional protection to policy holders, against the impact of fluctuations and unexpected adverse circumstances on the company.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

### 33. LIFE INSURANCE BUSINESS (Cont.)

h. Disaggregated information of life insurance business by fund:

#### Segment Information – Abbreviated Statement of Financial Position

	Ordinary		Statutory Fund No 1 Non-Investment-Linked Business Superannuation		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Investment Assets Held Directly	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Convertible Notes	-	-	-	-	-	-
Other Direct	-	-	-	-	-	-
<b>Total Investment Assets</b>	-	-	-	-	-	-
Policy Liabilities Ceded	278	386	118	165	396	551
Other Assets	490	855	210	367	700	1,222
<b>Total Assets</b>	768	1,241	328	532	1,096	1,773
Gross Policy Liabilities	351	480	149	205	500	685
Policy Liab. Assumed under Reinsurance	-	-	-	-	-	-
Policy Owner Bonuses	-	-	-	-	-	-
Other Liabilities	19	22	8	10	27	32
<b>Total Liabilities</b>	370	502	157	215	527	717
<b>Net Assets</b>	398	739	171	317	569	1,056
Shareholder's Equity						
- Contributed Equity	280	-	120	-	400	-
- Shareholder's Retained Profits (Aust, Non-Par)	118	739	51	317	169	1,056
Total Shareholder's Equity	398	739	171	317	569	1,056
<b>Total Equity</b>	398	739	171	317	569	1,056

## IOOF HOLDINGS LTD

### Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

#### 34. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board interpretations originated by the Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of these Australian equivalents to IFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

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

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

The project team has completed a high level analysis of most of the Australian equivalents to IFRS issued to date, and has identified a number of accounting policy changes that may be required. In some cases choices of accounting policies are available including elective exemptions under pending accounting standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of the choices are still being analysed to determine the most appropriate accounting policy for the Group. On completion, the project team will make recommendations to the board about the most appropriate accounting policy.

The key differences in the Group's accounting policies that are expected to arise from adopting Australian equivalents to IFRS include the following:

**a. Excess of net market value over net assets of controlled entities**

There is no IFRS equivalent to AASB 1038 Life Insurance Business. This Australian standard requires a life insurer that is a parent entity to recognise and disclose any excess of the net market value of interests in controlled entities over the net assets of those subsidiaries recognised in the consolidated financial report. On transition to Australian equivalent IFRS, the Group will no longer recognise the asset "excess of net market value over net assets of controlled entities" and an adjustment to the opening retained earnings balance will be made. The adjustment against consolidated opening retained earnings will be \$125,637,000, representing the balance of the "excess of net market value over net assets of controlled entities" as at 30 June 2004 plus any increments or decrements in the net market value of controlled entities up to the date of implementation of IFRS. The derecognition of this asset will not impact the company's ability to pay future dividends.

**b. Income tax**

Income tax will be calculated using the balance sheet method, which calculates temporary differences based on the carrying amount of assets and liabilities in the statement of financial position compared with their associated tax bases. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income method.

Changes in the tests for recognition of tax losses may result in recognition of tax losses not previously brought to account.

**c. Intangible assets**

Goodwill on acquisition and intangible assets with indefinite useful lives will be tested for impairment annually, based on the cash flows of the related cash generating units, and will not be amortised.

**d. Equity-based compensation benefits**

Equity-based compensation in the form of shares and options will be recognised as an expense in the periods in which the employee provides related services.

## Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2004

### 34. INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont.)

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**e. Financial instruments**

Financial assets will be subject to classification as either held for trading, held to maturity, available for sales, loans and receivables and depending on their classification, will be measured at fair value or amortised cost. The classification may differ from that currently used by the group.

**f. Reclassification between debt and equity**

Preference capital may no longer qualify as equity but may be reclassified as debt.

**g. Impairment of assets**

The impairment test will be more rigorous and prescriptive. Discounted cash flows must be used to calculate recoverable amount.

**h. Plant and Equipment**

The residual value of an asset must be reviewed at each reporting date. Revaluation increments and decrements must be accounted for on an asset by asset basis rather than class by class basis.

**i. Insurance contracts**

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

**j. Contingent consideration**

Deferred payments and consideration that is contingent on the achievements of targets will be recognised at the date of acquisition.

The above should not be regarded as an exhaustive list of changes in accounting policies that are expected to arise from adopting Australian equivalents to IFRS, as all pronouncements have not been completely analysed and policy choices made. For this reason it is not yet possible to fully quantify the impact of the transition on the Group's financial position and reported results.

### 35. SUBSEQUENT EVENTS

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The Directors are not aware of any event or circumstance since the end of the financial year not otherwise dealt with in this report or the consolidated financial report that has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

## IOOF HOLDINGS LTD

### Directors' Declaration

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The Directors declare that the financial statements and notes set out on pages 46 to 93:

- a. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b. give a true and fair view of IOOF Holdings Ltd's ("the Company") and Economic Entity's financial position as at 30 June 2004 and of their performance as represented by the results of their operations and their cash flows, for the period ended on that date.

In the Directors' opinion:

- a. the financial position and notes are in accordance with the Corporations Act 2001;
- b. there are reasonable grounds to believe that, at the time the statement is made, the Company will be able to pay all debts or claims that are referable to it.

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



**R J Schoer**  
Chairman of the Board



**R Dewhurst**  
Director and Chief Executive Officer

Melbourne, 23 August 2004



**PricewaterhouseCoopers**  
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## Independent Audit Report to the Members of IOOF Holdings Limited

### Audit Opinion

In our opinion, the Financial Report of IOOF Holdings Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of IOOF Holdings Limited and the IOOF Holdings Limited Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date; and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

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

### Scope

The Financial Report and Directors' responsibility

The Financial Report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both IOOF Holdings Limited (the Company) and the IOOF Holdings Limited Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the Company and the entities it controlled during that year.

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

### Audit approach

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

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

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

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

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

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

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

### Independence

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

PricewaterhouseCoopers

Simon Gray  
 Partner

Melbourne  
 23 August 2004

## Shareholder Information

### Stock Exchange and Shareholder Information

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

### Substantial Shareholders

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

### Distribution of shares

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

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

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

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

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



**Voting rights**

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

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

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

These voting arrangements are subject to certain minor exceptions.

**Stock exchange listing**

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

**Final dividend**

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

**Direct payment into shareholders' accounts**

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

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

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

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

**Removal from Annual Report mailing**

If you are an IOOF shareholder and no longer want to receive a hard copy version of materials in the mail, such as the Annual Report, you can contact the Share Registry (see contact details on page 98) and ask to be removed from the mailing list.

### **Enquiries**

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

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**IOOF Holdings Ltd**

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