Your Investment Guardians

Annual Report 2006

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Chairman's welcome

A message from Ian Blair, IOOF Group Chairman

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

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

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

Service First

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

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

Our community focus

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

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

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

Ian Blair, Chairman

The Board

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

The year ahead

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

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

Ian Blair
Chairman

Chief Executive Officer's welcome

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

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

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

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

Business achievements

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

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

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

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

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

Ongoing strategic initiatives

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

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

Ron Dewhurst, CEO

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

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

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

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

In conclusion

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

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

Ron Dewhurst
Chief Executive Officer

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

The year at a glance

Highlights for the 2005/06 financial year

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

Review of Operations and Financial Condition

About IOOF

IOOF today

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

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

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

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

What is IOOF's key purpose?

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

- a range of modern investment management and administration solutions for investors and advisers;
- quality financial advice, technical and online services;
- access to Perennial Investment Partners, a leading boutique, wholesale asset manager with the institutional backing of the IOOF Group; and
- a growing financial advisory dealer group network.

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

The IOOF business

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

Distribution

- Independent advisers
- Aligned advisers
- Alliances

Platforms/ products/ client service

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

Asset management

- Perennial Investment Partners
- IOOF Multi Investment Manager Trust

Group strategic direction

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

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

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

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

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

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

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

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

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

- **Being financially responsible**

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

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

Our people and culture

The IOOF team – the key to our success

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

Staff Engagement Survey

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

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

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

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

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

Customer Service Project

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

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

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

Training and career development

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

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

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

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

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

The IOOF mission and values

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

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

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

Our values

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

Our IOOF

We challenge ourselves to create distinctive and rewarding experiences by:

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

Our management structure

Who manages IOOF?

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

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

IOOF Board of Directors

Mr Ian Blair
OAM, MMgt, FCA

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

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

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

Mr Michael Crivelli
BEco, ASA, F Fin

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

Mr Ronald (Ron) Dewhurst
F Fin

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

Mr Anthony (Tony) Hodges
Dip FP, FAICD (Dip), SF Fin

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

Ms Kate Spargo
LLB (Hons), BA, FAICD

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

Ms Jane Harvey
BCom, MBA, FCA, FAICD

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

Mr James Pfeiffer
BA, LLB

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

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

IOOF Executive Team

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

Adrianna is a lawyer with over 14 years experience in corporate law working for firms such as Mallesons Stephen Jaques and Rothschild Asset Management Limited/Sagitta Wealth Management Limited.

She has a wide range of experience in all aspects of the law relating to corporations, mergers and acquisitions and the provision of financial services, with particular emphasis on registered managed investment schemes, superannuation and pension funds, life insurance, friendly societies and funds management and administration services.

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

Mark has over 30 years experience in finance, working across a broad range of industries. In particular, he has public company experience in financial management and advice, management of financial risks, management of key strategic projects, acquisitions and establishing joint ventures.

He works closely with the CEO and has executive responsibility for the Group's Accounting, Finance, Taxation, Investment Accounting and Risk Departments, and the Project Office.

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

Mr Ronald (Ron) Dewhurst
CEO, F Fin

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

He has over 30 years domestic and international experience in investment and financial services management. Most recently, Ron was Head of Americas for JP Morgan Fleming Asset Management in New York and oversaw a business with some US$500b of assets under management. He previously headed businesses for JP Morgan in Asia, Europe and the US, covering asset management, securities and investment banking.

Prior to joining JP Morgan in 1993, he was Managing Director for ANZ McCaughan Securities Ltd.

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

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

Susan has worked for over 27 years in the securities and financial services industry and has extensive business and management experience. She has worked in stockbroking, the trustee and investment management industries and in the listed company environment.

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

Mr Anthony (Tony) Hodges
Head of Group Strategy and Retail Funds Management, Dip FP, FAICD (Dip), SF Fin

Tony was appointed as an Executive Director in September 2004 and is also currently Executive Director of a number of Group subsidiaries. His 33-year career in the securities industry spans both merchant banking and investment management.

Tony has held senior positions with AMP Morgan Grenfell Acceptances and AMP Discount Corporation, before joining the IOOF Group in 1985 and establishing the Investment Division as Head of Investments.

He has extensive experience in establishing and managing successful investment management teams, and is a founding Director of Perennial Investment Partners Limited. Tony has also been involved with the Securities Institute of Australia for some 18 years as a principal lecturer and is a member of the Economics Savings and Tax Committee of IFSA.

Mr Marshall Stephen
Chief Information Officer

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

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

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

Peter joined the IOOF Group in October 1998 after 10 years in senior human resources roles with National Mutual/AXA Asia Pacific.

He works closely with the CEO in the ongoing development of the IOOF management culture and is responsible for human resources strategy, policy and consulting services across the Group. He also oversees the property, payroll and fleet services functions.

Peter is secretary to the Remuneration and Nomination Committee.

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

Our financial performance

How did IOOF perform in 2005/06?

Revenue

13% ▲

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

Operating expense to margin

7% ▼

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

Net profit after tax

54% ▲

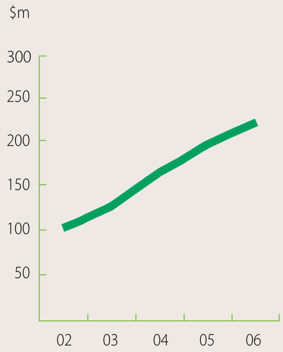
Net profit after tax has increased from **$15.1 million to $23.3 million**.

Cash earnings

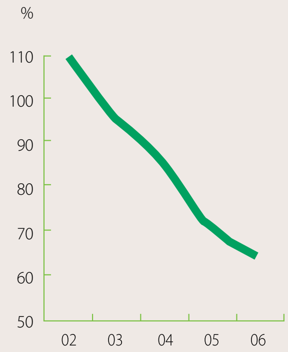
40% ▲

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

Scorecard – our 5-year performance



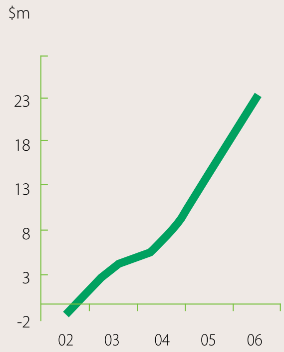
Represents **revenue** from ordinary activities. 2002-04 figures have been adjusted to remove the impact of the EMVONA adjustment. 2005-06 figures are AIFRS figures used for management reporting purposes.



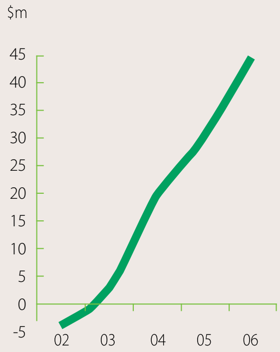
Operating expense excludes commission, management fees, non-cash and non-recurring items.

Margin equals revenue and equity accounted profit, net of commission and management fees. Non-recurring revenue items are excluded.

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



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



Cash earnings are represented by gross margin less operating expenses. Excluded from these earnings are non-cash and non-recurring items.

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

Funds inflows

14% ▲

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

Assets under management

29% ▲

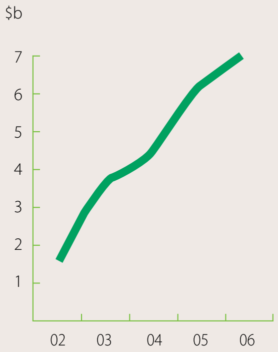
Assets under management have increased from **$22.4 billion to $29 billion**.

Share price

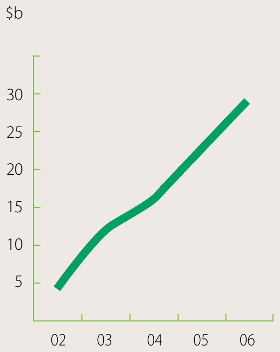
28% ▲

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

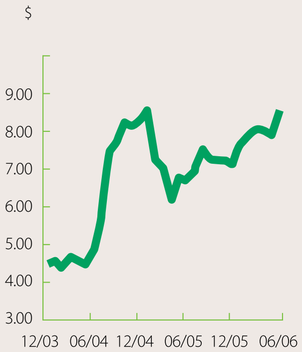
Scorecard – our 5-year performance



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



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



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

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

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

Understanding the data behind IOOF's performance

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

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

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

  The increase in FUMA translated into higher management fee income, as management fees earned from the funds are calculated based on an agreed percentage of the respective funds under management and administration, in accordance with each fund's product disclosure statement. A partial offset is the increased commission expense associated with increased sales.

- Good underlying performance of the trusts.

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

- Growth in wholesale business versus retail business.

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

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

- Diversification of products and asset classes.

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

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

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

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

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

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

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

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

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

Were there any external factors impacting IOOF's performance?

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

Assessing shareholder return

Total shareholder return

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

Earnings per share

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

Dividends

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

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

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

Franking credits

The balance of the franking account at 30 June 2006 of 26,263,000 will support the payment of fully franked dividends as recommended by the Directors. It is expected that the IOOF Group will continue to make future tax payments and this will increase the availability of franking credits.

Our corporate governance

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

We are committed to good corporate governance practices to create value and provide accountability and control systems commensurate with the risk involved. We support the ASX Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles), and have implemented these in our business. We monitor our adherence to these and strive for continuous improvement in these practices.

Role of the Board

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

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

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

Role of the Chairman

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

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

Role of Independent Directors

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

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

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

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

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

Board Committees

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

Audit and Risk Committee

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

The Audit and Risk Committee oversees and appraises the quality of the audits conducted by the IOOF Group's internal and external auditors and emphasises areas where the committee believes special attention is required. The current internal auditor was appointed as a result of an external tender process conducted in 1999 and a review of the arrangements was conducted last year, resulting in changed methodology and a change in audit partner.

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

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

Governance Committee

IOOF is committed to good corporate governance and to provide particular focus to this responsibility, the Board of IOOF established a Governance Committee in 2004. This assists the Board in the effective discharge of its responsibilities in ensuring that a fitting governance framework is in place across the IOOF Group. This committee also reviews the statutory and regulatory obligations and industry standards that affect IOOF in its operations, to ensure that the systems of control and oversight implemented by management are robust and effective. The committee is comprised of a majority of Independent Directors, being James Pfeiffer (Chair), Kate Spargo, and the CEO, Ron Dewhurst.

Remuneration and Nomination Committee

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

Directorship is generally reviewed annually, with the policy that there should be sufficient rotation of Directors to meet good corporate governance standards. The current policy of the company is to retire one third of Directors each year. The Remuneration and Nomination Committee operates under agreed Terms of Reference which are subject to periodic review and currently comprises three Independent Directors, Kate Spargo (Chair), Roger Sexton and Jane Harvey.

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

Performance evaluation

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

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

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

Continuous disclosure

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

The procedures, which have been developed to comply with these rules, include immediate reporting of any matter which could potentially have a material effect. The Company Secretary is responsible for monitoring information which could be price sensitive, liaising with the CEO and Continuous Disclosure Committee to make an initial assessment, and escalating such information to the Board for disclosure where practicable. It is noted there can be no delay in informing the ASX; if the Board is not immediately available, the Company Secretary is authorised to lodge such information.

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

Other shareholder communications

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

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

Independent legal and other advice

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

Code of Conduct

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

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

Risk management

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

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

IOOF's approach to risk requires the consideration of all risks that threaten the achievement of business objectives. The objective is to identify all unacceptably high risks and develop processes and structures to deal with them. Lower-level risks are also considered, but priority will be given to extreme and high risk areas and their treatment. This process is cyclical and ongoing and the methodology forms a 12-month rolling risk continuum. Monitoring and review at all stages of the process is critical, as is ensuring that a periodic review of risks and controls is in place.

In accordance with the ASX Principles of Good Corporate Governnance and Best Practice Recommendations, the CEO and CFO provide a written attestation to the Board that:

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

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

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

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

Supporting the community

The IOOF Foundation

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

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

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

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

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

BASS Care

$17,535 to purchase 21 shower commode chairs.

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

Save the Children

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

Save the Children Australia aims to ensure that all children, regardless of gender, race, country of origin or religious belief, have the means for survival, receive protection and have access to nutrition, primary health care and basic education. Their work in Victoria is focused on improving the lives of marginalised children.

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

The Song Room

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

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

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

The Lighthouse Foundation

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

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

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

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

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

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

Geoffrey Whitelock
BASS Care

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

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

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

Terrie Barton
Lighthouse Foundation

Alzheimer's Australia Vic. (approved June 2006)

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

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

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

Further Information

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

Staff Giving Committee

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

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

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

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

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

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

We are proud to say that at IOOF, our heritage is founded on a commitment to the community and environment and as a publicly listed company, it is even more relevant today. We believe that establishing ourselves as a good corporate citizen is an integral part of our future.

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

Kate Thompson, IOOF staff member

Financial Report for the year ended 30 June 2006

IOOF Holdings Ltd Directors' Report

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

Directors

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

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in Perennial Investment Partners Limited	Units in IOOF Registered Schemes
Mr R J Schoer B. Admin, FCPA, FAICD, FCIS (Retired 15 November 2005)	72	**Experience** Mr Schoer was the Group Chairman of IOOF Holdings and was a Non-Executive Director of IOOF Holdings Ltd from 2002 to November 2005. He was a Non-Executive Director of IOOF Ltd from 1994 to 2002. He was also a Director of a number of Group subsidiaries. Mr Schoer provided considerable business and corporate governance experience to the Board. From 1990 to 1995 he was National Director of the Australian Stock Exchange Ltd and from 1980 to 1990 he was the Chief Executive Officer of the National Companies and Securities Commission. **Current Other Directorships** Mr Schoer is the Chairman of Rabinov Diversified Property Trust and Zinico Resources NL, and a Director of Ferngrove Vineyards Ltd, The Australia Pacific Exchange Ltd and Tambour Holdings Ltd. He is a member of the advisory board of the Centre for Corporate Law and Securities Regulation at the University of Melbourne. He is an Emeritus Trustee of the Committee for Economic Development of Australia. **Past Directorships (3yrs)** None	Chairman of IOOF Holdings Ltd Member of the Audit and Risk Committee Member of the Governance Committee	1,315 ordinary shares held directly 6,417 ordinary shares held indirectly	NIL	NIL
Mr I Blair OAM, MMgt, FCA	59	**Experience** Mr Blair is the Group Chairman of IOOF Holdings Ltd and has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 2000 to 2002. Mr Blair is a chartered accountant and a Company Director, having had a long career with accounting firm Deloitte Touche Tohmatsu, including five years as CEO of the firm. He has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community. **Current Other Directorships** Mr Blair is a Director of SAS Trustee Corporation (NSW State Superannuation Fund), Melbourne Business School Ltd, Sisters of Charity Health Service Ltd and Capral Aluminium Ltd. **Past Directorships (3yrs)** None	Chairman of IOOF Holdings Ltd from 15 November 2005 Chairman of the Audit and Risk Committee until 15 November 2005 Member of the Audit and Risk Committee from 15 November 2005 Member of the Remuneration and Nomination Committee	9,677 ordinary shares held directly 2,949 ordinary shares held indirectly	NIL	IOOF Supersaver 2,851.28 units

Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in Perennial Investment Partners Limited	Units in IOOF Registered Schemes
Dr R N Sexton B. Eco. (Hons), M.Eco. Ph.D (Eco), FAICD, FAIM	56	**Experience** Dr Sexton has been a Non-Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002. Dr Sexton has served as Chairman of IOOF Friendly Society (SA) and the SA Motor Accident Commission; Deputy Chairman of Korvest Ltd and a Director of Hyundai Automotive Distributors. He was Managing Director of investment bank Challenger Beston Limited (formerly Beston Pacific Corporation Limited) from 1991 to 2002. He has 20 years' experience in senior management and is a specialist in the areas of corporate reconstruction, mergers and acquisitions and privatisations. **Current Other Directorships** Dr Sexton is Chairman of the Venture Capital Board in South Australia; Chairman of Beston Pacific Asset Management Pty Ltd and a Director of IBIS World Pty Ltd and the Motor Accident Board (SA). **Past Directorships (3yrs)** Deputy Chairman Korvest Limited (to 2003) and Deputy Chairman Challenger Wine Trust (to 2004).	Deputy Chairman of IOOF Holdings Ltd Member of the Remuneration and Nomination Committee Member of the Audit and Risk Committee	12,313 ordinary shares held directly 1,013 ordinary shares held indirectly	NIL	IOOF Supersaver 1,626.49 units
Mr M U R Crivelli B.Eco, ASA, F Fin	67	**Experience** Mr Crivelli has been an Executive Director of IOOF Holdings Ltd since 2002. He was a Non-Executive Director of IOOF Ltd from 1997 to 1999, and an executive Director from 1999 to 2002. Mr Crivelli is currently Chairman of Perennial Investment Partners Limited and various Perennial subsidiaries. Mr Crivelli has previously been a Director of BT Funds Management Ltd and various listed BT investment companies, Barnardos Ltd, State Super Financial Services Ltd, TIF Nominees Pty Ltd (Manager of the TWU Super Fund), State Wide Roads Ltd, Colonial Agricultural Ltd and Australian Investment Managers' Association (now part of IFSA) and the Sydney Futures Exchange Ltd. Mr Crivelli has over 40 years' experience in the investment banking and funds management industries. **Current Other Directorships** None **Past Directorships (3yrs)** None	Executive Chairman of Perennial Investment Partners Limited	9,534 ordinary shares held directly	Shares in Perennial Investment Partners Limited 4,140 Shares in Perennial Investment Partners Asia Limited 5,000	Perennial Asia – 393,792.13 units Perennial Balanced – 435,693.74 units Perennial Value – 247,693.00 units Perennial Value Small – 126,121.18 units

Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in Perennial Investment Partners Limited	Units in IOOF Registered Schemes
Mr M W Parkinson CBE, BA (Hons), MBA (Retired 15 November 2005)	62	**Experience** Mr Parkinson was a Non-Executive Director of IOOF Holdings Ltd from 2002 to November 2005. He was a Non-Executive Director of IOOF Ltd from 1996 to 2002. He was also a Director of a number of Group subsidiaries up to the date of his retirement. Mr Parkinson spent 12 years with the Citibank Group in Australia (commencing in 1971), in senior management roles in corporate and merchant banking, including managing Director of Grindlays Australia for five years. Previous experience also included several years with Unilever Ltd in the UK. For the past 20 years he has run his own corporate advisory business specialising in international trade and investment opportunities. Awarded a CBE in 1990, he is Past Federal Chairman of the Australian-British Chamber of Commerce and Past Chairman of the National Fund Raising Committee of the Cambridge Australia Trust. **Current Other Directorships** None **Past Directorships (3yrs)** None	Chairman of the Governance Committee	1,315 ordinary shares held directly	NIL	NIL
Mr R Dewhurst F Fin	54	**Experience** Mr Dewhurst was appointed IOOF Group Chief Executive Officer in April 2004 and is also currently an Executive Director of a number of Group subsidiaries. He has more than 30 years domestic and international experience in investment and financial services management. Most recently Mr Dewhurst was Head of Americas for JP Morgan Fleming Asset Management in New York and oversaw a business with some US$500b of assets under management. He previously headed businesses for JP Morgan in Asia, Europe and the US, covering asset management, securities and investment banking. Prior to joining JP Morgan in 1993, he was Managing Director for ANZ McCaughan Securities Ltd. **Current Other Directorships** Mr Dewhurst is a Director of Acctrak21 International Ltd, Breast Cancer Network of Australia, National Gallery of Victoria, Pride Capital Partners LLC, Australian United Investment Company Limited and Orchard Petroleum Ltd. **Past Directorships (3yrs)** None	Chief Executive Officer of the IOOF Group	250,000 ordinary shares held indirectly	NIL	**IOOF Portfolio Service Investment Options** (Units in related entities): IOOF/Perennial Balanced Trust – 20,090.42 units IOOF/Perennial Cash Enhanced Trust – 31,818.71 units IOOF/Perennial Fixed Interest Trust – 59,790.45 units IOOF/Perennial Growth Shares Trust – 7,120.32 units IOOF/Perennial Value Shares Trust – 46,931.30 units Cash – 67,749.00 units **IOOF Portfolio Service** (units in non related entities) – 383,815.53 units

Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in Perennial Investment Partners Limited	Units in IOOF Registered Schemes
Ms K D Spargo LLB (Hons.), BA, FAICD	54	**Experience** Ms Spargo has been a Non-Executive Director of IOOF Holdings Ltd since 2002. She was a Non-Executive Director of IOOF Ltd from 1999 to 2002. She is also a Director of various Group subsidiaries. Ms Spargo has been a Company Director and adviser in strategy and governance for over 10 years following a career in legal practice in both the public and private sectors. Ms Spargo was Chairman of HomeStart Finance for 7 years. **Current Other Directorships** Ms Spargo is currently serving as a Director on the boards of Pacific Hydro Ltd, Fulton Hogan Ltd, Colnvest Ltd, Australian Pork Ltd and Investec Bank (Australia) Ltd. She is also a member of the Melbourne International Arts Festival and NeuroSciences Victoria Limited. **Past Directorships (3yrs)** Uniseed Pty Ltd, Melbourne Ventures Pty Ltd	Chairman of Remuneration and Nomination Committee Member of the Governance Committee	3,328 ordinary shares held directly 1,196 ordinary shares held indirectly	NIL	IOOF Supersaver 2,853.88 units
Mr A P Hodges DipFP, FAICD (Dip), SF Fin	51	**Experience** Mr Hodges' 33-year career in the securities industry spans both merchant banking and investment management. He has held senior positions with AMP Morgan Grenfell Acceptances and AMP Discount Corporation before joining the IOOF Group in 1985 and establishing the Investment Division as Head of Investments. He has extensive experience in establishing and managing successful investment management teams, and is a founding Director of Perennial Investment Partners Limited. He has been involved with the Securities Institute of Australia for some 18 years as a principal lecturer and is a member of the Economics Savings and Tax Committee of IFSA. **Current Other Directorships** None **Past Directorships (3yrs)** None	Head of Group Strategy and Head of Retail Funds Management	5,595 ordinary shares held directly 703,174 ordinary shares held indirectly	NIL	**IOOF Benefit Funds –** 40,701.97 units **Perennial Growth Share Trust –** 116.11 units **IOOF Portfolio Service Investment Options:** IOOF/Perennial Asia Trust – 155,550.17 units IOOF/Perennial Balanced Trust – 430,009.35 units IOOF/Perennial Global Property Trust – 188,318.65 units Cash – 25,779.63 units

Directors (continued)

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

Directors (continued)

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

- The Company Secretary was Mrs Susan Foley SIA (Cert), Grad Dip Bus Mgt, M Mgt, AACI. Mrs Foley has over 27 years' experience in the securities and financial services industry and has extensive business and management experience. She has worked in stockbroking and the trustee and investment management industries, and has been employed by IOOF since 2003.
- The Alternate Company Secretary is Ms Adrianna Bisogni; LLB (Hons), BA. She was appointed to this position in 2003. Ms Bisogni has been the IOOF Group's General Counsel since 2003. Prior to that she had 11 years' experience in corporate law with firms such as Mallesons Stephen Jaques and Rothschild Asset Management Limited/Sagitta Wealth.
- Ms Mary Latham; B Fin Admin, CA, resigned as Company Secretary on 29 July 2005.

Principal Activities

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

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

Significant Changes in State of Affairs

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

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

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

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

Consolidated Results

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

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

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

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

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

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

Dividends

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

Dividends (continued)

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

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

Review of Operations

The operating performance of the IOOF Group for the year ended 30 June 2006 is contained in the Review of Operations and Financial Condition report in the Annual Report.

Matters Subsequent to the End of the Financial Year

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

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, or the accompanying financial statements and notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect the operations of the IOOF Group, the results of those operations, or the state of affairs of the IOOF Group in subsequent financial years. Matters subsequent to balance date are set out in Note 42 to the Financial Statements.

Future Developments

The Directors are continuing to examine growth strategies to maximise shareholder wealth.

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

Directors' Benefits

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

a. a benefit included in the aggregate amounts received or due and receivable by the Directors as detailed in Note 34;

b. the fixed salary of a full-time employee of the Company or an entity that the Company controlled or a related body corporate as detailed in Note 34; and

c. a benefit arising through a contractual relationship with entities in which the Directors have a financial interest as detailed in Note 35.

Remuneration Report

Purpose of Report

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

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

Name	Position
Ms Adrianna Bisogni	General Counsel
Mr Mark Blackburn	Chief Financial Officer
Mrs Susan Foley	General Manager - Corporate Operations
Mr Anthony Patterson	Managing Director – Perennial Investment Partners Limited
Mr Marshall Stephen	Chief Information Officer
Mr Peter Wallbridge	General Manager – Human Resources
Key Management Personnel who departed during or since the end of the financial year	
Mr Darren Booth (resigned 21 October 2005)	General Manager – Operations
Mr Jarrod Brown (resigned 8 August 2006)	General Manager – Retail Funds Management

Remuneration Report (continued)

Role of the Remuneration Committee

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

Remuneration Policies

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

In order to remain competitive and as market informed as possible, IOOF undertakes a range of remuneration benchmarking exercises. From time to time, the Board engages an external consultant to conduct an external review of the fees of Non-Executive Directors. Similarly, an external and independent remuneration consulting firm is engaged to conduct a comprehensive benchmarking review of the remuneration of the CEO and Executive Team.

Overview of Remuneration Elements

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

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

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

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

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

Remuneration of Non-Executive Directors (audited)

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

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

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

Non-Executive Director Terms of Appointment

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

Approval of Funding for the Remuneration of Non-Executive Directors

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

Non-Executive Director Equity Participation

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

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

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

Retirement Benefits

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

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

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

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

Remuneration of Non-Executive Directors (audited)

Details of Remuneration

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

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

(1) Salaries and fees include accruals for annual leave.
(2) Non-monetary benefits include Fringe Benefit Tax paid and the value of other non-monetary benefits.
(3) Superannuation includes Directors' fees sacrificed into superannuation funds.
(4) Share based payments represent Directors' fees sacrificed into the Non-Executive Director Deferred Share Purchase Plan.
(5) Non-Executive Directors appointed after 15 April 2003 are not entitled to retirement benefits. Non-Executive Directors appointed prior to this date accrue retirement benefits. Where entitled, the provision is based on the average annual emoluments of Non-Executive Directors over the previous three years' of service. The benefit accrues after three years of service and varies according to the number of years of service, reaching twice the average annual emoluments after ten years of service. Mr M Parkinson, C.B.E. received a cash retirement benefit of $163,190. The amount accruing during the current financial year was $15,116. Amounts accrued in prior periods have been disclosed in prior year financial statements. Mr R Schoer received a cash retirement benefit of $326,140. The amount accruing during the current financial year was $37,625. Amounts accrued in prior periods have been disclosed in prior year financial statements.
(6) Shareholder Approved Remuneration amounted to $655,441 and was within the shareholder approved limit of $850,000 per annum.

Remuneration of Executive Directors (audited)

Mr Ron Dewhurst, Chief Executive Officer – IOOF Holdings Ltd

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

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

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

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

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

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

Mr Michael Crivelli, Executive Chairman – Perennial Investment Partners Limited

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

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

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

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

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

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

Remuneration for Senior Executives (audited)

Mr Anthony Patterson, Managing Director – Perennial Investment Partners Limited

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

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

Remuneration for Senior Executives (audited) (continued)

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

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

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

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

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

IOOF Executive Team Members

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

Policy Objectives

The IOOF Executive Remuneration Policy has been developed to:

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

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

Remuneration Components (unaudited)

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

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

Remuneration for Senior Executives (audited) (continued)

Remuneration components as a percentage of total remuneration (audited)

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

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

[(2)] Ms H Hutchison is the fifth most highly remunerated executive of the parent entity in 2006.

Operation of the Performance Scorecard Methodology

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

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

These objectives were selected in order to ensure:

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

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

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

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

Remuneration for Senior Executives (audited) (continued)

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

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

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

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

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

The 2003, 2004 and 2005 allocations are subject to the achievement of the performance conditions set out below. The performance shares may vest after three years, and any time between the end of the third year and the end of the fifth year after date of allocation:

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

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

Refer to graphs on page 55.

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

Details of Remuneration

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

Remuneration for Senior Executives (audited) (continued)

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

Remuneration for Senior Executives (audited) (continued)

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

(1) Salaries and fees include accruals for annual leave.

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

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

(4) Superannuation includes salary and performance incentives sacrificed into superannuation funds.

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

(6) Equity compensation includes salary and performance incentives sacrificed into the Deferred Share Purchase Plan and accruals in relation to the Executive Performance Share Plan. The value of the number of shares expected to vest in the Executive Performance Share Plan has been apportioned over the term from grant date to vesting date. The grant dates for shares allocated under this plan were 1 December 2003, 1 December 2004 and 1 December 2005. The shares accruing to Mr R Dewhurst relate to guaranteed long-term equity rewards. The grant date for shares accruing to Mr R Dewhurst is 19 April 2004. The shares accruing to Mr A P Hodges relate to the IOOF Executive Performance Share Plan. The value of the number of shares expected to vest in the Executive Performance Share Plan has been apportioned over the term, from grant date to vesting date. The grant date for shares accrued under this plan was 1 December 2003.

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

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

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

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

Remuneration and Company Performance

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

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

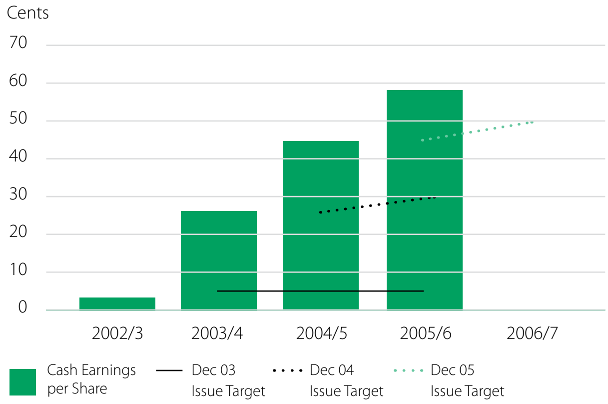
Further details of company performance over the past five years, including details of IOOF's revenue, operating efficiency ratio, net profit after tax, cash earnings, funds inflow and assets under management and share price, are included on pages 22 and 23 of the Annual Report.

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

Total Shareholder Return Percentile

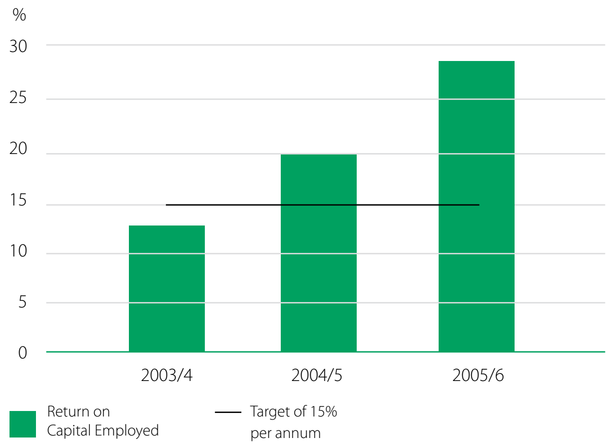
The Total Shareholder Return Percentile measures the growth in IOOF's share price and dividends paid compared to a peer group that has the same underlying business drivers and faces similar growth opportunities and challenges.

Cash Earnings Per Share



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

Return on Capital Employed



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

Remuneration Report – Executive Employment Contracts (audited)

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

Details of the employment contracts are as follows.

Chief Executive Officer – IOOF Holdings Ltd

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

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

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

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

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

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

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

A range of Employment Contracts operate within the Group. It is the Group's policy on engaging new executives to have the service contracts outline the components of the remuneration to be paid to that executive and to incorporate the Senior Staff Redundancy policy or other agreed termination arrangements. The Senior Staff Redundancy Policy applies to all of the Senior Executives (other than Mr Hodges and Mr Patterson) and provides that in the event of genuine redundancy, pay in lieu of notice equivalent to five months' "total remuneration" (defined as the sum of the guaranteed fixed remuneration package at the time, plus an annualised average of the three previous years' STI, LTI and/or incentive payments), will be provided to the executive. Additionally, three weeks' severance pay for each year of service will be provided, calculated on the same "total remuneration" basis. The redundancy provisions of any IOOF Employee Equity Plans that the Executive participates in would also apply.

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

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

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

Name	Employing Company	Commencement Date	Term	Termination Provisions/Benefits
Executive Directors				
Michael Crivelli	Perennial Investment Partners Limited	22 December 1997	Ongoing	Under Mr Crivelli's Executive Services Agreement the Company may terminate the contract for cause on immediate notice and is required to pay accrued monies or benefits under the total remuneration package to which Mr Crivelli is entitled on the termination date, and statutory entitlements. In the event of termination (other than for cause) or material diminishment of the role, a payment equal to six months of the Total Remuneration Package, at market rates, will apply.
Anthony Hodges	IOOF Holdings Ltd	24 September 1985	Ongoing	The Company may terminate the contract for cause on five months' written notice. In the case of redundancy, the IOOF Holdings Ltd Board will agree the terms with Mr Hodges.
Executives				
Adrianna Bisogni	IOOF Holdings Ltd	28 January 2003	Ongoing	The Company may terminate the contract for cause on three months' written notice (or payment in lieu). In the case of redundancy, the Senior Staff Redundancy Policy applies.
Mark Blackburn	IOOF Holdings Ltd	25 October 2004	Ongoing	The Company may terminate the contract (other than in the case of redundancy) on nine months' notice (or payment in lieu), calculated on fixed remuneration. In the case of redundancy, the Senior Staff Redundancy Policy applies.
Susan Foley	IOOF Holdings Ltd	22 September 2003	Ongoing	The Company may terminate the contract for cause on four months' written notice (or payment in lieu) calculated on fixed remuneration. In the case of redundancy, the Senior Staff Redundancy Policy applies.
Helen Hutchison	IOOF Holdings Ltd	27 September 2000	Ongoing	The Company may terminate the contract for cause on one month's written notice (or payment in lieu). In the case of redundancy, the Senior Staff Redundancy Policy applies.
Anthony Patterson	Perennial Investment Partners Limited	30 April 2001	Ongoing	The Company may terminate the contract for cause on one month's notice (or payment in lieu).
Marshall Stephen	IOOF Investment Management Limited	24 September 2001	Ongoing	The Company may terminate the contract for cause on one month's written notice (or payment in lieu). In the case of redundancy, the Senior Staff Redundancy Policy applies.
Peter Wallbridge	IOOF Holdings Ltd	12 October 1998	Ongoing	The Company may terminate the contract for cause on one month's notice. In the case of redundancy, the Senior Staff Redundancy Policy applies.
Key Management Personnel who departed during or since the end of the financial year				
Darren Booth	IOOF Investment Management Limited	23 April 2001	Resigned 21 October 2005	The Company may terminate the contract for cause on three months' written notice. In the case of redundancy, the Senior Staff Redundancy Policy applies.
Jarrod Brown	IOOF Investment Management Limited	13 November 2003	Resigned 8 August 2006	The Company may terminate the contract for cause on five months' written notice (or payment in lieu) based on fixed remuneration. In the case of redundancy, the Senior Staff Redundancy Policy applies.

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

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

[1] Vesting dates for shares granted under the Executive Performance Share Plan represent the earliest date shares can vest, subject to performance criteria.

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

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

[1] Vesting dates for shares granted under the Executive Performance Share Plan represent the earliest date shares can vest, subject to performance criteria.

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

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

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

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

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

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

Refer to the notes to the financial statements for further details of Key Management Personnel shareholdings.

Directors' Meetings

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

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

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 and Risk Committee and the Governance 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.

Indemnification

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

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

Proceedings on Behalf of the Company

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

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

Non-Audit Services

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

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

– all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and

– none of the services undermine the general principle relating to auditor's independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

In relation to the consolidated entity, the amount paid for non-audit services to the auditor PricewaterhouseCoopers was $20,000 (2005: $343,335).

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

Environmental Regulation

The IOOF Group is not subject to significant environmental regulation.

Rounding Off of Amounts

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

Signed in accordance with a resolution of the Directors.

I Blair

Chairman of the Board

R Dewhurst

Director and Chief Executive Officer

Melbourne, 13 September 2006.

PRICEWATERHOUSECOOPERS

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Auditors' Independence Declaration

As lead auditor for the audit of IOOF Holdings Ltd for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
13 September 2006

Income Statements

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

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Revenue	4	403,549	308,784	31,757	28,254
Expenses, excluding finance costs	6	(350,044)	(268,275)	(12,915)	(14,963)
Finance costs	6	(13)	(56)	(6)	–
Share of profit or loss of associates	5	7,130	5,099	–	–
Profit before income tax		**60,622**	**45,552**	**18,836**	**13,291**
Income tax expense	7	(34,335)	(28,917)	(733)	(138)
Profit for the year		**26,287**	**16,635**	**18,103**	**13,153**
Profit attributable to minority interest		(3,014)	(1,550)	–	–
Profit attributable to members of IOOF Holdings Ltd	25	**23,273**	**15,085**	**18,103**	**13,153**
Earnings per share for profit attributable to the ordinary equity holders of the company:		**Cents**	**Cents**		
Basic earnings per share	29	36.7	23.9		
Diluted earnings per share	29	36.1	23.6		

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

Balance Sheets

IOOF Holdings Ltd
Balance Sheets as at 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Assets					
Cash and cash equivalents	8	502,385	914,339	43,990	39,603
Receivables	9	54,178	47,901	29,207	56,444
Current tax assets	14	-	541	-	-
Other financial assets	10	928,667	240,343	147,755	111,272
Investments accounted for using the equity method	11	2,762	2,167	-	-
Other assets	12	13,352	15,397	7,487	5,475
Plant and equipment	13	2,595	1,948	828	1,168
Deferred tax assets	14	4,813	3,431	2,199	2,015
Intangible assets	15	76,658	71,656	-	-
Total Assets		1,585,410	1,297,723	231,466	215,977
Liabilities					
Payables	16	29,481	21,987	5,041	3,664
Current tax liabilities	17	26,678	19,308	25,418	18,126
Deferred tax liabilities	17	24,865	25,465	-	-
Provisions	18	7,656	7,630	3,635	4,656
Deferred revenue liability	19	4,972	4,982	-	-
Investment contract liabilities	20	457,678	1,042,455	-	-
Insurance contract liabilities	21	593,721	453	-	-
Outside interest in controlled trusts	22	251,337	-	-	-
Total Liabilities		1,396,388	1,122,280	34,094	26,446
Net Assets		**189,022**	**175,443**	**197,372**	**189,531**
Equity					
Parent entity interest					
Contributed equity	23	178,740	175,983	178,740	175,983
Treasury shares	23	(7,416)	(5,460)	-	-
Preference shares	23	1,400	-	1,400	-
Reserves	24	3,686	1,588	2,615	1,588
Retained profits	25	7,283	(865)	14,617	11,960
Total parent entity interest		183,693	171,246	197,372	189,531
Minority interest	26	5,329	4,197	-	-
Total Equity		**189,022**	**175,443**	**197,372**	**189,531**

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

Changes in Equity

IOOF Holdings Ltd
Statements of Changes in Equity for the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Total Equity at the beginning of the year		**175,443**	**170,058**	**189,531**	**183,469**
Asset revaluation reserve recognised	24	1,071	-	-	-
Net income recognised directly in equity		**1,071**	**-**	**-**	**-**
Profit for the year		26,287	16,635	18,103	13,153
Total recognised income and expense for the year		**26,287**	**16,635**	**18,103**	**13,153**
Shares issued to General staff share acquisition plan	23	269	-	269	-
Shares issued to Executive performance share scheme	23	2,488	4,555	2,488	4,555
Preference share capital issued	23	1,400	-	1,400	-
Less Treasury shares - Executive performance share plan	23	(1,956)	(4,168)	-	-
Reserve for share based payments	24	1,027	1,115	1,027	1,115
Minority interest decrease on change in shareholding		-	(65)	-	-
Dividends paid to shareholders of the Company	25	(15,125)	(12,619)	(15,446)	(12,761)
Dividends paid to minority interests in subsidiaries		(1,882)	(68)	-	-
Transactions with equity holders in their capacity as equity holders		**(13,779)**	**(11,250)**	**(10,262)**	**(7,091)**
Total Equity at the end of the year		**189,022**	**175,443**	**197,372**	**189,531**
Total recognised income and expense for the year is attributable to:					
– Members of IOOF Holdings Ltd	25	23,273	15,085	18,103	13,153
– Minority interest		3,014	1,550	-	-
		26,287	**16,635**	**18,103**	**13,153**

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

Cash Flow

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

	Notes	Consolidated		Parent	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Cash flows from operating activities					
Management fees and commission income received		234,881	212,669	9,066	9,102
Premium income received		928	1,001	-	-
Contributions proceeds		61,459	48,283	-	-
Payments to suppliers and employees		(225,470)	(203,787)	(10,169)	(23,613)
Distributions received		62,121	51,550	2,282	88
Dividends received from subsidiary		–	-	18,500	14,000
Dividends received from associate		6,536	4,020	-	-
Interest income received		27,667	4,026	1,971	888
Interest paid		(13)	-	-	-
Withdrawal payments		(123,926)	(112,969)	-	-
Net proceeds/(payments) for purchases or sales of trading securities		53,412	24,674	-	-
Other income received		2,137	2,340	250	1,550
GST paid		(3,366)	(4,849)	531	717
Income tax benefit received / (paid)		(28,406)	(5,824)	(432)	2,203
Net cash provided by/(used in) operating activities	39	**67,960**	**21,134**	**21,999**	**4,935**
Cash flows from financing activities					
Dividends paid to shareholders of the Company		(15,125)	(12,680)	(15,446)	(12,761)
Dividends paid to minority interests in subsidiaries		(1,882)	(456)	-	-
Net cash provided by/(used in) financing activities		**(17,007)**	**(13,136)**	**(15,446)**	**(12,761)**
Cash flows from investing activities					
Deferred payment for acquisition of business		-	(12,600)	-	-
Payment for purchase of investments		-	(3,809)	(3)	-
Proceeds from sale of investment securities		-	9,112	-	9,112
Proceeds from repayment of loans and mortgage securities		280	76	-	243
Payment for purchase of plant and equipment		(1,506)	(824)	(63)	(415)
Payment for the purchase of shares in a controlled entity		(700)	-	(2,100)	(1,500)
Payment for purchase of other intangible assets		(1,085)	(3,633)	-	-
Loans made to Directors of controlled entities		-	(89)	-	-
Proceeds from loans repaid by Directors		-	252	-	-
Loans made to related parties		-	(68)	-	-
Proceeds from loans repaid by related parties		-	60	-	-
Loans made to Executives of controlled entities		-	(432)	-	-
Proceeds from loans repaid by Executives		-	49	-	-
Proceeds from disposal of plant and equipment		-	106	-	-
Net cash provided by/(used in) investing activities		**(3,011)**	**(11,800)**	**(2,166)**	**7,440**
Net increase/(decrease) in cash and cash equivalents		47,942	(3,802)	4,387	(386)
Net cash adjustment upon consolidation of controlled trusts		(459,896)	-	-	-
Cash and cash equivalents at the beginning of the year		914,339	918,141	39,603	39,989
Cash and cash equivalents at the end of the year	8	**502,385**	**914,339**	**43,990**	**39,603**

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

Notes

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

1. Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for IOOF Holdings Limited ("Parent") as an individual entity and the consolidated entity consisting of IOOF Holdings Limited and its subsidiaries ("Consolidated").

(a) Basis of Preparation

The financial report is a general purpose financial report for the annual reporting year ended 30 June 2006. It has been prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

This is the first annual financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that financial statements and accompanying notes comply with International Financial Reporting Standards ('IFRS'). AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing this financial report. The parent entity financial statements and notes also comply with AIFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure.*

The financial reports of IOOF Holdings Limited until 30 June 2005 had been prepared in accordance with Australian Generally Accepted Accounting Principles ('AGAAP'), which differs in certain respects from AIFRS. Management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial reports to comply with AIFRS. The comparative figures in respect of balances at 30 June 2005 have been restated in this financial report to reflect these amendments with the exception of financial instruments and life insurance contracts. The Group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 139 *Financial Instruments: Recognition and Measurement,* and AASB 1038 *Life Insurance Contracts* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and profit are detailed in Note 41.

These financial statements have been prepared under the historical cost convention, as modified in the current year, by the revaluation of available-for-sale financial assets which are at fair value through the asset revaluation reserve, and those financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The Balance Sheet is presented in order of liquidity.

The financial statements were authorised for issue by the Directors on 15 September 2006.

(b) Principles of Consolidation

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

Control of an entity is identified where the Group has the power to govern the financial and operating policies of that entity; generally accompanying a shareholding of more than half of the voting rights. Consistent accounting policies have been employed across all entities in the Group.

In preparing the consolidated financial statements, assets, liabilities, equity, income and expenses of each controlled entity are included with the parent entity amounts on a line by line basis. All intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

1. Summary of Significant Accounting Policies (continued)

Where control of an entity is obtained during a financial year, its results are included in the consolidated Income Statement 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 benefit funds, and any trusts controlled by those funds, are treated as statutory funds in accordance with the Life Insurance Act 1995. These statutory funds, in addition to the statutory funds of the life insurance business conducted by the Group, are shown separately from shareholder funds in the notes to the financial statements. Refer to Note 1 (k) Product Classification for information in relation to the different accounting treatment of investment contracts with discretionary participating features effective from the date of transition to AASB 1038 at 1 July 2005. The Group has applied previous AGAAP to the comparative information.

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 Balance Sheet, the following are separately identified:

- gross policy liabilities ceded under reinsurance; and
- life insurance policy liabilities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(n) Business Combinations and Acquisition of Other Assets.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity.

(c) Investment in Associates

Associates are entities over which the Group has significant influence but not control. Significant influence is generally identified with a shareholding of between 20% and 50% of the voting rights. The Group's investments in its associates are accounted for under the equity method of accounting in the consolidated financial statements, and are accounted for in the parent entity financial statements using the cost method.

The Group' s share of its associates' post-acquisition profits or losses are recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the consolidated financial statements. Dividends receivable from associates reduce the carrying amount of the investment in the consolidated financial statements, whereas in the parent entity's financial statements they are recognised in the Income Statement.

When the Group's share of the losses in an associate equals or exceeds its interest in an associate, including any unsecured receivables, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Segment Reporting

The Group's predominant source and nature of risks and rewards is related to its business segments (Primary segments). A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment (secondary segments) is engaged in providing products and services within an economic environment and is subject to risks and returns that are different from those operating in other economic environments.

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.

1. Summary of Significant Accounting Policies (continued)

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable. 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;
- dividend income and distribution income are brought to account on an accruals basis. Interest income is recognised using the effective interest method as set out in AASB 139, where appropriate. Dividends are recognised when the right to receive payment is established;
- commission income from the provision of financial advisory services is recognised on an accruals basis;
- premium revenue is earned on life insurance products. Life insurance premiums with no due date are recognised 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. Deposit components of life insurance contracts are not revenue and are treated as movements in life insurance contract liabilities; and
- the Group has taken the exemption available under AASB 1 to apply AASB 1038 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information in relation to Life Insurance operations. Under previous AGAAP, life insurance premiums with no due date have been recognised as revenue on a cash received basis. Premiums with regular due dates have been recognised as revenue on a basis which was consistent with the Actuary's valuation of liabilities.

(f) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable tax rate, adjusted for changes in deferred tax assets and deferred tax liabilities. Such changes are attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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% (2005: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2005: 30%).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities settled, based on those tax rates which are enacted or substantially enacted at the balance sheet date. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is possible that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

IOOF Holdings Ltd and its wholly owned entities (including IOOF Ltd benefit funds) have implemented the tax consolidation legislation.

As a consequence, IOOF Holdings Ltd, as head entity in the tax consolidated group, recognises the current tax liability and any deferred tax assets arising from tax losses and any other relevant unused tax credit relating to the wholly-owned entities in the tax group; as if those liabilities and deferred tax assets relating to losses/credits were its own. In addition, IOOF Holdings Ltd recognises 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.

1. Summary of Significant Accounting Policies (continued)

Current and deferred tax amounts are allocated to members of the tax group by utilising the 'stand-alone taxpayer method', whereby allocations are made as if each entity in the group were a taxpayer in its own right. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group.

(g) Cash and Cash Equivalents

For cash flow purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within liabilities on the balance sheet.

(h) Receivables

All receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. They are due for settlement at terms which vary between 14 days and, in exceptional circumstances, 180 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off to the Income Statement. A provision for doubtful debts is raised where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the initial provision, or change in the provision, is recognised in the Income Statement.

(i) Other Financial Assets

To 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information in relation to financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, the following valuation methods applied.

- **Controlled Entities**

  Investments in controlled entities of the Parent have been recorded at lower of cost and recoverable amount.

- **Equity Securities**

  Shares and equity options have been 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 has been determined at the net asset value per unit at balance date. The net asset value has been calculated by deducting the value of liabilities of the unit trust from the value of the unit trust's gross assets.

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

- **Controlled Entities**

  Investments held by life entities have been recorded at Directors valuation based on independent valuations.

- **Debt Securities**

  Interest bearing securities have been recorded at market value.

- **Equity Securities**

  Shares and equity options have been 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.

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

- **Mortgage Securities**

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

- **Unlisted Unit Trusts**

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

1. Summary of Significant Accounting Policies (continued)

Adjustments on Transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost, fair value is the measurement basis. Fair value is inclusive of transaction costs unless the financial assets are measured at fair value through profit and loss in which case transaction costs are expensed. Changes in fair value are either taken to the income statement or an equity reserve, or in the case of financial instruments held by the Benefit Funds or controlled trusts the change in value are reflected in Investment contract liabilities and Insurance contract liabilities. At the date of transition, however, changes to carrying amounts are taken to retained earnings or reserves, or in the case of financial instruments held by the Benefit Funds or controlled trusts the change in value is reflected in Investment contract liabilities and Insurance contract liabilities.

Further information concerning the adjustments at the date of transition are included in Note 41 Explanation of transition to Australian equivalents to IFRS. Reference should also be made to the following Notes:

- other financial assets - Note 10; and
- retained profits - Note 25.

From 1 July 2005

The Group classifies its financial assets in the following categories, depending on the purpose for which the asset was acquired:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Management determines the classification at initial recognition for those financial assets classified as held to maturity and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Management will designate a financial asset to this category if there exists the possibility it will be sold in the short-term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, assets, or services directly to a debtor with no intention of selling the receivable.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or are not classified in any of the other categories.

Purchases and sales of investments are recognised on trade-date, being the date on which a commitment is made to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and substantially all the risks and rewards of ownership have been transferred.

'Available-for-sale' financial assets and financial assets 'at fair value through profit or loss' are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of financial assets categorised as at fair value through profit or loss are included in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities held as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), fair value is determined by using valuation techniques. These techniques include reference to recent arms length transactions involving the same or substantially similar instruments, discounted cash flow analysis, and pricing models refined to reflect the issuer's specific circumstances.

1. Summary of Significant Accounting Policies (continued)

At each balance date, management assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. For available-for-sale financial assets, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether it is impaired. If it is assessed as impaired, the cumulative loss (being the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

(j) Derivatives

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. To that date, the Group did not hold any interest rate swaps, forward exchange contracts, or similar derivative instruments requiring particular accounting consideration under AGAAP.

From 1 July 2005, the Group applied AASB 132 and AASB 139 to financial instruments identified as being derivatives as defined by the accounting standards. Derivative instruments held by the Group are acquired for investment purposes and are not designated as hedges for accounting purposes. Changes in the fair value of the derivatives are recognised immediately in the Income Statement.

(k) Product classification

To 30 June 2005

The Group has taken the exemption available under AASB 1 to apply the AIFRS version of AASB 1038 only from 1 July 2005. The group has applied previous AGAAP to the comparative information in relation to the insurance contracts within the scope of the updated AASB 1038.

Under previous AGAAP, the Life Insurance operations of the Group have been accounted for as insurance contracts. Premiums with no due date have been recognised as revenue on a cash received basis, and premiums with regular due dates have been recognised as revenue on a basis consistent with the Actuary's valuation of policyholder liabilities.

All products in relation to the investment management operations of the Group, including contracts with discretionary bonus features, would have been accounted for as investment contracts had the benefit funds been consolidated under AGAAP. For the purpose of the comparative figures in these AIFRS financial statements, these contracts have been accounted for directly through the Balance Sheet as a movement in the investment contract liability. Similarly, distributions on these contracts have been charged to the Income Statement for the comparative figures in these financial statements.

Adjustment on transition: 1 July 2005

No adjustment is required on transition to the updated AASB 1038. The carrying value of assets and liabilities has not changed in relation to those investment contracts treated differently under the updated AASB 1038.

From 1 July 2005

The accounting treatment of certain transactions varies depending on the nature of the contract underlying the transaction. The major contract classifications are insurance contracts and investment contracts.

Insurance contracts

Insurance contracts are those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependant on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Investment contracts

Contracts not considered insurance contracts are classified as investment contracts. The accounting treatment of investment contracts depends on whether the investment has a discretionary participation feature ('DPF'). A DPF represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total benefits;
- distributed at the discretion of the insurer; and
- are based on the performance of a specified pool of assets.

Deposits collected and benefits paid under investment contracts with DPF are accounted for through the Income Statement. The gross change in the liability to these policyholders for the period, which includes any participating benefits vested in policyholders and any undistributed surplus attributed to policyholders, is recognised in the Income Statement.

1. Summary of Significant Accounting Policies (continued)

Deposits collected and withdrawals processed for investment contracts without DPF are accounted for directly through the Balance Sheet as a movement in the investment contract liability. Distributions on these contracts are charged to the Income Statement as an expense.

Where contracts contain both an investment component and an insurance component and the deposit component can be separately measured, the underlying amounts are unbundled. Premiums relating to the insurance component are accounted through the Income Statement and the investment component is accounted as a deposit through the Balance Sheet as described above.

(l) Assets Backing Policy Liabilities

The Company has determined that all assets held within its reported statutory funds (including the benefit funds which are treated as statutory funds) represent the assets backing policy liabilities.

Assets backing policy liabilities are measured at fair value through profit or loss.

(m) Deferred Acquisition Costs

Deferred acquisition costs relate to commissions paid, and are deferred as an asset in recognition that they relate to a future economic benefit. Deferred acquisition costs are initially measured at historical cost and are written down immediately to their recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Deferred acquisition costs which are carried as an asset in the Balance Sheet, are progressively amortised in the Income Statement by a systematic allocation over the period of time future economic benefits are expected to be received.

(n) Business Combinations and Acquisitions of Other Assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on issue of equity instruments are recognised directly in equity.

Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(q)(i)). If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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 exchange. The discount rate used is the entity's borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Amounts are recognised only where payment is probable and can be reliably estimated.

(o) 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.

(p) Plant and Equipment

Property and equipment is carried at historic cost less any accumulated depreciation and any accumulated impairment losses. Historic cost includes all expenditure directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives which range between 3 to 10 years.

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Asset carrying amounts are written down immediately to recoverable amount if the carrying amount is greater than its estimated recoverable amount.

1. Summary of Significant Accounting Policies (continued)

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

(q) Intangible Assets and Expenditure Carried Forward

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill acquired in a business combination is not amortised. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by the Group's investment in each primary reporting segment (Note 38 Segment Information).

(ii) Development of Assets

Costs incurred with major software development and major projects are capitalised where the associated intangible asset is assessed as being separable from the entity, controlled by the entity, will provide future economic benefit, and the cost can be measured reliably. Capitalised costs are deferred until such time the asset is ready for use. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which has generally been assessed as being three years.

(iii) Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which has generally been assessed as being three years.

(iv) Adviser Relationships

Adviser relationships have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which has generally been assessed as being three years.

(r) Impairment of Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash-generating units). Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The impairment recognised for goodwill is not subsequently reversed.

(s) Accounts Payable

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

(t) Employee Entitlements

(i) Wages, Salaries, Annual Leave and Sick Leave
Liabilities for wages, salaries, annual leave and sick leave represent the Group's present obligation in relation to employees' services provided up to balance date. The liabilities are recognised at the remuneration rates expected to be paid when obligations are settled, and do not include related on-costs such as workers compensation insurance and payroll tax. Amounts where the absences are expected to occur within 12 months are recognised in other creditors, whereas where the absences are expected to occur beyond 12 months are discounted to present values and are recognised in non-current provisions.

1. Summary of Significant Accounting Policies (continued)

(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 is given to future increases in wage and salary rates, experience with employee departures and periods of service.

(iii) Employee Benefits On-Costs

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

(iv) Equity-settled Share-based Compensation Benefits

Equity-settled 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. The IOOF Group has no right to recall placed shares. However, a subsidiary Company acts as the trustee of this Trust, and can direct the voting rights of shares held and strategic direction. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in the Income Statement, together with a corresponding increase in the Reserve for share-based payments, over the period in which the performance pre-requisites are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date').

The cumulative expense recognised at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the number of shares that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is based on the best available information available at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is reflected in the determination of the fair value at grant date.

Shares in the Group held by IOOF Executive Performance Share Plan Trust are classified and disclosed as Treasury shares, and deducted from equity.

The Group has taken the exemption available under AASB 1 to apply AASB 2 *Share-based Payments* only to equity instruments granted after 7 November 2002 that had not vested before 1 January 2005.

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 incentive 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.

(v) 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.

(vi) 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, 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 and through the Income Statement except where acquisition accounting principles are applicable.

1. Summary of Significant Accounting Policies (continued)

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.

(vi) Retirement Benefit Obligations

Employees of the Group are entitled to benefits on retirement, disability or death from the Group's Superannuation Plan, subject to qualification for membership of the plan. This plan is a defined contribution scheme that receives fixed contributions from Group companies. The Group's legal or constructive obligation is limited to these contributions. Certain employees are entitled to nominate external superannuation plans to which fixed contributions are similarly directed. Contributions to defined contribution superannuation plans are recognised as an expense in the Income Statement when incurred.

(u) Provisions

Provisions are recognised when:

- it is established there is a present legal or constructive obligation as a result of a past event;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(v) Insurance Contract Liabilities and Claims Expense

Life insurance contract liabilities are calculated in accordance with actuarial standards.

A claims expense is recognised when the liability to the policyholder under the policy contract has been established, or upon notification of the insured event . Withdrawal components of life insurance contracts are not expenses and are treated as movements in life insurance contract liabilities.

(w) Deferred Revenue Liability

Investment contract policyholders are charged fees for investment management services. The fee is recognised as revenue in the period in which it is received unless they relate to services to be provided in future periods. Fees for services to be provided in future periods are deferred and recognised in the Income Statement as the service is provided, over the expected term of the service contract.

(x) Investment Contract Liabilities and Claims Expense

Investment contracts with DPF – the value of these liabilities changes in relation to the change in unit prices for unit linked contracts, and are decreased by management fee charges. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders. Adjustments to the liabilities at each reporting date are recorded in the Income Statement.

Other investment contracts – the value of these liabilities changes in relation to the change in unit prices for unit linked contracts, and are decreased by management fee charges. In accordance with the rules of the funds, any remaining surplus is attributed to the members of the fund. Amounts distributable to members are recorded in the Income Statement as an expense.

There is no claims expense in respect of life investment contracts. Surrenders and withdrawals which relate to life investment contracts are treated as a movement in life investment contract liabilities. Surrenders are recognised when the policyholder formally notifies of their intention to end the policy previously contracted.

1. Summary of Significant Accounting Policies (continued)

(y) 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 is established at the commencement if the lease at the lower of the fair value of the leased property and the present value of minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. Each lease payment is allocated between the lease liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease asset is amortised on a straight-line basis over the shorter of the term of the lease or the useful life of the asset. Lease assets held at reporting date are being amortised over periods ranging from one to five years.

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight-line basis over the period of the incentive.

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

(z) Shareholders Entitlement to Monies Held in Statutory Funds

Monies held in the life insurance Statutory Funds (including the Benefit Funds) are subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995. Monies held in the benefit funds and controlled trusts are held for the benefit of the members of those funds, and are subject to the constitution and rules of those funds.

(aa) Contributed Equity

Ordinary shares are classified as equity. Preference shares that are mandatorily redeemable or that attach a contractual obligation to pay a regular, cumulative, fixed-rate dividend are classified as liabilities.

(ab) Dividends

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

(ac) 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 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.

(ad) 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.

(ae) Rounding of Amounts

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

1. Summary of Significant Accounting Policies (continued)

(af) Comparatives

Changes in accounting policy are accounted for retrospectively, unless it is impractical to do so. Changes in accounting policy on initial adoption of an accounting standard are accounted for retrospectively, unless it is impractical to do so, or where they are adopted in accordance with the transitional provisions of the relevant standard. Certain elections have been made in accordance with AASB 1 upon transition to AIFRS. Specific disclosures are made wherever accounting policies have not been consistently applied to prior year comparatives.

(ag) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not yet mandatory, and hence they have not been early adopted in these financial statements. The Group's assessment of those standards and interpretations that may have a material impact on the Group's future financial statements is set out below.

(i) AASB 2005-9 *Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]*
AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. The Group has not elected to adopt the amendments early. It will apply the revised standards in its 30 June 2007 financial statements. Application of the revised rules may result in the recognition of the financial liabilities for previously disclosed Contingent Liabilities. For the consolidated entity, guarantees were provided in a subsidiary for advisor loans amounting to $1,540,000 (2005: $1,540,000) which will be recognised as a liability. The Group has provided indemnities for contingent obligations to Westpac Banking Corporation Limited in respect of bankers undertakings provided by Westpac to various parties which may also be recognised as a liability. The total contingent obligation at 2006 $325,425 (2005: $325,345). The change will be implemented retrospectively with a restatement of the comparatives as required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

(ii) AASB 7 *Financial Instruments: Disclosures and* AASB 2005-10 *Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 113, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038].*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial statements.

2. Risk Management

The financial condition and operating results of the Group are affected by a variety of financial and non-financial risks. Financial risks include market risk (including fair value risk, interest rate risk and price risk), credit risk, liquidity risk and insurance risk. The non-financial risks are compliance risk and operational risk. The Group's objectives and policies in respect of managing these risks are set out in the remainder of this note.

The Group's objective is to satisfactorily manage these risks in line with the Group's Risk Management Policy which is approved by the Board. Various procedures are put in place to control and mitigate the risks faced by the Group depending on the nature of the risk. The Group's exposure to all risks is monitored by the Head of Risk and this exposure is regularly reported to the Audit and Risk Committee and to the Board.

Compliance risk and operational risk are both monitored by Head of Compliance and internal committees which report regularly to the Board.

The Group's risk strategy involves the identification of risks by type, impact and likelihood, implementation of processes and controls to mitigate risks, and continuous monitoring and improvement of the procedures in place to minimise the chance of an adverse compliance or operational risk event occurring.

Financial Risks

(a) Market risk

The Group's income and operating cash flows are impacted by changes in market conditions. The Group is exposed to substantial market risk through the impact of market changes on the level of funds under management and consequently management fee revenue. In addition, investments in financial assets held through funds related to the Group are impacted by market movements. This risk is managed by having different businesses in the Group that operate in different markets, thus diversifying this risk.

2. Risk Management (continued)

Investments held by the Group and classified on the balance sheet either as available-for-sale or at fair value through profit and loss expose the company to some equity securities price risk. The Group is not exposed to foreign exchange risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has mitigated its credit risk as follows; cash deposits are held with high credit quality financial institutions (Westpac Bank), and other liquid investments are held with related party trusts. Where investments are held in trust, the trust is subject to a trust deed and investments may be reinvested every 3 to 12 months. The investment in underlying assets is subject to asset allocation guidelines and asset allocations are monitored regularly.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through adequate amount of committed credit facilities and the ability to close-out market positions. Management maintains sufficient liquid assets to cover external current liabilities and unforseen expenses of the Group. In addition, the Group has access to a committed line of credit.

(d) Interest rate risk

The Group is not currently exposed to interest rate risk on borrowings as it does not hold any interest bearing liabilities. Exposure to interest rate risk impacts interest income earned on financial assets. Short and long-term investment mixes are determined by liquidity policy requirements and interest rates are based on market rates. Where investments are held in trust, the trust is subject to a trust deed and investments may be reinvested every 3 to 12 months limiting interest rate risk to this time frame.

The Company is subject to interest rate exposure on subordinated loans made to companies in the Group.

(e) Derivative financial instruments

Derivative financial instruments are carried at fair value and recorded in the Balance Sheet as assets and liabilities. Asset and liability values on different transactions are only netted if the transactions are with the same counter party and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income Statement and are not designated as hedges for accounting purposes, as set out in Note 1(j).

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled through the setting of exposure limits, which are subject to monitoring and review.

(f) Life Insurance risk

The Group is exposed to life insurance risks through a subsidiary (IOOF Life Ltd) and a number of Benefit Funds (held through IOOF Ltd) where life insurance and life investment contracts are issued.

Insurance risks are controlled through the use of underwriting procedures, adequate premium rates and policy charges and sufficient reinsurance arrangements, all of which are approved by the Appointed Actuary. Tight controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

Financial risks are generally monitored and controlled by selecting appropriate assets to back policy liabilities. The assets are regularly monitored by the Investment Committee to ensure there are no material assets and that liability mismatching issues and other risks such as liquidity risk and credit risk are maintained within acceptable limits. For those life insurance and life investment contracts where the benefits paid are directly impacted by the value of the underlying assets, the Group is exposed to the risk of future decreased management fees as a result of the decrease in the assets under management.

The Company's insurance operations are subject to regulatory capital requirements which prescribe the amount of capital to be held depending on the type, quality and concentration of investments held.

2. Risk Management (continued)

Terms and conditions of insurance contracts

The nature and the terms of the life insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend. The table below provides an overview of the key variables upon which the amount of the related cash flows are dependent.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables that affect the timing and uncertainty of future cash flows
Non-participating life insurance contracts with fixed terms (Term Life and Disability)	Benefits paid on death or ill health that are fixed and not at the discretion of the issuer.	Benefits, defined by the insurance contract and are not directly affected by the performance of the underlying assets or the performance of the contracts as a whole.	Mortality, Morbidity, Market earnings rates, Interest rates, Discontinuance rates and Expenses.
Life insurance contracts with discretionary participating benefits (Endowment and Whole of life)	These policies include a clearly defined initial guaranteed sum assured which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed.	Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract.	Mortality, Morbidity, Market risk, Interest rates, Discontinuance rates and Expenses.

Non Financial Risks

The Group includes subsidiaries that act as Investment Manager and Administrator for client appointed mandates and Group Managed Investment Schemes and PSTs, and subsidiaries that hold Australian Financial Services licences exposing the Company to non-financial risks, specifically compliance risk and operational risk. These non-financial risks are managed by the compliance department of IOOF Holdings Ltd and Perennial Investment Partners Limited on behalf of IOOF Investment Management Limited in accordance with the Company's Risk Management Policy ('RMP'). Amendments to the RMP must be approved by the Board.

The Company's risk strategy involves the identification of risks by type, impact and likelihood, implementation of processes and controls to mitigate identified risks, and continuous monitoring and improvement of the procedures in place to minimise the chance of an adverse compliance or operational risk event occurring.

(a) Operational risk

The Company's objective is to satisfactorily manage operational risk in line with the Company's RMP. Various procedures are put in place to control and mitigate the risks faced by the Company depending on the nature of the risk. The Company's exposure to operational risk is monitored by the Head of Risk and exposure is regularly reported to the Board.

(b) Compliance risk

Compliance risk is monitored by the Head of Compliance and internal committees which consult with General Counsel and regularly report to the Board. Existing and emerging risk issues caused by changing legislation and regulatory requirements in relation to the Company's roles as Approved Trustee, Responsible Entity, Custodian and Administrator are reviewed at the IOOF Investment Management Limited and IOOF Holdings Ltd Board meetings.

3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 15 for further details.

(ii) Life insurance contract liabilities

Life insurance contract liabilities are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life business written. Deferred policy acquisition costs are connected with the measurement basis of the life insurance contract liabilities and are equally sensitive to the factors that are considered in the liability measurement. Refer to Note 40(f) for further details on actuarial assumptions and methods.

The key factors that affect the estimation of these liabilities and related assets are:

- the cost of providing benefits and administering these insurance contracts;
- mortality and morbidity experience on the life insurance products, including enhancements to policyholder benefits;
- discontinuance experience, which affects the Company's ability to recover the cost of acquiring new business over the lives of the contracts; and
- the amounts credited to policyholders' accounts compared to the returns on invested assets through asset-liability management and strategic and tactical asset allocation.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities. In some contracts, the Group shares experience on mortality, morbidity, persistency and investment results with its customers, which can offset the impact of these factors on profitability from those products.

(iii) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and amounts can be reliably measured.

(iv) Deferred Acquisition Costs

Deferred Acquisition Costs which are carried as an asset in the Balance Sheet are progressively amortised in the Income Statement by a systematic allocation of the period of time over which future economic benefits are expected to be received. Uncertainty in relation to the period over which future economic benefits are expected has resulted in management using estimates.

(v) IOOF Executive Performance Share Plan Trust

In determining the amount that should be recognised between grant date and vesting date, probability factors are applied to the calculation. The probability is a matter of the best estimate based on achievement of the hurdles and assessment of the likelihood of the employee remaining with the organisation.

(b) Critical judgements in applying the accounting policies

It has been determined that no critical accounting judgements have been made in the year.

4. Revenue

For the year ended 30 June 2006	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
Revenue						
Management fees:						
- Investment products	180,269	-	180,269	-	-	-
- Controlled entities	-	-	-	9,242	-	9,242
- Benefit funds	17,754	-	17,754	-	-	-
- Associated entity	2,006	-	2,006	-	-	-
- Related entities	-	5,896	5,896	-	-	-
- Other entities	7,344	-	7,344	-	-	-
Deposits received - investment contracts with DPF	-	19,452	19,452	-	-	-
Commission revenue:						
- Non-related entities	14,166	-	14,166	-	-	-
Other fee revenue	382	-	382	-	-	-
Interest revenue:						
- Directors & Director-related entities	291	-	291	-	-	-
- Other related parties	116	-	116	1,665	-	1,665
- Non-related entities	1,532	26,900	28,432	305	-	305
Dividends:						
- Controlled entities	-	-	-	18,500	-	18,500
- Non-related entities	66	10,478	10,544	-	-	-
Distributions:						
- Other related parties	3,359	44,884	48,243	1,796	-	1,796
	227,285	107,610	334,895	31,508	-	31,508
Other income						
Gains on investments	64	64,767	64,831	-	-	-
Other	2,694	-	2,694	249	-	249
	2,758	64,767	67,525	249	-	249
Life Insurance Revenue						
Direct insurance premiums	-	727	727	-	-	-
Insurance claims recovered	-	402	402	-	-	-
	-	1,129	1,129	-	-	-
Revenue	**230,043**	**173,506**	**403,549**	**31,757**	**-**	**31,757**

4. Revenue (continued)

For the year ended 30 June 2005	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Revenue						
Management fees:						
- Investment products	146,318	-	146,318	-	-	-
- Controlled entities	-	-	-	9,058	-	9,058
- Benefit funds	17,364	-	17,364	-	-	-
- Associated entity	1,833	-	1,833	-	-	-
- Related entities	-	5,228	5,228	-	-	-
- Other entities	5,788	-	5,788	-	-	-
Commission revenue:						
- Non-related entities	14,416	-	14,416	-	-	-
Other fee revenue	692	282	974	-	-	-
Interest revenue:						
- Directors & director-related entities	288	-	288	2	-	2
- Other related parties	102	-	102	-	-	-
- Non-related entities	2,219	1,826	4,045	886	-	886
Dividends:						
- Controlled entities	-	-	-	14,000	-	14,000
- Non-related entities	124	-	124	88	-	88
Distributions:						
- Other related parties	2,799	55,478	58,277	1,366	-	1,366
	191,943	62,814	254,757	25,400	-	25,400
Other income						
Gains on investments	2,913	48,712	51,625	2,753	-	2,753
Other	1,434	-	1,434	101	-	101
	4,347	48,712	53,059	2,854	-	2,854
Life Insurance Revenue						
Direct insurance premiums	-	643	643	-	-	-
Insurance claims recovered	-	325	325	-	-	-
	-	968	968	-	-	-
Revenue	**196,290**	**112,494**	**308,784**	**28,254**	**-**	**28,254**

5. Share of Equity Profits

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
For year ended 30 June 2006						
Share of profit or loss of associate	**7,130**	-	**7,130**	-	-	-
For year ended 30 June 2005						
Share of profit or loss of associate	**5,099**	-	**5,099**	-	-	-

6. Expenses

For the year ended 30 June 2006	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
Profit before income tax includes the following specific expenses:						
Finance costs :						
Interest – non related entities	**13**	**-**	**13**	**6**	**-**	**6**
Expenses, excluding finance costs :						
Net movement in provision for doubtful debts in respect of amounts receivable from:						
- Non-related parties	917	-	917	27	-	27
Depreciation of plant and equipment	834	-	834	403	-	403
Loss on disposal of assets	47	-	47	-	-	-
Amortisation of software and infrastructure projects	1,163	-	1,163	-	-	-
Losses on investments	318	35,901	36,219	187	-	187
Operating lease rental expenses						
- Non-related entities	2,687	-	2,687	656	-	656
- Surplus lease space	47	-	47	-	-	-
Occupancy related expenses	1,695	-	1,695	313	-	313
Net transfers to employee provisions	3,143	-	3,143	407	-	407
Salaries and related expenses	41,472	-	41,472	3,347	-	3,347
Employee Share-based payments expense	1,826	-	1,826	1,826	-	1,826
Employee Defined contribution plan expense	2,961	-	2,961	504	-	504
Commission and management fees:						
- Related entity	13,171	-	13,171	-	-	-
- Benefit funds	-	16,228	16,228	-	-	-
- Non-related entities	99,806	4,327	104,133	-	-	-
Investment contracts with DPF						
- Benefits and withdrawals paid	-	73,684	73,684	-	-	-
- Decrease in policyholder liabilities	-	(36,332)	(36,332)	-	-	-
Termination bonuses	-	562	562	-	-	-
Distribution to policyholders	-	51,072	51,072	-	-	-
Professional fees	9,761	12	9,773	2,902	-	2,902
Marketing	3,860	-	3,860	18	-	18
Deferred acquisition costs amortisation	4,715	-	4,715	-	-	-
Computer maintenance and support	4,693	-	4,693	367	-	367
Office support	4,061	-	4,061	750	-	750
Travel and entertainment	2,802	-	2,802	274	-	274
Other expenses from ordinary activities	3,118	511	3,629	934	-	934
	203,097	145,965	349,062	12,915	-	12,915
Life Insurance operating expenses includes:						
Outward reinsurance expense	-	413	413	-	-	-
Policy payments/claims	-	468	468	-	-	-
Operating expenses	-	101	101	-	-	-
	-	982	982	-	-	-
Total expenses, excluding finance costs	**203,097**	**146,947**	**350,044**	**12,915**	**-**	**12,915**

6. Expenses (continued)

	Consolidated			Parent		
For the year ended 30 June 2005	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Profit before income tax includes the following specific expenses:						
Finance costs :						
Interest – non related entities	**56**	**-**	**56**	**-**	**-**	**-**
Expenses, excluding finance costs :						
Net movement in provision for doubtful debts in respect of amounts receivable from:						
- Non-related parties	317	-	317	-	-	-
Depreciation of plant and equipment	732	-	732	370	-	370
Amortisation of software and infrastructure projects	1,597	-	1,597	-	-	-
Loss on disposal of plant and equipment	13	-	13	2	-	2
Losses on investments	634	-	634	302	-	302
Operating lease rental expenses						
- Non-related entities	2,658	-	2,658	456	-	456
Occupancy related expenses	1,826	-	1,826	328	-	328
Net transfers to employee provisions	2,793	-	2,793	374	-	374
Salaries and related expenses	38,050	-	38,050	4,825	-	4,825
Employee Share-based payments expense	1,594	-	1,594	1,594	-	1,594
Employee Defined contribution plan expense	2,751	-	2,751	475	-	475
Commission and management fees:						
- Related entity	10,261	-	10,261	-	-	-
- Benefit funds	-	15,848	15,848	-	-	-
- Non-related entities	79,382	-	79,382	-	-	-
Termination bonuses	-	544	544	-	-	-
Distribution to policyholders	-	69,261	69,261	-	-	-
Professional fees	11,084	18	11,102	3,674	-	3,674
Provision for diminution in value of investment	1,747	-	1,747	-	-	-
Marketing	3,910	-	3,910	110	-	110
Deferred acquisition costs amortisation	7,109	-	7,109	-	-	-
Computer maintenance and support	6,408	-	6,408	774	-	774
Office support	4,251	-	4,251	914	-	914
Travel and entertainment	2,574	-	2,574	372	-	372
Other expenses from ordinary activities	2,049	13	2,062	393	-	393
	181,740	85,684	267,424	14,963	-	14,963
Life Insurance operating expenses includes:						
Outward reinsurance expense	-	353	353	-	-	-
Policy payments/claims	-	415	415	-	-	-
Decrease in policyholder liabilities	-	(13)	(13)	-	-	-
Operating expenses	-	96	96	-	-	-
	-	851	851	-	-	-
Total expenses, excluding finance costs	**181,740**	**86,535**	**268,275**	**14,963**	**-**	**14,963**

7. Income Tax Expense

For the year ended 30 June 2006	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
(a) Income tax expense						
Current tax	9,309	26,829	36,138	852	-	852
Deferred tax	(1,421)	(613)	(2,034)	(175)	-	(175)
Under / (over) provided in prior years	337	(106)	231	56	-	56
Income tax expense attributed to Profit from continuing operations	**8,225**	**26,110**	**34,335**	**733**	**-**	**733**
Deferred income tax (revenue)/ expense included in income tax expense comprises:						
Decrease / (increase) in deferred tax assets (Note 14)	(798)	(111)	(909)	(174)	-	(174)
(Decrease) / increase in deferred tax liabilities (Note 17)	(623)	(502)	(1,125)	(1)	-	(1)
	(1,421)	(613)	(2,034)	(175)	-	(175)
(b) Numerical reconciliation of income tax expense to prima facie tax payable						
Profit from operations before income tax expense and items eliminated on consolidation	34,063	26,559	60,622	18,836	-	18,836
Inter-group management fee and interest income eliminated on consolidation	336	(336)	-	-	-	-
Profit from continuing operations before income tax expense	**34,399**	**26,223**	**60,622**	**18,836**	**-**	**18,836**
Tax at the Australian tax rate of 30%	10,320	7,867	18,187	5,651	-	5,651
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:						
– Share of tax credits with Benefit Funds	2,992	(2,544)	448	-	-	-
– Tax on the income of Benefit Funds not reflected in consolidated profit	-	20,893	20,893	-	-	-
– Non assessable income	(6,308)	-	(6,308)	(4,974)	-	(4,974)
– Tax losses and temporary differences not recognised	884	-	884	-	-	-
	7,888	26,216	34,104	677	-	677
Under/(over) provided in prior years	337	(106)	231	56	-	56
Income tax expense	**8,225**	**26,110**	**34,335**	**733**	**-**	**733**
(c) Amounts recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**

(d) Tax consolidation

IOOF Holdings Ltd and its wholly owned entities have implemented the tax consolidation legislation.

The entities have entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly owned entities reimburse IOOF Holdings Ltd for their share of the income tax expense arising in respect of their activities. This is recognised as a current tax related receivable / payable by IOOF Holdings Ltd and is reimbursed by the wholly owned entities each month. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by IOOF Holdings Ltd.

Taxable income for the tax consolidated group includes the profit generated by IOOF Ltd benefit funds, which is distributable to policyholders of the Benefit Fund. The profit of these funds forms part of the consolidated profit for the calculation of the tax expense.

(e) Tax losses	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
Unused tax losses for which no deferred tax asset has been recognised	4,862	-	4,862	-	-	-
Potential tax benefit at 30% not recognised	1,459	-	1,459	-	-	-

7. Income Tax Expense (continued)

	Consolidated			Parent		
For the year ended 30 June 2005	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
(a) Income tax expense						
Current tax	6,258	12,862	19,120	391	-	391
Deferred tax	(1,746)	12,680	10,934	(84)	-	(84)
Under / (over) provided in prior years	(1,349)	212	(1,137)	(169)	-	(169)
Income tax expense is attributed to Profit from continuing operations	**3,163**	**25,754**	**28,917**	**138**	**-**	**138**
Deferred income tax (revenue)/ expense included in income tax expense comprises:						
Decrease / (increase) in deferred tax assets (Note 14)	(561)	410	(151)	(71)	-	(71)
(Decrease) / increase in deferred tax liabilities (Note 17)	(1,185)	12,270	11,085	(13)	-	(13)
	(1,746)	12,680	10,934	(84)	-	(84)
(b) Numerical reconciliation of income tax expense to prima facie tax payable						
Profit from operations before income tax expense and items eliminated on consolidation	19,593	25,959	45,552	13,291	-	13,291
Inter-group management fee and interest income eliminated on consolidation	149	(149)	-	-	-	-
Profit from continuing operations before income tax expense	**19,742**	**25,810**	**45,552**	**13,291**	**-**	**13,291**
Tax at the Australian tax rate of 30%	5,923	7,742	13,665	3,987	-	3,987
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:						
– Share of tax credits with Benefit Funds	3,005	(2,914)	91	-	-	-
– Tax on the income of Benefit Funds not reflected in consolidated profit	-	20,714	20,714	-	-	-
– Non assessable income	(4,064)	-	(4,064)	(3,625)	-	(3,625)
– Sundry items	(352)	-	(352)	(55)	-	(55)
	4,512	25,542	30,054	307	-	307
Under/(over) provided in prior years	(1,349)	212	(1,137)	(169)	-	(169)
Income tax expense	**3,163**	**25,754**	**28,917**	**138**	**-**	**138**
(c) Amounts recognised directly in equity	-	-	-	-	-	-
(d) Tax losses						
Unused tax losses for which no deferred tax asset has been recognised	2,051	-	2,051	-	-	-
Potential tax benefit at 30% not recognised	615	-	615	-	-	-

8. Cash And Cash Equivalents

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Cash	17,106	17,821	34,927	1,748	-	1,748
Deposits on call	667	-	667	667	-	667
Unlisted Unit Trusts - related party	-	466,791	466,791	41,575	-	41,575
	17,773	**484,612**	**502,385**	**43,990**	**-**	**43,990**
30 June 2005						
Cash	31,647	7,174	38,821	16,231	-	16,231
Deposits at call	937	7,560	8,497	633	-	633
Unlisted Unit Trusts - related party	48,475	818,546	867,021	22,739	-	22,739
	81,059	**833,280**	**914,339**	**39,603**	**-**	**39,603**

Cash in hand is non-interest bearing. Cash at bank and Deposits at call are interest bearing at floating rate interest rates between 4.86% and 5.53% (2005: 4.95% and 6.33%). The Unlisted Unit Trusts - related party is an investment in IOOF Sectoral Unit Trusts.

9. Receivables

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Receivables	6,194	5,093	11,287	418	-	418
Provision for doubtful debts	(2,145)	-	(2,145)	(27)	-	(27)
	4,049	5,093	9,142	391	-	391
Interest receivable - related parties	719	171	890	-	-	-
Interest receivable - other	2	1,698	1,700	-	-	-
Distributions receivable	-	24,263	24,263	598	-	598
Insurance contract asset	-	117	117	-	-	-
Gross policy liabilities ceded under reinsurance	-	446	446	-	-	-
Amounts receivable from controlled entities	-	-	-	3,081	-	3,081
Amounts receivable from related parties	17,620	-	17,620	-	-	-
Tax related receivable from controlled entities	-	-	-	25,137	-	25,137
	22,390	**31,788**	**54,178**	**29,207**	**-**	**29,207**
30 June 2005						
Receivables	5,696	300	5,996	234	-	234
Provision for doubtful debts	(731)	-	(731)	(46)	-	(46)
	4,965	300	5,265	188	-	188
Interest receivable - related parties	470	-	470	-	-	-
Interest receivable - other	-	240	240	-	-	-
Distributions receivable	843	26,119	26,962	326	-	326
Gross policy liabilities ceded under reinsurance	-	362	362	-	-	-
Amounts receivable from controlled entities	-	-	-	36,820	-	36,820
Amounts receivable from related parties	14,602	-	14,602	27	-	27
Tax related receivable from controlled entities	-	-	-	19,083	-	19,083
	20,880	**27,021**	**47,901**	**56,444**	**-**	**56,444**
Maturity						
30 June 2006						
Expected to be realised within 12 months	22,390	31,788	54,178	29,207	-	29,207
Expected to be realised after 12 months	-	-	-	-	-	-
	22,390	31,788	54,178	29,207	-	29,207
30 June 2005						
Expected to be realised within 12 months	20,880	27,021	47,901	22,543	-	22,543
Expected to be realised after 12 months	-	-	-	33,901	-	33,901
	20,880	27,021	47,901	56,444	-	56,444

10. Other Financial Assets

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Investments in subsidiaries – at cost	-	-	-	111,840	-	111,840
Fair value through profit and loss						
- Shares in listed corporations	-	302,665	302,665	-	-	-
- Certificates of deposit and Bank bills	-	263,240	263,240	-	-	-
- Debt securities	-	184,209	184,209	-	-	-
- Unlisted unit trusts	245	161,853	162,098	-	-	-
	245	911,967	912,212	-	-	-
Available for sale						
- Shares in other corporations	2,042	-	2,042	-	-	-
	2,042	-	2,042	-	-	-
Loans and Receivables						
- Mortgages	116	-	116	116	-	116
- Loans to Policyholders	-	8,441	8,441	-	-	-
- Loans to directors of associate entities (Note 35(d))	1,790	-	1,790	-	-	-
- Loan to related parties (Note 35(e))	184	-	184	-	-	-
- Loans to directors of controlled entities (Note 35(d))	2,125	-	2,125	-	-	-
- Loans to past directors of controlled entities (Note 35(d))	20	-	20	-	-	-
- Loans to executives of related entities (Note 35(f))	1,633	-	1,633	-	-	-
- Loan to controlled entity (Note 35(g))	-	-	-	32,981	-	32,981
- Subordinated loan receivable from controlled entity (Note 35(h))	-	-	-	2,818	-	2,818
- Regulatory deposits (Note 10(a))	104	-	104	-	-	-
	5,972	8,441	14,413	35,915	-	35,915
	8,259	**920,408**	**928,667**	**147,755**	**-**	**147,755**
30 June 2005						
Investments in subsidiaries – at cost	-	-	-	108,340	-	108,340
Debt Securities						
- Unlisted unit trusts	150	218,427	218,577	-	-	-
	150	218,427	218,577	-	-	-
Equity Securities						
- Shares in other corporations	3,912	-	3,912	-	-	-
	3,912	-	3,912	-	-	-
Other						
- Mortgages	114	3,190	3,304	114	-	114
- Loans to Policyholders	-	8,704	8,704	-	-	-
- Loans to directors of associate entities (Note 35(d))	1,790	-	1,790	-	-	-
- Loan to related parties (Note 35(e))	195	-	195	-	-	-
- Loans to directors of controlled entities (Note 35(d))	2,125	-	2,125	-	-	-
- Loans to past directors of controlled entities (Note 35(d))	20	-	20	-	-	-
- Loans to executives of related entities (Note 35(f))	1,633	-	1,633	-	-	-
- Subordinated loan receivable from controlled entity (Note 35(h))	-	-	-	2,818	-	2,818
- Regulatory deposits (Note10(a))	83	-	83	-	-	-
	5,960	11,894	17,854	2,932	-	2,932
	10,022	**230,321**	**240,343**	**111,272**	**-**	**111,272**

10. Other Financial Assets (continued)

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000

(a) Regulatory deposits

$104,375 (2005: $83,105) is held in cash to satisfy Australian Financial Services Licence requirements. This amount is not available for use.

(b) Mortgages

Mortgages are stated at the fair value and have a weighted average yield of 7.25%. They are expected to mature after 12 months from the financial year end.

	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
(c) Maturity						
30 June 2006						
Expected to be realised within 12 months	-	1,719	1,719	1,535	-	1,535
Expected to be realised after 12 months	8,259	918,689	926,948	143,290	-	143,290
	8,259	920,408	928,667	144,825	-	144,825
30 June 2005						
Expected to be realised within 12 months	-	2,045	2,045	-	-	-
Expected to be realised after 12 months	10,022	228,276	238,298	111,272	-	111,272
	10,022	230,321	240,343	111,272	-	111,272

11. Investments Accounted For Using The Equity Method

	Consolidated		
	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006			
Investment in associated companies	**2,762**	-	**2,762**
Reconciliation of carrying amounts:			
Balance at beginning of year	2,167	-	2,167
Share of operating profit after tax	7,130	-	7,130
Dividend received	(6,535)	-	(6,535)
	2,762	-	2,762
30 June 2005			
Investment in associated companies	**2,167**	-	**2,167**
Reconciliation of carrying amounts:			
Balance at beginning of year	4,138	-	4,138
Provision for impairment	(1,200)	-	(1,200)
Investments not equity accounted	(1,850)	-	(1,850)
Share of operating profit after tax	5,099	-	5,099
Dividend received	(4,020)	-	(4,020)
	2,167	-	2,167

11. Investments Accounted For Using The Equity Method (continued)

(a) IOOF Holdings Ltd has a 50% share and voting interest in Workforce Financial Services Pty Ltd ("Workforce") through its wholly owned subsidiary Outscope Limited. Workforce formed part of IOOF Group's distribution strategy and its principal activity was to provide financial planning and advisory services. The company incurred losses in previous years and ceased trading on 30 June 2005. Therefore, a permanent diminution in value occurred. In 2005 the investment was written down to nil.

(b) Perennial Investment Partners Limited (a subsidiary of IOOF Investment Management Limited) has a 50% shareholding interest in Perennial Value Management Limited with a 40% dividend entitlement to the profits of Perennial Value Management Limited. Perennial Investment Partners Limited can significantly influence Perennial Value Management Limited under the terms of the agreement between these entities. The principal activity of Perennial Value Management Limited is to act as investment manager. The carrying amount in the consolidated entity is $2,761,780 (2005: $2,167,661)

(c) The Group's consolidated interest in its associates, which are unlisted and incorporated in Australia, is as follows:

	Assets $'000	Liabilities $'000	Revenues $'000	Profit/(Loss) $'000
30 June 2006				
Perennial Value Management Limited	4,588	1,479	11,900	7,130
Workforce Financial Services Pty Ltd	16	74	39	35
30 June 2005				
Perennial Value Management Limited	3,274	759	8,551	5,018
Workforce Financial Services Pty Ltd	115	205	926	(92)

(d) The associates do not have any contingent liabilities, capital or lease commitments.

(e) There are a number of entities in which the Group holds greater than 20% equity investment that have not been equity accounted. Other indicators of significant influence such as Board representation, technical or financial dependency and ability to influence policies and procedures have not been satisfied. On this basis the presumption of significant influence is overcome.

12. Other Assets

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Prepayments	1,511	-	1,511	7,487	-	7,487
Deferred acquisition costs (Note 1(m))	11,841	-	11,841	-	-	-
	13,352	**-**	**13,352**	**7,487**	**-**	**7,487**
30 June 2005						
Prepayments	955	-	955	5,475	-	5,475
Deferred acquisition costs (Note 1(m))	14,442	-	14,442	-	-	-
	15,397	**-**	**15,397**	**5,475**	**-**	**5,475**
Maturity						
30 June 2006						
Expected to be realised within 12 months	4,390	-	4,390	71	-	71
Expected to be realised after 12 months	8,962	-	8,962	7,416	-	7,416
	13,352	-	13,352	7,487	-	7,487
30 June 2005						
Expected to be realised within 12 months	5,764	-	5,764	15	-	15
Expected to be realised after 12 months	9,633	-	9,633	5,460	-	5,460
	15,397	-	15,397	5,475	-	5,475

13. Plant And Equipment

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Office Equipment						
Cost	3,605	-	3,605	151	-	151
Accumulated depreciation	(1,841)	-	(1,841)	(67)	-	(67)
	1,764	-	1,764	84	-	84
Leasehold Improvements						
Cost	3,924	-	3,924	1,473	-	1,473
Accumulated depreciation	(3,093)	-	(3,093)	(729)	-	(729)
	831	-	831	744	-	744
Total Plant and Equipment						
Cost	7,529	-	7,529	1,624	-	1,624
Accumulated depreciation	(4,934)	-	(4,934)	(796)	-	(796)
	2,595	**-**	**2,595**	**828**	**-**	**828**
	Office Equipment $'000	Leasehold Improvements $'000	Total $'000	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Reconciliation of movements						
Carrying amount at beginning of year	776	1,172	1,948	87	1,081	1,168
Additions	1,402	75	1,477	29	34	63
Additions through business combination	29	-	29	-	-	-
Disposals	(25)	-	(25)	-	-	-
Depreciation	(418)	(416)	(834)	(32)	(371)	(403)
Carrying amount at end of year	1,764	831	2,595	84	744	828
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2005						
Office Equipment						
Cost	2,177	-	2,177	122	-	122
Accumulated depreciation	(1,401)	-	(1,401)	(35)	-	(35)
	776	-	776	87	-	87
Leasehold Improvements						
Cost	3,848	-	3,848	1,439	-	1,439
Accumulated depreciation	(2,676)	-	(2,676)	(358)	-	(358)
	1,172	-	1,172	1,081	-	1,081
Total Plant and Equipment						
Cost	6,025	-	6,025	1,561	-	1,561
Accumulated depreciation	(4,077)	-	(4,077)	(393)	-	(393)
	1,948	**-**	**1,948**	**1,168**	**-**	**1,168**
	Office Equipment $'000	Leasehold Improvements $'000	Total $'000	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Reconciliation of movements						
Carrying amount at beginning of year	731	1,244	1,975	115	1,010	1,125
Additions	402	422	824	9	406	415
Disposals	(119)	-	(119)	(2)	-	(2)
Depreciation	(238)	(494)	(732)	(35)	(335)	(370)
Carrying amount at end of year	776	1,172	1,948	87	1,081	1,168

14. Tax Assets

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Deferred tax asset (Note 14(a))	**4,803**	**10**	**4,813**	**2,199**	**-**	**2,199**
30 June 2005						
Current tax refund due	**541**	**-**	**541**	**-**	**-**	**-**
Deferred tax asset (Note 14(a))	**3,431**	**-**	**3,431**	**2,015**	**-**	**2,015**
(a) Deferred tax asset balance comprises temporary differences attributable to:						
30 June 2006						
Employee benefits	2,159	-	2,159	643	-	643
Provisions, accruals and creditors	3,490	10	3,500	1,168	-	1,168
Fixed assets, computer software and infrastructure projects	2,764	-	2,764	153	-	153
Other	338	117	455	249	-	249
Deferred Tax Asset closing balance at 30 June 2006	8,751	127	8,878	2,213	-	2,213
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 17)	(3,948)	(117)	(4,065)	(14)	-	(14)
Net Deferred Tax Asset closing balance at 30 June 2006	4,803	10	4,813	2,199	-	2,199
30 June 2005						
Employee benefits	2,099	-	2,099	405	-	405
Provisions, accruals and creditors	2,419	8	2,427	1,271	-	1,271
Fixed assets, computer software and infrastructure projects	3,287	-	3,287	78	-	78
Other	478	8	486	275	-	275
Deferred Tax Asset closing balance at 30 June 2005	8,283	16	8,299	2,029	-	2,029
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 17)	(4,852)	(16)	(4,868)	(14)	-	(14)
Net Deferred Tax Asset closing balance at 30 June 2005	3,431	-	3,431	2,015	-	2,015
(b) Reconciliation of movements						
30 June 2006						
Carrying amount at beginning of year	8,283	16	8,299	2,029	-	2,029
Adjustments to opening balance	447	-	447	(2)	-	(2)
Transfers to/from other group companies	5	-	5	-	-	-
Adjustments per Income tax return	147	-	147	12	-	12
Credit/(Charge) to Income Statement (Note 7)	798	111	909	174	-	174
Writeback of Deferred Tax Asset	(929)	-	(929)	-	-	-
Carrying amount at end of year	8,751	127	8,878	2,213	-	2,213
30 June 2005						
Carrying amount at beginning of year	7,559	611	8,170	1,823	-	1,823
Adjustments to opening balance	(107)	(208)	(315)	-	-	-
Credit/(Charge) to Income Statement (Note 7)	561	(410)	151	71	-	71
Other	270	23	293	135	-	135
Carrying amount at end of year	8,283	16	8,299	2,029	-	2,029
(c) Maturity						
30 June 2006						
Recoverable within 12 months	5,088	10	5,098	1,019	-	1,019
Recoverable after 12 months	3,663	117	3,780	1,194	-	1,194
	8,751	127	8,878	2,213	-	2,213
30 June 2005						
Recoverable within 12 months	5,222	16	5,238	588	-	588
Recoverable after 12 months	3,061	-	3,061	1,441	-	1,441
	8,283	16	8,299	2,029	-	2,029

15. Intangible Assets

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Computer Software and Infrastructure projects - at cost	15,874	-	15,874	-	-	-
Accumulated amortisation and impairment	(14,232)	-	(14,232)	-	-	-
	1,642	-	1,642	-	-	-
Adviser relationships	4,289	-	4,289	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-	-
	4,289	-	4,289	-	-	-
Goodwill on acquisition	70,727	-	70,727	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-	-
	70,727	-	70,727	-	-	-
	76,658	**-**	**76,658**	**-**	**-**	**-**
30 June 2005						
Computer Software and Infrastructure projects - at cost	14,722	-	14,722	-	-	-
Accumulated amortisation and impairment	(13,070)	-	(13,070)	-	-	-
	1,652	-	1,652	-	-	-
Goodwill on acquisition	70,004	-	70,004	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-	-
	70,004	-	70,004	-	-	-
	71,656	**-**	**71,656**	**-**	**-**	**-**

	Consolidated 2006				Consolidated 2005		
	Software & Projects $'000	Adviser Relationships $'000	Goodwill $'000	Total $'000	Software & Projects $'000	Goodwill $'000	Total $'000
(a) Reconciliation of movements							
Carrying amount at beginning of year	1,652	-	70,004	71,656	3,074	57,404	60,478
Additions	1,153	-	-	1,153	175	12,600	12,775
Additions through business combination	-	4,289	723	5,012	-	-	-
Amortisation	(1,163)	-	-	(1,163)	(1,597)	-	(1,597)
Carrying amount at end of year	1,642	4,289	70,727	76,658	1,652	70,004	71,656

(b) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to business segments.

A segment-level summary of the goodwill allocation is presented below:	2006 $'000	2005 $'000
- Retail	67,141	66,418
- Wholesale	3,586	3,586
	70,727	70,004

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use a five year cash flow projection based on the financial budget approved by management. In order to calculate a projection for year two to year five, all budget items have been increased at a rate of 4% per annum (as an estimate of CPI). Therefore, the industry growth rate is assumed to be zero outside of price inflation. These assumptions have been used for the analysis of each CGU, and are based on management's experience of past performance and expectations for the future. The discount rate used is 20% pre-tax and reflects specific risks relating to the relevant CGU. As management's assessment of Goodwill's value in use materially exceeds the value of Goodwill presented in these accounts, any significant changes to assumptions used in management's assessment will not result in impairment.

16. Payables

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Accounts payable	20,062	251	20,313	1,850	-	1,850
Amounts payable to other related parties	1,147	-	1,147	-	-	-
Tax related payable to controlled entities	-	-	-	566	-	566
Other creditors - employee entitlements	8,021	-	8,021	2,625	-	2,625
	29,230	**251**	**29,481**	**5,041**	**-**	**5,041**
30 June 2005						
Accounts payable	14,593	597	15,190	1,305	-	1,305
Amounts payable to other related parties	1,000	-	1,000	-	-	-
Tax related payable to controlled entities	-	-	-	1,332	-	1,332
Other creditors - employee entitlements	5,797	-	5,797	1,027	-	1,027
	21,390	**597**	**21,987**	**3,664**	**-**	**3,664**

Payables are non-interest bearing and are expected to be paid within 12 months from the financial year end.

17. Tax Liabilities

30 June 2006						
Current Income tax payable	**26,678**	**-**	**26,678**	**25,418**	**-**	**25,418**
Deferred tax liability (Note 17 (a))	**-**	**24,865**	**24,865**	**-**	**-**	**-**
30 June 2005						
Current Income tax payable	**19,308**	**-**	**19,308**	**18,126**	**-**	**18,126**
Deferred tax liability (Note 17 (a))	**-**	**25,465**	**25,465**	**-**	**-**	**-**
(a) Non-Current Deferred tax liability comprises temporary differences attributable to:						
30 June 2006						
Unrealised gains	2	24,925	24,928	-	-	-
Deferred acquisition costs	2,088	-	2,088	-	-	-
Depreciation	2	-	2	-	-	-
Interest receivable	14	57	71	14	-	14
Other	1,842	-	1,842	-	-	-
Deferred Tax Liability closing balance at 30 June 2006	3,948	24,982	28,931	14	-	14
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 14)	(3,948)	(117)	(4,065)	(14)	-	(14)
Net Deferred Tax Liability closing balance at 30 June 2006	-	24,865	24,866	-	-	-
30 June 2005						
Unrealised gains	1	25,322	25,323	-	-	-
Deferred acquisition costs	4,195	-	4,195	-	-	-
Sundry debtors	323	90	413	-	-	-
Research and development project costs	175	-	175	-	-	-
Interest receivable	154	69	223	14	-	14
Other	4	-	4	-	-	-
Deferred Tax Liability closing balance at 30 June 2005	4,852	25,481	30,333	14	-	14
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 14)	(4,852)	(16)	(4,868)	(14)	-	(14)
Net Deferred Tax Liability closing balance at 30 June 2005	-	25,465	25,465	-	-	-

17. Tax Liabilities (continued)

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
(b) Reconciliation of movements						
30 June 2006						
Carrying amount at beginning of year	4,852	25,481	30,333	14	-	14
Adjustments to opening balance	(175)	4	(171)	-	-	-
Adjustments per Income tax return	35	-	35	1	-	1
Writeback of Deferred Tax Liability	(141)	-	(141)	-	-	-
(Credited) / Charged to Income Statement (Note 7)	(623)	(502)	(1,125)	(1)	-	(1)
Carrying amount at end of year	3,948	24,983	28,931	14	-	14
30 June 2005						
Carrying amount at beginning of year	5,736	13,330	19,066	27	-	27
Adjustments to opening balance	-	(150)	(150)	-	-	-
(Credited) / Charged to Income Statement (Note 7)	(1,185)	12,270	11,085	(13)	-	(13)
Other	301	31	332	-	-	-
Carrying amount at end of year	4,852	25,481	30,333	14	-	14
(c) Maturity						
30 June 2006						
Payable within 12 months	712	60	772	-	-	-
Payable after 12 months	3,236	24,923	28,159	14	-	14
	3,948	24,983	28,931	14	-	14
30 June 2005						
Payable within 12 months	1,782	159	1,941	-	-	-
Payable after 12 months	3,070	25,322	28,392	14	-	14
	4,852	25,481	30,333	14	-	14

18. Provisions

30 June 2006						
Employee entitlements	2,438	-	2,438	312	-	312
Directors' retirement	562	-	562	562	-	562
Acquisition costs	-	-	-	-	-	-
Restructuring costs	-	-	-	-	-	-
Other provisions	4,656	-	4,656	2,761	-	2,761
	7,656	**-**	**7,656**	**3,635**	**-**	**3,635**
30 June 2005						
Employee entitlements	1,849	-	1,849	263	-	263
Directors' retirement	733	-	733	733	-	733
Acquisition costs	60	-	60	-	-	-
Restructuring costs	594	-	594	345	-	345
Other provisions	4,394	-	4,394	3,315	-	3,315
	7,630	**-**	**7,630**	**4,656**	**-**	**4,656**

18. Provisions (continued)

(a) Description of provisions

Directors' Retirement

Directors appointed prior to 13 April 2003 are entitled to participate in a retirement benefits program which provides a cash based benefit to Non-Executive Directors at the time of their retirement from the Board.

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 2004 financial year.

Restructuring costs

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

Other provisions

Provisions have been made for the present value of the Directors' best estimates of various adviser loyalty payments and legal settlements. Litigation is in progress against the Company relating to disputes regarding the sale of businesses. The information usually required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice the outcome of the litigation. Subsequent to 30 June 2006, litigation regarding the sale of the retirement villages was settled.

(b) Movements in provisions

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

	Consolidated			
	Directors' Retirement $'000	Acquisition Costs $'000	Restructure Costs $'000	Other Provisions $'000
Balance at beginning of the year	733	60	594	4,394
Additional provisions recognised	318	-	-	262
Payments made	(489)	(60)	(594)	-
Balance at end of the year	562	-	-	4,656

	Parent			
	Directors' Retirement $'000	Acquisition Costs $'000	Restructure Costs $'000	Other Provisions $'000
Balance at beginning of the year	733	-	345	3,315
Additional provisions recognised / (derecognised)	318	-	-	(554)
Payments made	(489)	-	(345)	-
Balance at end of the year	562	-	-	2,761

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
(c) Maturity						
30 June 2006						
Payable within 12 months	3,000	-	3,000	874	-	874
Payable after 12 months	4,656	-	4,656	2,761	-	2,761
	7,656	-	7,656	3,635	-	3,635
30 June 2005						
Payable within 12 months	1,091	-	1,091	782	-	782
Payable after 12 months	6,539	-	6,539	3,874	-	3,874
	7,630	-	7,630	4,656	-	4,656

19. Deferred Revenue Liability

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Deferred revenue liability	**4,972**	**-**	**4,972**	**-**	**-**	**-**
30 June 2005						
Deferred revenue liability	**4,982**	**-**	**4,982**	**-**	**-**	**-**
Maturity						
30 June 2006						
Expected to be realised within 12 months	994	-	994	-	-	-
Expected to be realised after 12 months	3,978	-	3,978	-	-	-
	4,972	-	4,972	-	-	-
30 June 2005						
Expected to be realised within 12 months	996	-	996	-	-	-
Expected to be realised after 12 months	3,986	-	3,986	-	-	-
	4,982	-	4,982	-	-	-

20. Investment Contract Liabilities

30 June 2006						
Member liabilities - other investment contracts	**-**	**457,678**	**457,678**	**-**	**-**	**-**
30 June 2005						
Member liabilities - other investment contracts	**-**	**1,042,455**	**1,042,455**	**-**	**-**	**-**

(a) AASB 1038 has been applied from 1 July 2005. Accordingly comparative information has been disclosed under AGAAP. See Note 40 for further information regarding actuarial assumptions and methods.

(b) Reconciliation of movements in Investment contract liabilities						
30 June 2006						
Investment contract liabilities at 30 June 2005	-	1,042,455	1,042,455	-	-	-
AIFRS transitional adjustment	-	(969)	(969)	-	-	-
Insurance contract liabilities reclassified (Note 21 (b))	-	(629,398)	(629,398)	-	-	-
Investment contract liabilities at 1 July 2005	-	412,088	412,088	-	-	-
Distribution to policy holders	-	53,236	53,236	-	-	-
Investment contract contributions	-	42,027	42,027	-	-	-
Investment contract withdrawals	-	(49,673)	(49,673)	-	-	-
Investment contract liabilities at 30 June 2006	-	457,678	457,678	-	-	-
30 June 2005						
Investment contract liabilities at 1 July 2004	-	1,037,628	1,037,628	-	-	-
Distribution to policy holders	-	69,261	69,261	-	-	-
Investment contract contributions	-	48,283	48,283	-	-	-
Investment contract withdrawals	-	(112,717)	(112,717)	-	-	-
Investment contract liabilities at 30 June 2005	-	1,042,455	1,042,455	-	-	-

20. Investment Contract Liabilities (continued)

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
(c) Maturity						
30 June 2006						
Expected to be paid within 12 months	-	41,557	41,557	-	-	-
Expected to be paid after 12 months	-	416,121	416,121	-	-	-
	-	457,678	457,678	-	-	-
30 June 2005						
Expected to be paid within 12 months	-	120,878	120,878	-	-	-
Expected to be paid after 12 months	-	921,577	921,577	-	-	-
	-	1,042,455	1,042,455	-	-	-

21. Insurance Contract Liabilities

30 June 2006						
Policyholder liabilities - investment contracts with DPF	-	593,040	593,040	-	-	-
Policy liabilities	-	681	681	-	-	-
	-	**593,721**	**593,721**	**-**	**-**	**-**
30 June 2005						
Policy liabilities	-	453	453	-	-	-
	-	**453**	**453**	**-**	**-**	**-**

(a) AASB 1038 has been applied from 1 July 2005. Accordingly comparative information has been disclosed under AGAAP. See Note 40 for further information regarding actuarial assumptions and methods.

(b) Reconciliation of movements in Policyholder liabilities:						
30 June 2006						
Balance at the beginning of the year	-	453	453	-	-	-
Gross life insurance contract liabilities reclassified at 1 July 2005 (Note 20 (b))	-	629,398	629,398	-	-	-
Net increase/ (decrease) in life insurance contract policy liabilities	-	18,102	18,102	-	-	-
Life insurance contract contributions	-	19,452	19,452	-	-	-
Life insurance contract withdrawals	-	(73,684)	(73,684)	-	-	-
Balance at the end of the year	**-**	593,721	593,721	-	-	-
30 June 2005						
Balance at the beginning of the year	-	500	500	-	-	-
Net increase/ (decrease) in life insurance contract policy liabilities	-	(47)	(47)	-	-	-
Balance at the end of the year	**-**	453	453	-	-	-

21. Insurance Contract Liabilities (continued)

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
(c) Maturity						
30 June 2006						
Expected to be paid within 12 months	-	53,848	53,848	-	-	-
Expected to be paid after 12 months	-	539,873	539,873	-	-	-
	-	593,721	593,721	-	-	-
30 June 2005						
Expected to be paid within 12 months	-	-	-	-	-	-
Expected to be paid after 12 months	-	453	453	-	-	-
	-	453	453	-	-	-

22. Outside Interest in Controlled Trusts

30 June 2006						
Outside interest in controlled trusts	**-**	**251,337**	**251,337**	**-**	**-**	**-**
30 June 2005						
Outside interest in controlled trusts	**-**	**-**	**-**	**-**	**-**	**-**

There is a transitional adjustment at 1 July 2005, upon the adoption of AASB 1038, to consolidate all trusts in which the shareholder fund and statutory funds hold in excess of 50% of units issued by the trust, either individually or collectively. Outside interest in controlled trusts represents the liability to external parties in respect of these trusts. Refer to Note 41 for further details.

23. Contributed Equity

	No. of shares	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
30 June 2006							
Ordinary Shares							
Balance at the beginning of the year	64,173,970	175,983	-	175,983	175,983	-	175,983
Issued during the year	372,256	2,757	-	2,757	2,757	-	2,757
Balance at the end of the year	**64,546,226**	**178,740**	**-**	**178,740**	**178,740**	**-**	**178,740**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. This is subject to the prior entitlement of redeemable converting preference shares.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	No. of shares	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
Treasury Shares							
Balance at the beginning of the year	(1,071,423)	(5,460)	-	(5,460)	-	-	-
Acquired during the year	(335,403)	(2,488)	-	(2,488)	-	-	-
Employee shares vested during the year (Note 24)	108,525	532	-	532	-	-	-
Balance at the end of the year	**(1,298,301)**	**(7,416)**	**-**	**(7,416)**	**-**	**-**	**-**

Treasury shares are shares issued to the Executive Performance Share Plan Trust in respect of the employee share scheme.
The IOOF Executive Performance Share Plan Trust is controlled by the IOOF Group and is therefore consolidated.

	No. of shares	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
Redeemable Converting Preference Shares							
Balance at the beginning of the year	-	-	-	-	-	-	-
Issued during the year	176,012	1,400	-	1,400	1,400	-	1,400
Balance at the end of the year	**176,012**	**1,400**	**-**	**1,400**	**1,400**	**-**	**1400**

Part of the consideration on the purchase of Financial Partnership Pty Ltd was the issue of redeemable converting preference (RCP) shares to the vendors. The shares were issued to FP Nominees as trustee of the Financial Partnership Advisers Trust and were notionally allocated to nominated advisers. The RCP shares convert to ordinary shares on 30 April 2009 provided the nominated advisers remain an authorised representative of the IOOF Group. Prior to conversion, the RCP shares will be entitled to an amount equal to any dividend declared in respect of ordinary shares. On winding up of the company, holders of the RCP shares shall be entitled to a return of the redemption price before any return of capital is made to holders of ordinary shares.

	No. of shares	Consolidated Shareholder $'000	Consolidated Statutory $'000	Consolidated Total $'000	Parent Shareholder $'000	Parent Statutory $'000	Parent Total $'000
30 June 2005							
Ordinary Shares							
Balance at the beginning of the year	63,435,547	171,428	-	171,428	171,428	-	171,428
Issued during the year	738,423	4,411	-	4,411	4,411	-	4,411
Transaction costs arising on share issues	-	144	-	144	144	-	144
Balance at the end of the year	**64,173,970**	**175,983**	**-**	**175,983**	**175,983**	**-**	**175,983**
Treasury Shares							
Balance at the beginning of the year	(410,000)	(1,292)	-	(1,292)	-	-	-
Acquired during the year	(738,423)	(4,411)	-	(4,411)	-	-	-
Employee shares vested during the year (Note 24)	77,000	243	-	243	-	-	-
Balance at the end of the year	**(1,071,423)**	**(5,460)**	**-**	**(5,460)**	**-**	**-**	**-**

24. Reserves

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Asset revaluation reserve	1,071	-	1,071	-	-	-
Reserve for share-based payments	2,615	-	2,615	2,615	-	2,615
	3,686	**-**	**3,686**	**2,615**	**-**	**2,615**
Asset revaluation reserve						
Balance at the beginning of the year	-	-	-	-	-	-
Amount recognised during the year	1,071	-	1,071	-	-	-
Balance at the end of the year	1,071	-	1,071	-	-	-

The Asset Revaluation Reserve has arisen on the revaluation of the existing 25% interest in the adviser relationship asset held at the time of the acquisition of Financial Partnership Pty Ltd.

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
Reserve for share-based payments						
Balance at the beginning of the year	1,588	-	1,588	1,588	-	1,588
Amount recognised during the year	1,559	-	1,559	1,559	-	1,559
Shares vested during the year (Note 23)	(532)	-	(532)	(532)	-	(532)
Balance at the end of the year	2,615	-	2,615	2,615	-	2,615

The share based payments reserve is used to recognise the fair value of shares granted under the employee share scheme over the vesting period.

	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2005						
Reserve for share-based payments						
Balance at the beginning of the year	473	-	473	473	-	473
Amount recognised during the year	1,358	-	1,358	1,358	-	1,358
Shares vested during the year (Note 23)	(243)	-	(243)	(243)	-	(243)
Balance at the end of the year	1,588	-	1,588	1,588	-	1,588

25. Retained Profits

30 June 2006						
Retained Profits						
Balance at the beginning of the year	(1,091)	226	(865)	11,960	-	11,960
Net profit attributable to members of IOOF Holdings Ltd	23,156	117	23,273	18,103	-	18,103
Dividends paid	(15,125)	-	(15,125)	(15,446)	-	(15,446)
Balance at the end of the year	**6,940**	**343**	**7,283**	**14,617**	**-**	**14,617**
30 June 2005						
Retained Profits						
Balance at the beginning of the year	(3,436)	170	(3,266)	11,568	-	11,568
Net profit attributable to members of IOOF Holdings Ltd	15,029	56	15,085	13,153	-	13,153
Dividends paid	(12,619)	-	(12,619)	(12,761)	-	(12,761)
Retained (profits)/losses due to changes in ownership	(65)	-	(65)	-	-	-
Balance at the end of the year	**(1,091)**	**226**	**(865)**	**11,960**	**-**	**11,960**

26. Minority Interests in Controlled Entities

	Consolidated			Parent		
	Shareholder $'000	Statutory $'000	Total $'000	Shareholder $'000	Statutory $'000	Total $'000
30 June 2006						
Minority interest	**5,329**	-	**5,329**	-	-	-
30 June 2005						
Minority interest	**4,197**	-	**4,197**	-	-	-

27. Dividends

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

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

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

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005: 30%)	26,263	13,914	20,541	12,486

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

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

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

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

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

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

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

28. Auditors' Remuneration

	Consolidated		Parent	
	2006 $	2005 $	2006 $	2005 $
Auditors' remuneration paid by members of the IOOF Holdings Ltd Group during the year and for the comparative prior period:				
(a) Auditing the financial reports				
PricewaterhouseCoopers				
- Parent entity	211,769	254,000	211,769	254,000
- Controlled entities	267,837	366,830	-	-
- Other related parties	743,320	719,498	-	-
	1,222,926	1,340,328	211,769	254,000
(b) Other services				
PricewaterhouseCoopers				
- Audit of regulatory returns	420,672	413,246	96,222	167,900
- Other assurance services	20,000	-	-	-
- Taxation compliance and other services	-	343,335	-	117,875
	440,672	756,581	96,222	285,775

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.

29. Earnings per Share

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

30. Contingent Liabilities

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 Group 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 2006 was $325,425 (2005: $325,345).

Contingent liabilities amounting to $1,540,000 (2005: $1,540,000) exist in relation to guarantees provided to support loans to advisers.

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.

31. Financing Arrangements

	Consolidated	
	2006 $'000	2005 $'000
Unrestricted access was available at balance date to the following lines of credit:		
Total Cash Advance Facility	20,000	20,000
Unused at balance date	20,000	20,000

The cash advance facility may be drawn down at any time following the 2 day drawdown notice required by the lender, Westpac Banking Corporation Limited. 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 year on the first day of the year drawn down.

32. Capital Commitments

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.

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
The maximum contingent consideration payable in respect of the dealer group agreements due within 12 months is:	1,154	1,154	-	-

33. Other Commitments

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Operating Leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
– not later than one year	4,698	4,210	2,062	1,876
– later than one year, not later than five years	7,422	10,673	3,087	4,551
	12,120	14,883	5,149	6,427

The Group leases various offices under non-cancellable operating leases expiring within 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases various office equipment under non-cancellable operating leases, with buy-out options. The terms of these leases are up to 5 years.

34. Key Management Personnel

(a) Details of compensation

AASB 124 Related Party Disclosures defines Key Management Personnel (KMP) as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The following is a list of all Non-Executive and Executive Directors, CEO and other KMP of IOOF Holdings Ltd who held office during the year:

Name	Position	Employer
Non-Executive Directors		
Mr R J Schoer (retired 15 November 2005)	Chairman	
Mr I Blair	Chairman	
Dr R N Sexton	Deputy Chairman	
Mr M W Parkinson (retired 15 November 2005)	Non-Executive Director	
Ms K D Spargo	Non-Executive Director	
Ms J Harvey (appointed 18 October 2005)	Non-Executive Director	
Mr J Pfeiffer (appointed 18 October 2005)	Non-Executive Director	
Executive Directors		
Mr R Dewhurst	Chief Executive Officer	IOOF Holdings Ltd
Mr A Hodges	Head of Strategy and Retail Funds Management	IOOF Holdings Ltd
Mr M U R Crivelli	Executive Director	Perennial Investment Partners Limited
Key Management Personnel		
Mrs S Foley	Company Secretary	IOOF Holdings Ltd
Mr M Blackburn	Chief Financial Officer	IOOF Holdings Ltd
Mr P Wallbridge	General Manager - Human Resources, Property and Services	IOOF Holdings Ltd
Ms A Bisogni	General Counsel	IOOF Holdings Ltd
Mr D R Booth (resigned 21 October 2005)	General Manager - Operations	IOOF Investment Management Limited
Mr J Brown (resigned 8 August 2006)	General Manager - Retail Funds Management	IOOF Investment Management Limited
Mr A Patterson	Managing Director	Perennial Investment Partners Limited
Mr M Stephen	Chief Information Officer	IOOF Investment Management Limited

34. Key Management Personnel (continued)

	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
Key Management Personnel Compensation				
Short-term employee benefits	5,627,690	5,125,411	1,946,579	2,108,928
Post-employment benefits	703,388	655,830	472,805	351,428
Other long-term benefits	83,713	98,821	4,360	30,026
Termination benefits	474,651	540,268	-	540,268
Share-based payments	1,295,617	1,018,805	1,023,620	881,016
Total	8,185,059	7,439,135	3,447,364	3,911,666

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the Remuneration Report contained in the Directors' Report.

(b) Equity holdings and transactions for ordinary shareholdings in the company relating to KMP

i) Options – There are no options provided as remuneration to KMP of the Group.

(ii) Share holdings – The number of ordinary shares in the company held during the financial year by each director of IOOF Holdings Ltd and other KMP of the consolidated entity, including their personally related entities, are set out below:

Equity holdings and transactions for ordinary shareholdings in the company

Name		Balance of shareholding at start of the year Number	Ordinary shares vested during period as remuneration Note 34 (b)(1) Number	Change as result of other transactions Number	Balance of shareholding at end of the year Number
Directors					
Mr R J Schoer (Note 34 (b) (2))	2006	7,732	-	(7,732)	-
	2005	1,315	-	6,417	7,732
Dr R N Sexton	2006	12,313	1,013	-	13,326
	2005	12,313	-	-	12,313
Mr I Blair	2006	9,677	2,949	-	12,626
	2005	9,677	-	-	9,667
Mr M W Parkinson, C.B.E. (Note 34 (b) (2))	2006	1,315	-	(1,315)	-
	2005	1,315	-	-	1,315
Ms K D Spargo	2006	3,328	1,196	-	4,524
	2005	3,328	-	-	3,328
Mr R Dewhurst	2006	125,000	125,000	-	250,000
	2005	-	125,000	-	125,000
Mr M U R Crivelli	2006	9,534	-	-	9,534
	2005	16,043	-	(6,509)	9,534

34. Key Management Personnel (continued)

Equity holdings and transactions for ordinary shareholdings in the company relating to KMP (continued)

Name		Balance of shareholding at start of the year	Ordinary shares vested during period as remuneration Note 34 (b)[1]	Change as result of other transactions	Balance of shareholding at end of the year
		Number	Number	Number	Number
Other Key Management Personnel of the Group					
Mr D Booth (Note 34 (b) [3])	2006	317	53,012	(53,329)	-
	2005	17,917	10,000	(27,600)	317
Mr J Brown (resigned 8 August 2006)	2006	38,095	-	(38,095)	-
	2005	38,095	-	-	38,095
Mr A P Hodges	2006	708,769	-	-	708,769
	2005	708,769	-	-	708,769
Mr M Blackburn	2006	1,800	-	-	1,800
	2005	1,800	-	-	1,800
Mr A Patterson	2006	430	-	-	430
	2005	317	113	-	430
Mr P Wallbridge	2006	5,338	-	-	5,338
	2005	576	10,762	(6,000)	5,338
Mr M Stephen	2006	317	-	-	317
	2005	317	-	-	317
Mrs S Foley	2006	1,206	2,892	-	4,098
	2005	-	1,206	-	1,206

[1] Ordinary shares vested during the current year may include shares related to performance incentives accruing to previous years.
[2] Mr R Schoer and Mr M W Parkinson resigned as directors during the financial year. Consequently, a shareholding of nil has been disclosed at 30 June 2006.
[3] Mr D Booth has ceased employment. Consequently, a shareholding of nil has been disclosed at 30 June 2006.

Equity holdings and transactions for ordinary shareholdings in subsidiary companies

The number of shares in Perennial Investment Partners Limited held during the financial year by each director and other KMP 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.

Name		Balance of shareholding at start of the year	Net change as result of other transactions	Balance of shareholding at end of the year
		Number	Number	Number
Directors				
Mr M U R Crivelli	2006	4,140	-	4,140
	2005	4,140	-	4,140
Other Key Management Personnel of the Group				
Mr A Patterson	2006	7,335	-	7,335
	2005	7,335	-	7,335

34. Key Management Personnel (continued)

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

Name		Balance of shareholding at start of the year	Net change as result of other transactions	Balance of shareholding at end of the year
		Number	Number	Number
Directors				
Mr M U R Crivelli	2006	5,000	-	5,000
	2005	5,000	-	5,000

Equity holdings and transactions for ordinary shareholdings in other related parties

The number of shares in Perennial Value Management Limited held during the financial year by each director and other KMP of the consolidated entity, including their personally related entities, are set out below:

Other Key Management Personnel				
Mr A Patterson (Class B)	2006	450	-	450
	2005	450	-	450
Mr A Patterson (Class C)	2006	340	-	340
	2005	340	-	340

(c) Loans to Key Management Personnel

Details of loans made to directors of IOOF Holdings Ltd, specified executives of the consolidated entity and other KMP, including their personally related entities, are set out below:

Aggregates for Key Management Personnel		Balance of loans at start of the year	Interest paid and payable	Balance of loans at end of year	Number of individuals within group at end of year
		$	$	$	
Directors (Note 34 (c)[(1)])					
	2006	20,955	1,306	22,261	1
	2005	20,656	1,297	20,955	1
Other Key Management Personnel					
	2006	2,206,318	142,946	2,273,506	1
	2005	2,058,383	147,935	2,206,318	1

Individuals with loans above $100,000 during the financial year.		Balance of loans at start of the year	Interest paid and payable	Balance of loans at end of year	Higher indebtedness during the year
		$	$	$	$
Other Key Management Personnel					
Mr A Patterson (Note 34 (c) [(2)])	2006	2,206,318	142,946	2,273,506	2,349,264
	2005	2,058,383	147,935	2,206,318	2,206,318

34. Key Management Personnel (continued)

Terms and Conditions of Loans Issued

(1) The unsecured loan was issued to Mr Crivelli on 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.

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

(d) Other transactions with Key Management Personnel

During the year KMP and their personally related entities may have entered into transactions with the disclosing entity or its subsidiaries. All of these transactions occur within a normal employee, customer or supplier relationship at arms length. Information about such transactions does not have the potential to impact decisions made by the users of this financial report.

35. Related Party Disclosures

(a) Identities of Related Parties

Controlled entities are detailed in Note 36. Other related parties were:

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

Directors and Key Management Personnel are set out in Note 34.

(b) Controlled Entities

The ownership interest in controlled entities is set out in Note 36.

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; and
- subscription of shares in controlled entities.

35. Related Party Disclosures (continued)

	Consolidated		Parent	
	2006 $	2005 $	2006 $	2005 $
(c) Other Transactions with Related Parties				
Investments in related party trusts:				
IOOF Sectoral Unit Trusts	466,790,923	867,020,702	41,575,302	22,738,655
Number of units	455,193,518	781,295,651	38,953,717	21,302,843
Aggregate amounts included in the determination of profit from ordinary activities before related income tax that resulted from transactions with related parties as disclosed in Note 4 to Note 6:				
Dividend revenue – Controlled entities	-	-	18,500,000	14,000,000
Dividend - Associate entity	6,536,092	4,020,000	-	-
Management and Commission fees received				
- Controlled entities	-	-	9,242,058	9,058,075
- Associated entity	2,005,897	1,833,428	-	-
Management and Commission fees paid by Benefit Funds to related entity	17,754,211	17,363,520	-	-
Management and Commission fees paid by related entity to Benefit Funds	5,895,726	5,228,000	-	-
Management and Commission fees paid - Other related entities	13,171,156	10,261,376	-	-
Interest revenue				
- Director and Director related entities (Note 35(d) - (h))				
- Other related parties (Note 35(d) - (h))				

(d) Unsecured loans to Directors of IOOF Holdings Limited, subsidiaries and related entities

The aggregate value of loans to Directors of the IOOF Group made by the IOOF Group as at balance date amounted to:

	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
Loans to Directors of associated entities from IOOF Group	1,789,820	1,789,820	-	-
Loans to Directors of controlled entities from IOOF Group	2,125,074	2,125,074	-	-
Loans to past Directors from IOOF Group (d(ii))	19,988	19,988	-	-
	3,934,882	3,934,882	-	-
Interest on Loans to Directors of associated entities from IOOF Group	132,461	131,084	-	-
Interest on Loans to Directors of controlled entities from IOOF Group	157,691	154,786	-	-
Interest on Loans to past Directors from IOOF Group	1,422	1,934	-	-
	291,574	287,804	-	-
Loans made to Directors of controlled entities during the year: (d(i))	-	89,000	-	-

(i) The Directors of the IOOF Holdings Ltd Group and related entities who received loans during the 2005 financial year were Mr G Feben, Mr F Uhlenbruch, Mr A Mulcahy and Mr L Mickelburough. The loans were made on commercial terms and conditions for the specific purpose of assisting Directors to acquire an equity interest in subsidiary and related entities.

(ii) The loan was advanced during the 2004 financial year to Mr K Series. Mr Series, a former executive Director of a related party, is a related party to the IOOF Investment Management Limited Group due to his shareholding of Perennial Investment Partners Limited. The loan was made on commercial terms and conditions.

35. Related Party Disclosures (continued)

	Consolidated		Parent	
	2006 $	2005 $	2006 $	2005 $
(e) Unsecured loans to other related parties of IOOF Holdings Ltd, subsidiaries and related entities				
The aggregate value of loans to related parties of IOOF Holdings Limited, subsidiaries and related entities made by the IOOF Group as at balance date amounted to:	184,000	195,657	84,000	-
Interest revenue	9,916	12,269	2,227	-
Loans made to an adviser during the year	84,000	-	84,000	-

The loans were made to a related entity and advisers to the group. The loans were made on commercial terms and conditions.

	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
(f) Unsecured loans to Executives of the IOOF Holdings Ltd Group				
The aggregate value of loans to Executives of IOOF Holdings Ltd, subsidiaries and related parties as at balance date amounted to:	1,633,574	1,633,574	-	-
Interest revenue on loans to Executives of IOOF Holdings Ltd, subsidiaries and related parties:	116,150	102,180	-	-
Loans made to Executives of IOOF Holdings Ltd, subsidiaries and related parties during the year:	-	431,600	-	-
Loans repaid during the year	-	(49,000)	-	-

Executives who were advanced loans in the 2005 financial year were Mr S Chivers, Mr A McLachlan, Mr N Murphy, Mr M Swan, Mr A Sutherland, Mr R McDougall and Mr K West. The parties to the loans are permitted to discharge the loans by transferring the shares to the lender. Otherwise, the unsecured loans were made on commercial terms and conditions for the specific purpose of assisting Executives to acquire an equity interest in subsidiaries and a related entity. During the 2005 financial year, Mr M Swan repaid his loan following his resignation.

	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
(g) Loans to subsidiaries of the IOOF Holdings Ltd Group				
The loan advanced to IOOF Investment Holdings Limited as at balance date amounted to:	-	-	32,980,268	-
Loan repaid during the year	-	-	1,554,961	-
Interest revenue	-	-	1,445,039	-

An amount owing to IOOF Holdings Ltd by a controlled entity (IOOF Investment Holdings Limited) was placed on commercial terms and conditions effective 1 July 2005. The amount related to funds provided by IOOF Holdings Ltd to fund the purchase of AM Corporation. IOOF Investment Holdings Limited repays $250,000 of this loan with interest every month. Interest, effective from 1 July 2005, is calculated at a rate equal to the cash rate, set monthly and paid in arrears.

	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
(h) Subordinated loan advanced to a controlled entity from the Company				
The net value of the loan advanced to Perennial Investment Partners Limited as at balance date amounted to:	-	-	2,817,738	2,817,738
Interest revenue on subordinated loans	-	-	217,356	213,088

IOOF Holdings Ltd approved a subordinated loan of $4,875,284 to Perennial Investment Partners Limited on 29 June 2004. Of this loan $2,817,738 was advanced to Perennial Investment Partners Limited. The loan has been advanced for a period of 5 years with interest receivable quarterly in arrears at the one year swap rate plus 2% determined quarterly.

(i) Ultimate parent entity

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

36. Controlled Entities

	Note	Country of Incorporation	Company's Equity Holding 2006 %	Company's Equity Holding 2005 %
Parent entity:				
IOOF Holdings Ltd		Australia		
Controlled entities:				
IOOF Life Ltd		Australia	100.0	100.0
IOOF Ltd		Australia	100.0	100.0
IOOF Investment Holdings Limited		Australia	100.0	100.0
IOOF Investment Management Limited		Australia	100.0	100.0
Security Management Services Pty Ltd		Australia	100.0	100.0
OutScope Ltd		Australia	100.0	100.0
Winchcombe Carson Financial Planning Pty Ltd		Australia	100.0	100.0
Financial Partnership Pty Ltd		Australia	100.0	25.0
August Management Services Pty Limited		Australia	100.0	100.0
Perennial Investment Partners Limited		Australia	78.2	78.2
Perennial Investment Partners Asia Limited		Australia	74.2	74.2
Perennial Fixed Interest Partners Pty Ltd		Australia	49.1	49.1
Perennial Growth Management Pty Ltd		Australia	46.9	46.9
Perennial International Equities Management Pty Ltd		Australia	78.2	78.2
Perennial Real Estate Investments Pty Ltd		Australia	78.2	-
Perennial Investment Partners (UK) Ltd		United Kingdom	78.2	-
IOOF/Perennial Cash Enhanced Trust (formerly Wholesale Cash & Short Term Securities)	(Note 36 (l))		74.6	-
Wholesale Aust. Growth Shares Trust	(Note 36 (l))		55.9	-
IOOF Socially Responsible Share Trust	(Note 36 (l))		84.4	-
Perennial Value High Yield Shares Trust	(Note 36 (l))		53.3	-
IOOF Executive Performance Share Plan Trust	(Note 36 (l))		100.0	-

(a) The investment in IOOF Investment Management Limited, IOOF Ltd (including the benefit funds) and IOOF Investment Holdings Limited is through IOOF Life Ltd which directly holds a 100% (30 June 2005: 100%) shareholding in these entities.

(b) The Parent directly holds a 100% (30 June 2005: 100%) shareholding in OutScope Ltd.

(c) The investment in Winchcombe Carson Financial Planning Pty Ltd is through OutScope Ltd which directly holds a 100% (30 June 2005: 100%) shareholding in the entity.

(d) The investment in August Management Services Pty Limited is through IOOF Investment Holdings Limited which directly holds a 100% (30 June 2005: 100%) interest.

(e) During the year, OutScope Ltd acquired a further 75% equity interest in Financial Partnership Pty Ltd gaining 100% control of the company.

(f) The investment in Perennial Investment Partners Limited is through IOOF Investment Management Limited which directly holds 78.2% (30 June 2005: 78.2%) shareholding in this entity.

(g) The investment in Perennial Investment Partners Asia Limited is through Perennial Investment Partners Limited which directly holds a 94.9% (30 June 2005: 94.9%) shareholding in this entity.

(h) The investment in Perennial Fixed Interest Partners Pty Ltd is through Perennial Investment Partners Limited which directly holds a 62.8% (30 June 2005: 62.8%) shareholding in this entity.

(i) The investment in Perennial Growth Management Pty Ltd is through Perennial Investment Partners Limited which directly holds a 60.0% (30 June 2005: 60.0%) shareholding in this entity.

(j) During the year, Perennial Real Estate Investments Pty Ltd was incorporated. The investment in this entity is through Perennial Investment Partners Limited which directly held a 100% shareholding in this entity. Subsequent to year end, this reduced to 50% following the issue of shares to Perennial Real Estate Investments Pty Ltd executives pursuant to a shareholding agreement.

(k) During the year, Perennial Investment Partners (UK) Limited was incorporated. The investment in this entity is through Perennial Investment Partners Limited which directly holds 100% shareholding in the entity. The entity did not trade during the financial year.

(l) In accordance with AASB 1038 *Life Insurance Contracts*, the trusts controlled individually or collectively by the benefit funds and companies in the Group have been consolidated and are noted above.

37. Business Combination

(a) Summary of acquisition

On 26 May 2006, the wholly owned subsidiary OutScope Ltd acquired the remaining 75% of the issued capital of Financial Partnership Pty Ltd, which is in the business of providing investment advice on an agency basis.

The acquired business contributed revenues of $1,061,000 and net loss of $96,606 to the Group for the period 26 May 2006 to 30 June 2006. If the acquisition had occurred on I July 2005, consolidated revenue and consolidated profit for the year ended 30 June 2006 would have been $415,034,000 and $23,375,000 respectively. These amounts have been calculated using the Group's accounting policies in all material respects.

	Consolidated $'000
Details of the fair value of the assets and liabilities acquired and goodwill are as follows:	
Purchase consideration (refer to (b) below):	
Shares previously purchased, at cost	1,850
Cash paid	700
Equity instruments issued	1,400
Deferred consideration payable	275
Total purchase consideration	4,225
Fair value of net identifiable assets acquired (refer to (c) below)	(3,502)
Goodwill (refer to (c) below and Note 15)	723

(b) Purchase consideration

	Consolidated $'000
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash paid	700
Less: Cash balances acquired	(327)
Outflow of cash	373

176,012 redeemable converting preference shares were issued by IOOF Holdings Ltd at a fair value of $7.95 per share, based on the market price of the shares on the day of acquisition.

Deferred consideration payable represents amounts payable on 26 May 2007 and 26 May 2008, discounted at the Group's borrowing rate.

(c) Assets and liabilities acquired

	Acquiree's carrying amount $'000	Fair Value $'000
The assets and liabilities arising from the acquisition are as follows:		
Cash and cash equivalents	327	327
Receivables	56	56
Other assets	4	4
Plant and equipment	30	30
Intangible asset - adviser book	-	3,217
Payables	(161)	(114)
Provisions	(18)	(18)
Net Assets	238	3,502

The fair value of the intangible asset is based on a discounted cash flow model.
Goodwill has arisen as a result of synergies expected to be realised on combining of this business with existing businesses.

38. Segment Information

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

Secondary reporting - geographical segments

The Group operates in the one geographical segment of Australia.

38. Segment Information (continued)

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

Secondary reporting - geographical segments

The Group operates in the one geographical segment of Australia.

38. Segment Information (continued)

(a) Accounting policies

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

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

(b) Inter-segment eliminations

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

(c) Segments

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

(d) Comparative Information

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

39. Notes to the Cash Flow Statements

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
a. Reconciliation of cash assets				

For the purpose of the cash flow statements, cash includes cash on hand and in banks, deposits at call, including unit investments readily convertible to cash and subject to insignificant risk of changes in value, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statements is reconciled to the related items in the balance sheets as follows:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Cash	34,927	38,821	1,748	16,231
Deposits on call	667	8,497	667	633
	35,594	47,318	2,415	16,864
Units in IOOF Sectoral Unit Trusts	466,791	867,021	41,575	22,739
	502,385	**914,339**	**43,990**	**39,603**

b. Reconciliation of net cash provided by/(used in) operating activities to profit after income tax

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Profit after income tax	26,287	16,635	18,103	13,153
Net depreciation on plant and equipment	823	734	403	371
Net amortisation of intangible assets	1,163	1,597	-	-
(Profit)/loss on disposal of assets	47	11	-	-
Profit on disposal of investments	-	(2,753)	-	(2,753)
Share of profit in associated investment	(595)	(998)	-	-
Non cash expense for issue of shares to executives	1,826	1,115	1,823	1,358
Non cash adjustment for unrealised gains	-	(61)	-	-
Non cash adjustment to provision for diminution of investments	-	1,747	-	-
Non cash adjustment to financial assets	-	292	-	-
Non cash adjustment to provisions	-	582	-	-
Non cash adjustment on issue of ordinary shares	-	-	-	144
Changes in net operating assets and liabilities:				
(Increase)/decrease in cash on consolidation of trusts	459,896	-	-	-
(Increase)/decrease in receivables	(6,277)	1,128	(5,743)	(18,425)
(Increase)/decrease in other assets	2,045	4,647	(53)	83
(Increase)/decrease in deferred tax assets	(1,382)	185	(183)	(191)
(Increase)/decrease in income tax receivable	541	(541)	-	-
(Increase)/decrease in other financial assets	(690,532)	(18,468)	-	-
Increase/(decrease) in payables	7,494	(5,262)	1,377	(71)
Increase/(decrease) in insurance liabilities	259,828	4,814	-	-
Increase/(decrease) in provisions	26	(7,899)	(1,021)	(549)
Increase/(decrease) in income tax payable	7,370	12,686	7,293	11,827
Increase/(decrease) in deferred tax liability	(600)	10,953	-	(12)
Net cash provided by/(used in) operating activities	**67,960**	**21,134**	**21,999**	**4,935**

40. Life Insurance Business

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(a) Components of profit related to movements in:				
(i) Life Insurance liabilities				
Planned margins of revenue over expenses released	30	25	-	-
Difference between actuarial and assumed experience	55	6	-	-
Investment earnings on assets in excess of policy liabilities	31	25	-	-
	116	**56**	**-**	**-**
(ii) Life Investment liabilities	-	-	-	-
(b) Components of net life insurance liabilities:				
Unrecouped Acquisition Expenses	-	-	-	-

(c) Disclosures on asset restrictions, managed assets and trustee activities:

(i) Restrictions on assets
Investments held in life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions when solvency, capital adequacy and other regulatory requirements are met.

(ii) Managed Funds and other fiduciary duties
Entities in the IOOF Holdings Ltd group, including the IOOF Ltd Benefit Funds, hold controlling investments in managed funds. A subsidiary of the company is the Responsible Entity for these managed funds and has a fiduciary responsibility for managing these trusts. Arrangements are in place to ensure that such activities are managed separately from the other activities of the IOOF Holdings Ltd group.

(d) Solvency requirement:

Solvency reserves are required to meet the prudential standards determined in accordance with Actuarial Standard AS 2.04 "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.
The figures in the table below represent the number of times coverage for each life insurer subsidiary of the assets available for solvency over the solvency reserve.

Consolidated		2006 Statutory Fund [3] $'000	2005 Statutory Fund [3] $'000
Solvency Requirement	**"A" [1]**	**1,105,983**	**1,084,440**
Represented by:			
- Minimum Termination Value [2]		1,052,382	1,042,048
- Other Liabilities		50,766	40,155
Solvency Reserve	**"B"**	2,835	2,237
		1,105,983	1,084,440
Assets Available for Solvency	**"C"**	**6,893**	**8,315**
Comprised as:			
- Excess of Net Policy Liability over Minimum Termination Value		(1,090)	(14)
- Liability for policy owners' retained profits at end of year		50	513
- Net Assets		7,933	7,816
		6,893	**8,315**
Solvency Reserve %	**(B / (A - B)) x 100**	**0.26%**	**0.21%**
Coverage of Solvency Reserve	**C/ B**	**2.43**	**3.72**

[1] The minimum level of assets required to be held in each statutory fund, prescribed by the solvency standard referred to in Part 5 of the Life Insurance Act 1995.
[2] The Minimum Termination Value is determined in accordance with the Solvency Standard and is the base figure upon which reserves against liability and asset risks are layered in determining the Solvency Requirement. The Minimum Termination Value represents the minimum obligation of the company to policy owners at the reporting date.
[3] IOOF Life Ltd, as a regulated insurer, established a statutory fund during the year ended 30 June 2003. No transactions occurred in this statutory fund until the life insurance business of AM Life Limited was transferred to IOOF Life Ltd on 31 December 2003. The solvency requirement shown is also in respect of the Benefit Funds in IOOF Ltd.

40. Life Insurance Business (continued)

(e) Disaggregated Information of Life Insurance Business by Fund

	STATUTORY Non-Investment Linked									
	Estate Essentials	Supersaver Death Assurance	Deferred Annuity Capital Guaranteed	Supersaver Capital Guaranteed	Guaranteed Personal Income Plan	Capital Builder Bond	Capital Guaranteed Superannuation Bond	IOOF Term Annuity Fund	IOOF Life: Statutory Fund No. 1	**Total Non-Investment Linked**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
2006										
Financial Assets	76,425	9	8,058	491,236	27	9,560	-	108	1,248	**586,671**
Other Assets	1,203	21	143	10,617	44	284	3,296	-	455	**16,063**
Policy Liabilities	77,626	9	8,048	494,425	-	9,691	3,258	108	556	**593,721**
Other Liabilities	2	21	153	7,428	71	153	38	-	804	**8,670**
Retained Earnings	-	-	-	-	-	-	-	-	343	**343**
Premium Revenue	117	20	20	19,186	-	80	49	-	727	**20,199**
Investment Revenue	4,187	100	502	28,422	4	578	185	-	353	**34,331**
Claims Expense	202	101	29	559	-	35	9	-	368	**1,303**
Other Operating Expenses	4,102	19	440	39,334	4	623	207	-	546	**45,275**
Operating Profit before tax	-	-	53	7,715	-	-	18	-	166	**7,952**
Operating Profit after tax	-	-	-	-	-	-	-	-	117	**117**
2005										
Financial Assets	76,606	-	9,601	524,955	25	10,401	3,362	-	600	**625,550**
Other Assets	1,639	16	573	18,403	42	638	77	1	663	**22,052**
Policy Liabilities	78,122	-	9,928	527,116	-	10,862	3,370	-	453	**629,851**
Other Liabilities	123	16	246	16,242	67	177	69	1	585	**17,526**
Retained Earnings	-	-	-	-	-	-	-	-	225	**225**
Premium Revenue	86	49	160	16,567	-	66	208	-	642	**17,778**
Investment Revenue	4,609	-	600	33,075	10	658	204	-	41	**39,197**
Claims Expense	132	26	13	624	-	22	14	-	729	**1,560**
Other Operating Expenses	4,563	23	685	40,479	10	702	378	-	(211)	**46,629**
Operating Profit before tax	-	-	62	8,539	-	-	20	-	163	**8,784**
Operating Profit after tax	-	-	-	-	-	-	-	-	56	**56**

40. Life Insurance Business (continued)

(e) Disaggregated Information of Life Insurance Business by Fund (continued)

	STATUTORY Investment Linked									
	Supersaver Fixed Interest Fund	Supersaver Australian Equities Fund	Supersaver Capital Stable Fund	Supersaver Balanced Fund	Deferred Annuity Managed Fund	Deferred Annuity Capital Stable Fund	Deferred Annuity Cash Management Fund	**Total Investment Linked**	**Total Statutory**	Total Shareholder
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**	**$'000**	**$'000**
2006										
Financial Assets	30,568	201,489	48,663	149,083	26,585	2,803	378	**459,569**	**1,046,240**	129,872
Other Assets	605	13,765	1,169	5,372	1,669	101	4	**22,685**	**38,748**	126,803
Policy Liabilities	31,155	199,034	49,139	147,152	27,930	2,886	382	**457,678**	**1,051,399**	-
Other Liabilities	19	16,216	693	7,303	324	18	-	**24,573**	**33,243**	68,536
Retained Earnings	-	-	-	-	-	-	-	**-**	**343**	6,940
Premium Revenue	1,448	24,835	5,879	9,641	99	46	39	**41,987**	**62,186**	-
Investment Revenue	1,278	44,181	4,283	20,850	3,670	251	19	**74,532**	**108,863**	5,357
Claims Expense	12	217	62	161	62	4	-	**518**	**1,821**	-
Other Operating Expenses	2,375	57,739	8,982	24,907	3,405	264	56	**97,728**	**143,003**	350,057
Operating Profit before tax	339	11,060	1,118	5,423	302	29	2	**18,273**	**26,225**	60,622
Operating Profit after tax	-	-	-	-	-	-	-	**-**	**117**	26,287
2005										
Financial Assets	33,074	173,706	44,882	140,209	29,472	3,042	418	**424,803**	**1,050,353**	119,154
Other Assets	882	7,979	1,736	5,489	2,397	123	7	**18,613**	**40,665**	96,276
Policy Liabilities	33,364	163,413	44,845	136,695	31,205	3,114	421	**413,057**	**1,042,908**	-
Other Liabilities	592	18,272	1,773	9,003	664	51	4	**30,359**	**47,885**	53,310
Retained Earnings	-	-	-	-	-	-	-	**-**	**225**	(1,091)
Premium Revenue	532	17,785	5,970	6,534	351	-	-	**31,172**	**48,950**	-
Investment Revenue	2,714	39,797	4,911	19,295	4,911	390	30	**72,048**	**111,245**	8,204
Claims Expense	15	170	65	153	66	6	-	**475**	**2,035**	-
Other Operating Expenses	2,526	47,450	9,572	20,976	4,836	345	26	**85,731**	**132,360**	268,331
Operating Profit before tax	705	9,962	1,244	4,700	360	39	4	**17,014**	**25,798**	45,552
Operating Profit after tax	-	-	-	-	-	-	-	**-**	**56**	16,635

40. Life Insurance Business (continued)

(f) Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2006. The actuarial reports for IOOF Ltd and IOOF Life Ltd were prepared by Mr G C Martin, BA, FIAA, ASIA and were dated 4 September 2006 and 13 September 2006 respectively. The actuarial reports indicate that Mr Martin is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

Policy Liabilities

Policy liabilities have been determined in accordance with applicable accounting standards. Policy liabilities for life insurance contracts are valued in accordance with AASB 1038, whereas life investment contracts are valued in accordance with AASB 139 and AASB 118. There are differences between the valuation requirements of the accounting standards and those of the Life Insurance Act 1995.

Accounting valuation methods

Life insurance liabilities are valued using the accumulation method.

Life investment contract liabilities are valued at fair value through profit and loss.

Actuarial Methods

Policy liabilities have been calculated in accordance with relevant actuarial guidance issued by the Life Insurance Actuarial Standards Board under the Life Insurance Act 1995. Policy liabilities are based on a systematic release of planned margins as services are provided to policyholders and premiums are received.

Processes used to select assumptions

Mortality and Morbidity - IOOF Life Ltd

Mortality and morbidity are assessed on a claims ratio basis. The net cost is assumed to be 9% of gross earned premium.

Mortality and Morbidity - IOOF Ltd

All mortality and morbidity risk is fully reinsured and the gross risk to the Group is low. The mortality and morbidity assumptions have been taken to be equal to the reinsurer's mortality and morbidity asssumptions.

Other Assumptions

In adopting the accumulation method to assess the policy liabilities, one material assumption is required. It is assumed that the future overall experience as to expense levels, surrender/lapse rates and discount rates will likely remain within a satisfactory range so that the policies produce future profits for the business. In which case, there is no need to set aside provisions, in addition to the accumulation amounts, for future losses (i.e. there is no loss recognition concerns for the business). This assumption has been adopted on the basis that, based on the current actual experience of the business, the policies are producing satisfactory profits for the business and there is no circumstances known that would indicate that the current position (i.e. general experience levels and ongoing profitability) will not continue into the future.

Sensitivity analysis

The policy liabilities are not sensitive to changes in variables within a moderate range.

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.

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS)

The consolidated entity changed its accounting policies on 1 July 2004 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards,* with 1 July 2004 as the date of transition, except for financial instruments (including derivatives), investment products and insurance products, where the date of transition is 1 July 2005 (refer note 1(i) and (k)). An explanation of how the transition from superseded policies to AIFRS has affected the entity's Balance Sheet, Income Statement and Cash Flows is set out in the following tables and the notes that accompany the tables.

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS):

(a) At date of transition to AIFRS: 1 July 2004

		Consolidated			Parent Entity		
BALANCE SHEET	Notes	Previous AGAAP $'000	Effects of Transition $'000	AIFRS $'000	Previous AGAAP $'000	Effects of Transition $'000	AIFRS $'000
Assets							
Cash and cash equivalents	(a)(b)	62,124	856,017	918,141	38,999	990	39,989
Receivables	(a)(k)	44,460	4,921	49,381	52,888	(14,869)	38,019
Other financial assets	(a)(b)	35,687	183,872	219,559	119,419	(990)	118,429
Investments accounted for using the equity method		4,138	-	4,138	-	-	-
Other assets	(i)(f)	14,325	5,719	20,044	99	1,292	1,391
Plant and equipment	(e)	1,932	43	1,975	1,125	-	1,125
Deferred tax asset	(k)	5,938	(4,089)	1,849	5,560	(3,764)	1,796
Intangible assets	(d)(e)	14,983	45,495	60,478	-	-	-
Excess of net market value over net assets of controlled entities	(c)	125,637	(125,637)	-	-	-	-
Total Assets		309,224	966,341	1,275,565	218,090	(17,341)	200,749
Liabilities							
Payables	(a)(g)(k)	21,154	6,243	27,397	7,045	(1,280)	5,765
Current tax liabilities	(k)	6,622	-	6,622	6,310	-	6,310
Provisions	(a)(g)(h)	14,898	631	15,529	5,318	(113)	5,205
Deferred tax liabilities	(k)	17,346	(4,600)	12,746	17,321	(17,321)	-
Deferred revenue liability	(j)	-	5,086	5,086	-	-	-
Investment contract liabilities	(a)	-	1,037,627	1,037,627	-	-	-
Insurance contract liabilities		500	-	500	-	-	-
Total Liabilities		60,520	1,044,987	1,105,507	35,994	(18,714)	17,280
Net Assets		**248,704**	**(78,646)**	**170,058**	**182,096**	**1,373**	**183,469**
Equity							
Parent entity interest							
Contributed equity	(f)	170,136	1,292	171,428	170,136	1,292	171,428
Treasury shares	(f)	-	(1,292)	(1,292)	-	-	-
Reserve	(f)	-	473	473	-	473	473
Retained profits	(l)	75,863	(79,129)	(3,266)	11,960	(392)	11,568
Total Parent Entity Interest		245,999	(78,656)	167,343	182,096	1,373	183,469
Minority interest	(g)	2,705	10	2,715	-	-	-
Total Equity		**248,704**	**(78,646)**	**170,058**	**182,096**	**1,373**	**183,469**

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

BALANCE SHEET	Notes	Consolidated			Parent Entity		
		Previous AGAAP $'000	Effects of Transition $'000	AIFRS $'000	Previous AGAAP $'000	Effects of Transition $'000	AIFRS $'000
Assets							
Cash and cash equivalents	(a)(b)(f)	33,043	881,296	914,339	16,864	22,739	39,603
Receivables	(a)(k)	61,079	(13,178)	47,901	82,388	(25,944)	56,444
Current tax assets	(k)	-	541	541	-	-	-
Other financial assets	(a)(b)	65,689	174,654	240,343	134,011	(22,739)	111,272
Investments accounted for using the equity method		2,167	-	2,167	-	-	-
Other assets	(i)(f)	10,120	5,277	15,397	15	5,460	5,475
Plant and equipment	(e)	1,905	43	1,948	1,168	-	1,168
Deferred tax assets	(k)	6,254	(2,823)	3,431	5,263	(3,248)	2,015
Intangible assets	(d)(e)	15,887	55,769	71,656	-	-	-
Excess of net market value over net assets of controlled entities	(c)	184,785	(184,785)	-	-	-	-
Total Assets		380,929	916,794	1,297,723	239,709	(23,732)	215,977
Liabilities							
Payables	(a)(g)(k)	22,770	(783)	21,987	4,146	(482)	3,664
Current tax liabilities	(k)	-	19,308	19,308	18,126	-	18,126
Deferred tax liabilities	(k)	48,179	(22,714)	25,465	28,730	(28,730)	-
Provisions	(g)(h)	6,886	744	7,630	4,704	(48)	4,656
Deferred revenue liability	(j)	-	4,982	4,982	-	-	-
Investment contract liabilities	(a)	-	1,042,455	1,042,455	-	-	-
Insurance contract liabilities		453	-	453	-	-	-
Total Liabilities		78,288	1,043,992	1,122,280	55,706	(29,260)	26,446
Net Assets		**302,641**	**(127,198)**	**175,443**	**184,003**	**5,528**	**189,531**
Equity							
Parent entity interest							
Contributed equity	(f)	170,280	5,703	175,983	170,280	5,703	175,983
Treasury shares	(f)	-	(5,460)	(5,460)	-	-	-
Reserve	(f)	-	1,588	1,588	-	1,588	1,588
Retained profits	(l)	128,170	(129,035)	(865)	13,723	(1,763)	11,960
Total Parent Entity Interest		298,450	(127,204)	171,246	184,003	5,528	189,531
Minority interest	(g)	4,191	6	4,197	-	-	-
Total Equity		**302,641**	**(127,198)**	**175,443**	**184,003**	**5,528**	**189,531**

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)

(2) Reconciliation of profit for the year ended 30 June 2005:

INCOME STATEMENT	Notes	Consolidated Previous AGAAP $'000	Consolidated Effects of Transition $'000	Consolidated AIFRS $'000	Parent Entity Previous AGAAP $'000	Parent Entity Effects of Transition $'000	Parent Entity AIFRS $'000
Revenue	(a)(c)(j)	244,158	64,626	308,784	28,254	-	28,254
Expenses, excluding finance costs	(a)(d)(e) (f)(g)(h)(i)	(178,634)	(89,641)	(268,275)	(13,587)	(1,376)	(14,963)
Finance costs		(56)	-	(56)	-	-	-
Share of Net Profits of associates		5,099	-	5,099	-	-	-
Profit before income tax		70,567	(25,015)	45,552	14,667	(1,376)	13,291
Income tax (expense) / benefit	(k)	(3,880)	(25,037)	(28,917)	(143)	5	(138)
Profit for the period		66,687	(50,052)	16,635	14,524	(1,371)	13,153
(Profit) / loss attributable to minority interest	(g)	(1,554)	4	(1,550)	-	-	-
Profit attributable to members of IOOF Holdings Ltd		**65,133**	**(50,048)**	**15,085**	**14,524**	**(1,371)**	**13,153**

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)

(3) Impacts on cash flow for the year ended 30 June 2005:

CASH FLOW STATEMENT	Notes	Consolidated Previous AGAAP $'000	Consolidated Effects of Transition $'000	Consolidated AIFRS $'000	Parent Entity Previous AGAAP $'000	Parent Entity Effects of Transition $'000	Parent Entity AIFRS $'000
Cash flows from operating activities							
Management fees and commission income received	(a)(p)	185,782	26,887	212,669	9,058	44	9,102
Premium income received		676	325	1,001	-	-	-
Contributions		-	48,283	48,283	-	-	-
Withdrawals		-	(112,969)	(112,969)	-	-	-
Payments to suppliers and employees	(a)(p)	(169,816)	(33,971)	(203,787)	(21,551)	(2,062)	(23,613)
Distributions received	(a)	2,390	49,160	51,550	14,088	-	14,088
Dividends received from associate		4,020	-	4,020	-	-	-
Interest income received	(a)	2,422	1,604	4,026	888	-	888
Proceeds from sale of trading securities	(a)	-	24,674	24,674	-	-	-
Other income received	(a)	2,543	(203)	2,340	1,550	-	1,550
GST paid	(p)	-	(4,849)	(4,849)	-	717	717
Income tax benefit received / (paid)	(a)	2,662	(8,486)	(5,824)	902	1,301	2,203
Net cash provided by/(used in) operating activities		30,679	(9,545)	21,134	4,935	-	4,935
Cash flows from financing activities							
Dividends paid	(f)	(12,761)	81	(12,680)	(12,761)	-	(12,761)
Dividends paid to minority		(456)	-	(456)	-	-	-
Net cash provided by/(used in) financing activities		(13,217)	81	(13,136)	(12,761)	-	(12,761)
Cash flows from investing activities							
Deferred payment for acquisition of business		(12,600)	-	(12,600)	-	-	-
Payment for purchase of investments		(3,809)	-	(3,809)	-	-	-
Proceeds from sale of investment securities		9,112	-	9,112	9,112	-	9,112
Proceeds from repayment of loans and mortgage securities		76	-	76	243	-	243
Payment for purchase of plant and equipment		(824)	-	(824)	(415)	-	(415)
Payment for the purchase of shares in a controlled entity		-	-	-	(1,500)	-	(1,500)
Payment for purchase of other intangible assets		(3,633)	-	(3,633)	-	-	-
Loans made to directors of controlled entities		(89)	-	(89)	-	-	-
Proceeds from loans repaid by Directors		252	-	252	-	-	-
Loans made to related parties		(68)	-	(68)	-	-	-
Proceeds from loans repaid by related parties		60	-	60	-	-	-
Loans made to executives of controlled entities		(432)	-	(432)	-	-	-
Proceeds from loans repaid by executives		49	-	49	-	-	-
Proceeds from disposal of plant and equipment		106	-	106	-	-	-
Net cash provided by/(used in) investing activities		(11,800)	-	(11,800)	7,440	-	7,440
Net increase/(decrease) in cash and cash equivalents		5,662	(9,464)	(3,802)	(386)	-	(386)
Cash and cash equivalents at the beginning of the year		75,462	842,679	918,141	39,989	-	39,989
Cash and cash equivalents at the end of the year		**81,124**	**833,215**	**914,339**	**39,603**	**-**	**39,603**

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)

(4) Notes to the reconciliations

(a) Consolidation of Benefit Funds

The Group is required to include in its financial statements certain benefit funds, in accordance with AASB 127 *Consolidated and Separate Financial Statements*. Under previous AGAAP these benefit funds were not included in the consolidated financial statements due to exemptions under APRA Prudential Rule 47 *Friendly Society Financial Statements* and ASIC Class Order 99/1225 *Financial Reporting Requirements for Benefit Fund Friendly Societies*. There is no effect on the Parent Entity but the effect on the Group is:

(i) At 1 July 2004

- cash and cash equivalents increased by $842,679,000
- receivables increased by $4,921,000 (additional receivables of $30,158,000; offset by the elimination of inter-entity receivables of $25,237,000)
- other financial assets increased by $197,210,000
- payables increased by $7,140,000 (additional payables of $32,377,000; offset by the elimination of inter-entity payables of $25,237,000)
- provisions increased by $43,000
- investment contract liabilities increased by $1,037,627,000

(ii) At 30 June 2005

- cash and cash equivalents increased by $832,679,000
- receivables decreased by $13,178,000 (additional receivables of $26,750,000; offset by the elimination of inter-entity receivables of $39,928,000)
- other financial assets increased by $223,128,000
- payables increased by $174,000 (additional payables of $40,102,000; offset by the elimination of inter-entity payables of $39,929,000)
- investment contract liabilities increased by $1,042,455

(iii) For the year ended 30 June 2005

- revenues from ordinary activities increased by $111,336,000
- expenses from ordinary activities increased by $85,688,000
- income tax expense increased by $25,648,000

(iv) Cash Flow Statement for the year ended 30 June 2005

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

(b) Cash and cash equivalents

Under AASB 107 *Cash Flow Statements* cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Under the previous AGAAP, certain highly liquid investments were classified as financial instruments. The effect on the Parent and Group is:

(i) At 1 July 2004

There has been a change in classification which has resulted in an increase in cash and cash equivalents for the Group of $13,338,000 (Parent: $990,000), with a corresponding decrease in other financial assets.

(ii) At 30 June 2005

There has been a change in classification which has resulted in increase in cash and cash equivalents for the Group of $48,475,000 (Parent: $22,739,000), with a corresponding decrease in other financial assets.

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)

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

Under AASB 138 *Intangible Assets,* internally generated goodwill can not be recognised. Accordingly the EMVONA asset that was recognised in the consolidated financial statements of a life insurer under previous AGAAP is not recognised; except to the extent it represents acquired goodwill upon the acquisition of subsidiaries, as discussed in Note (d) below. There is no effect on the Parent entity but the effect for the Group is:

(i) At 1 July 2004

The EMVONA asset amounting to $125,637,000 has been derecognised, with a corresponding decrease in retained profits.

(ii) At 30 June 2005

The EMVONA asset amounting to $184,785,000 has been derecognised, with a corresponding decrease in retained profits.

(iii) For the year ended 30 June 2005

The increase in EMVONA for the year amounting to $46,814,000 (net of an adjustment to acquisition provisions amounting to $12,334,000) has not been recognised in revenue in the Income Statement, and net profit has correspondingly reduced by this amount.

(d) Goodwill on acquisition of subsidiaries

The Group has recognised goodwill resulting from the demutualisation and re-structure of the group in June 2002, as well as the goodwill identified upon the acquisition of the AM Corporation's investment and superannuation businesses acquired in March 2003. Under AGAAP this goodwill had been recognised as part of the EMVONA asset, as described in (c) above.

There has been an increase in goodwill for the Group amounting to $12,600,000. This increase reflects the reversal of the adjustment made against EMVONA under the previous AGAAP amounting to $12,334,000, as noted in (c(iii)) above, and the recognition of a benefit in the Income Statement amounting to $266,000 in the year ended 30 June 2005; both of which related to the de-recognition of the acquisition provisions for the purchase of the AM Corporation's businesses.

Amortisation of goodwill is not permitted under AIFRS. The amortisation of goodwill that was charged under previous AGAAP, since the date of transition to AIFRS, has been reversed.

There is no effect on the Parent entity but the effect of these adjustments for the Group is:

(i) At 1 July 2004

There has been an increase in goodwill of $53,818,000, with a corresponding increase in retained profits.

(ii) At 30 June 2005

There has been an increase in goodwill of $66,599,000, with a corresponding increase in retained profits.

(iii) For the year ended 30 June 2005

Expenses from ordinary activities (amortisation of goodwill) has decreased by $448,000, with a corresponding increase in net profit.

(e) Intangible assets de-recognised

Computer software and infrastructure project costs that were being carried under the previous AGAAP but that do not meet the strict recognition tests of AASB 138 have been de-recognised. Where the de-recognised assets have been capitalised since the date of transition to AIFRS under the previous AGAAP, the corresponding adjustment has been to increase Expenses from ordinary activities in the relevant period. Similarly, amortisation charged on the de-recognised intangible assets has been reversed to the relevant period. There is no effect on the Parent entity but the effect of this for the Group is:

(i) At 1 July 2004

There has been a decrease in intangible assets of $8,323,000. Plant and equipment increased by $43,000, deferred tax assets increased by $2,324,000, and retained profits decreased by $5,956,000.

(ii) At 30 June 2005

There has been a decrease in intangible assets of $10,830,000. Plant and equipment increased by $43,000, deferred tax assets increased by $2,649,000, deferred tax liabilities decreased by $125,000, and retained profits decreased by $8,013,000.

(iii) For the year ended 30 June 2005

Expenses from ordinary activities has increased by $3,286,000; representing net additions for the year capitalised for AGAAP that have been expensed under AIFRS. Amortisation of software and infrastructure projects has decreased expenses from ordinary activities by $779,000 as a result of the de-recognised intangible assets. Income tax expense has decreased by $450,000; resulting in an overall decrease in net profit of $2,057,000.

(f) Executive share plan

The Group recognises an expense and increases equity for any equity instruments that have been granted to executives under performance incentive share plans and under the Chief Executive Officer's contract of employment. The exemption under AASB 1 was applied to any equity instruments granted before 7 November 2002 and any that vested before 1 January 2005, but the remaining shares have been accounted for over the relevant vesting period. Under previous AGAAP, the Group was not required to recognise an expense for equity instruments issued to employees where such compensation is satisfied by the issue of additional shares by the Group. The effect of this is:

(i) At 1 July 2004

For the Group, there has been an increase in the Reserve for share-based payments of $473,000, with a corresponding decrease in retained profits. The effect is the same for the Parent entity.

(ii) At 30 June 2005

For the Group, there has been an increase in the Reserve for share-based payments of $1,831,000, with a corresponding decrease in retained profits. The effect is the same for the Parent entity.

(iii) For the year ended 30 June 2005

For the Group, expenses from ordinary activities have increased by $1,358,000, with a corresponding decrease in net profit. The effect is the same for the Parent entity.

The Group is required to consolidate the share trust associated with the above executive share plan as it has control of the trust, including the unvested shares held by the trust. For the Parent entity, the shares in the trust are recognised as an asset. Under previous AGAAP this trust was not included in the consolidated financial statements, and the Parent did not recognise the shares in the trust as an asset. The effect of this is:

(i) At 1 July 2004

For the Group, Issued Capital has increased by $1,292,000, with an equal and offsetting increase in Treasury Shares. For the Parent entity, Issued Capital has increased by $1,292,000, with an equal and offsetting increase in Other Assets.

(ii) At 30 June 2005

For the Group, Cash and cash equivalents have increased by $142,000 with a corresponding increase in retained profits. Issued Capital has increased by $5,703,000, with an equal and offsetting increase in Treasury shares. Both the Reserve for share-based payments and Treasury shares have then decreased by $243,000, representing shares that have vested to date.

For the Parent entity, Issued Capital has increased by $5,703,000, with an equal and offsetting increase in Other Assets. Both the Reserve for share-based payments and Other Assets have then decreased by $243,000, representing shares that have vested to date.

(iii) For the year ended 30 June 2005

There has been no impact on the Income Statement for the year. In the Group the Dividends paid for the period have decreased by $109,000, representing the elimination of dividends paid in relation to Treasury shares on consolidation of the trust.

(g) Employee entitlement provisions and accruals

Provisions for long service leave and accruals for annual leave are based on the benefit expected to be paid to the employee, excluding associated costs such as payroll tax and workers' compensation insurance. All employee benefits that are expected to occur twelve months after the end of the period in which the employee rendered the related service are discounted to the present value of the obligation at the reporting date. Under previous AGAAP on-costs were included in the calculation of the employee entitlement provisions and accruals and the accrual for annual leave that was expected to be taken beyond twelve months after the end of the period was not discounted to present value. The effect of this is:

(i) At 1 July 2004

The non-current portion of the Annual leave provision has been reclassified from Payables to Provisions and employee on-costs have been reclassified from non-current Provisions to Payables. For the Group the net impact has been a decrease in Payables and an increase in Provisions amounting to $897,000 (Parent: $3,000).

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)

The discounting of the Annual leave provision has resulted in a decrease in Provisions by $213,000 (Parent: $21,000), the deferred tax asset has decreased by $64,000 (Parent: $6,000), the Minority interest reflected in the Balance Sheet has increased by $10,000 (Parent: $0) and retained profits have increased by $139,000 (Parent: $15,000).

(ii) At 30 June 2005

The non-current portion of the Annual leave provision has been reclassified from Payables to Provisions and employee on-costs have been reclassified from non-current Provisions to Payables. The net impact for the Group has been a decrease in Payables and an increase in Provisions amounting to $958,000 (Parent: $50,000).

The Group Provisions have decreased by $123,000 (Parent: $7,000) , the deferred tax asset has decreased by $37,000 (Parent: $2,000) , the Minority interest reflected in the Balance Sheet has increased by $6,000 (Parent: $0) and retained profits have increased by $80,000 (Parent: $5,000).

(iii) For the year ended 30 June 2005

Expenses from ordinary activities have increased by $90,000 (Parent: $13,000). The Minority interest reflected in the Income Statement has decreased by $4,000. Income tax expense has decreased by $27,000 (Parent: $4,000), resulting in an overall decrease in net profit of $59,000 (Parent: $9,000).

(h) Directors' retirement benefit

Provisions for directors' retirement benefits that are expected to occur twelve months after the end of the period in which the director rendered the related service are discounted to the present value of the obligation at the reporting date. Under the previous AGAAP, these provisions were not discounted to present value. The effect of this for both the Group and the Parent entity is:

(i) At 1 July 2004

The directors' retirement provision has decreased by $96,000, the deferred tax asset has decreased by $29,000, and retained profits has increased by $67,000.

(ii) At 30 June 2005

The directors' retirement provision has decreased by $91,000, the deferred tax asset has decreased by $27,000, and retained profits has increased by $64,000.

(iii) For the year ended 30 June 2005

Expenses from ordinary activities has increased by $4,000. Income tax expense has decreased by $1,000, resulting in an overall decrease in net profit of $3,000.

(i) Deferred acquisition costs

Commission costs directly related to new client accounts are recognised in the income statement over the expected life of the service contract. Under the previous AGAAP, these costs were recognised in the income statement in the period they were incurred. There is no effect on the Parent entity but the effect of this for the Group is:

(i) At 1 July 2004

Other assets have increased by $5,719,000, deferred tax liabilities have increased $1,716,000, and retained profits have increased $4,003,000.

(ii) At 30 June 2005

Other assets have increased by $5,277,000, deferred tax liabilities have increased $1,583,000, and retained profits have increased $3,694,000.

(iii) For the year ended 30 June 2005

Expenses from ordinary activities has increased by $442,000, income tax expense decreased by $133,000, and net profit decreased by $309,000.

(j) Deferred revenue liabilities

Fees for services to be provided in future periods are deferred and recognised in the income statement as the service is provided, over the expected term of the service contract. Under the previous AGAAP, these fees for service were recognised in the income statement in the period they were received. There is no effect on the Parent entity but the effect of this for the Group is:

(i) At 1 July 2004

Deferred revenue liabilities have increased by $5,086,000, with a corresponding decrease in retained profits.

(ii) At 30 June 2005

Deferred revenue liabilities have increased by $4,982,000, with a corresponding decrease in retained profits.

(iii) For the year ended 30 June 2005

Revenues from ordinary activities has increased by $104,000, with a corresponding increase in net profit.

(k) Income tax

Deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheet and their associated tax bases. Current and deferred taxes attributed to amounts recognised directly in equity are also recognised directly in equity. Under previous AGAAP, the deferred tax balances were determined using the income statement method. Items were only tax-effected if they were included in the determination of pre-tax accounting profit or loss and/or taxable income or loss, and the current and deferred taxes were not recognised directly in equity. The current tax assets and deferred tax assets are shown separately on the face of the balance sheet. Similarly, the current tax liabilities and deferred tax liabilities are shown separately on the balance sheet in accordance with AASB 101 *Presentation of Financial Statements*.

		Consolidated		Parent	
	Notes	1 July 2004 $'000	30 June 2005 $'000	1 July 2004 $'000	30 June 2005 $'000
(i) The net effect of the adoption of AIFRS on the Deferred Tax Asset/Liability and Current Tax Asset/Liability is as follows:					
De-recognition of intangible assets	(e)	2,324	2,775	-	-
Adjustment of Directors' and employee entitlements	(g)(h)	(93)	(64)	(35)	(30)
Adjustment to Deferred Tax Liability in relation to tax base of investment in associate		(4)	(4)	-	-
Adjustment to Deferred Tax Liability in relation to Deferred Acquisition Costs	(i)	(1,716)	(1,583)	-	-
Deferred tax liability previously recognised in the head entity transferred to the tax group members under UIG 1052		-	-	17,294	28,716
Deferred tax asset previously recognised in the head entity transferred to the tax group members under UIG 1052		-	-	(3,703)	(3,204)
Decrease in net liability		**511**	**1,124**	**13,556**	**25,482**
Represented by:					
Increase / (decrease) in current tax asset		-	541	-	-
Increase / (decrease) in deferred tax asset		(4,089)	(2,823)	(3,764)	(3,248)
(Increase) / decrease in deferred tax liabilities		4,600	(19,308)	17,320	-
(Increase) / decrease in current tax liabilities		-	22,714	-	28,730
		511	1,124	13,556	25,482
(ii) For the year ended 30 June 2005					
The income tax expense for the Group has increased as follows:					
De-recognition of intangible assets	(e)		(450)		-
Adjustment of Directors' and employee entitlements	(g)(h)		(28)		(5)
Consolidation of the Benefit Funds	(a)		25,648		-
Adjustment on Deferred Acquisition Costs	(i)		(133)		-
Net increase			25,037		(5)

The tax rate applicable to all periods is 30%.

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)

(l) Retained profits

	Notes	Consolidated 1 July 2004 $'000	Consolidated 30 June 2005 $'000	Parent 1 July 2004 $'000	Parent 30 June 2005 $'000
The effect of the adoption of AIFRS on Retained Profits is as follows:					
Financial Instruments	(b)	-	-	-	-
EMVONA	(c)	(125,637)	(184,785)	-	-
Goodwill on acquisition of subsidiaries	(d)	53,818	66,599	-	-
Intangible assets de-recognised	(e)	(5,956)	(8,013)	-	-
Executive share plan expense	(f)	(473)	(1,830)	(473)	(1,830)
Executive share plan trust consolidation	(f)	-	142	-	-
Directors' and employee entitlements	(g)(h)	206	144	87	70
Deferred acquisition costs	(i)	4,003	3,694	-	-
Deferred revenue liabilities	(j)	(5,086)	(4,982)	-	-
Income tax	(k)	(4)	(4)	(6)	(2)
Net decrease in Retained Profits		**(79,129)**	**(129,035)**	**(392)**	**(1,762)**

(m) Plant and Equipment

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

(n) Impairment of Assets

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

The impairment of assets was considered at 1 July 2004 and 30 June 2005, and no known or reliably estimable impairment was discovered.

(o) Financial Instruments and Insurance Contracts

The Group took advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. Previous AGAAP has been applied to the classification and measurement of financial instruments within the scope of AASB 132 and AASB 139 for all disclosures up to 30 June 2005.

The Group took advantage of the exemption available under AASB 1 to apply AASB 1038 *Life Insurance Contracts* only from 1 July 2005. Life Insurance contracts and investment contracts with discretionary participation features are treated as Life Insurance contracts per this standard. Under the previous AGAAP Investment contracts with discretionary participation features were treated as Investment contract liabilities.

Furthermore, the generally accepted view is that the revised AASB 1038 presents a 'single entity' view in relation to shareholders and policyholders as a group, and that they should not be differentiated when making an assessment of whether 'control' exists. On this basis there is a transitional adjustment at 1 July 2005 to reflect the consolidation of all trusts in which the statutory funds individually or in aggregate, or in aggregate with the shareholder fund, hold in excess of 50% of the units issued by that trust.

41. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)

The adjustments on transition to AASB 132, AASB 139 and AASB 1038 on 1 July 2005 are as follows:

	Consolidated			Parent		
	30 June 2005 $'000	Adjustment $'000	1 July 2005 $'000	30 June 2005 $'000	Adjustment $'000	1 July 2005 $'000
Assets						
Cash and cash equivalents	914,339	(377,578)	536,761	39,603	-	39,603
Receivables	47,901	(5,463)	42,438	56,444	-	56,444
Current tax assets	541	-	541	-	-	-
Other financial assets	240,343	667,240	907,583	111,272	-	111,272
Investments accounted for using the equity method	2,167	-	2,167	-	-	-
Other assets	15,397	82	15,479	5,475	-	5,475
Plant and equipment	1,948	-	1,948	1,168	-	1,168
Deferred tax assets	3,431	-	3,431	2,015	-	2,015
Intangible assets	71,656	-	71,656	-	-	-
Excess of net market value over net assets of controlled entities	-	-	-	-	-	-
Total Assets	1,297,723	284,281	1,582,004	215,977	-	215,977
Liabilities						
Payables	21,987	4,757	26,744	3,664	-	3,664
Current tax liabilities	19,308	-	19,308	18,126	-	18,126
Deferred tax liabilities	25,465	(283)	25,182	-	-	-
Provisions	7,630	-	7,630	4,656	-	4,656
Deferred revenue liability	4,982	-	4,982	-	-	-
Investment contract liabilities	1,042,455	(630,367)	412,088	-	-	-
Insurance contract liabilities	453	629,398	629,851	-	-	-
Outside interest in controlled trusts	-	280,776	280,776	-	-	-
Total Liabilities	1,122,280	284,281	1,406,561	26,446	-	26,446
Net Assets	**175,443**	**-**	**175,443**	**189,531**	**-**	**189,531**
Equity						
Parent entity interest						
Contributed equity	175,983	-	175,983	175,983	-	175,983
Treasury shares	(5,460)	-	(5,460)	-	-	-
Reserve	1,588	-	1,588	1,588	-	1,588
Retained profits	(865)	-	(865)	11,960	-	11,960
Total Parent Entity Interest	171,246	-	171,246	189,531	-	189,531
Minority interest	4,197	-	4,197	-	-	-
Total Equity	**175,443**	**-**	**175,443**	**189,531**	**-**	**189,531**

Refer to Note 1(i) for further information in relation to the accounting policies adopted and the transition to AASB 132 and AASB 139. Refer to Note 1(k) for further information in relation to the accounting policies adopted and the transition to AASB 1038.

(p) Cash Flows are reflected gross of GST

In accordance with UIG 1031, cash flows are included in the Cash Flow Statement gross of GST.

42. Subsequent Events

The following matters have arisen subsequent to the end of the financial period:

- the Directors have recommended a final dividend of 15 cents per share.
- litigation in relation to the sale of the retirement village business was settled. The amount of settlement did not vary materially from the amount provided in the financial statements.

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this 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.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 63 to 136 are in accordance with the Corporations Act 2001, including:
  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  (ii) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, cash flows, and changes in equity for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 45 to 59 of the Directors' Report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

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

I Blair

Chairman of the Board

R Dewhurst

Director and Chief Executive Officer

Melbourne, 13 September 2006

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Independent audit report to the members of IOOF Holdings Ltd

Audit opinion

In our opinion:

1. the financial report of IOOF Holdings Ltd:
   - gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of IOOF Holdings Ltd and the IOOF Holdings Ltd Group (defined below) as at 30 June 2006, 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;
2. the audited remuneration disclosures that are contained on pages 45 to 59 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures (AASB 124) and the Corporations Regulations 2001.

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

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both IOOF Holdings Ltd (the company) and the IOOF Holdings Ltd Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 45 to 59 of the directors' report, as permitted by the Corporations Regulations 2001.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website: **http://www.pwc.com/au/financialstatementaudit**.

We 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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

PricewaterhouseCoopers

Simon Gray

Simon Gray
Partner

Melbourne
13 September 2006

Shareholder Information

The number of shares on issue as at Friday 1 September 2006 is 64,546,226 ordinary shares. This is the only class of shares currently issued.

Substantial Shareholders

The shareholdings of each person known by us to be the owner of more than 5 per cent of our voting securities, as at Friday 1 September 2006, are shown in the table '20 largest shareholders as at Friday 1 September 2006'.

Distribution of shares

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

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

The number of investors holding less than a marketable parcel of 59 shares ($8.510 as at 1 September 2006) is 48 and they hold a total of 1,405 shares.

20 largest shareholders as at Friday 1 September 2006

Rank	Investor	Current Balance	Issued Capital %
1	Bendigo Bank Limited	5,341,690	8.28
2	J P Morgan Nominees Australia Limited	1,435,641	2.22
3	IOOF Investment Management Limited	1,298,301	2.01
4	IOOF Holdings Trustee Pty Ltd	1,227,897	1.90
5	Westpac Custodian Nominees Limited	938,309	1.45
6	ANZ Nominees Limited	822,392	1.27
7	CitiCorp Nominees Pty Limited	772,816	1.20
8	Sandhurst Trustees Ltd	703,174	1.09
9	Diversified United Investment Limited	700,000	1.08
10	National Nominees Limited	593,893	.92
11	Cogent Nominees Pty Limited	500,320	.78
12	Australian United Investment Company Limited	500,000	.77
13	ANZ Nominees Limited	484,702	.75
14	Invia Custodian Pty Limited	468,637	.73
15	Banos Asset Management Ltd	368,816	.57
16	IOOF SA Ltd	300,000	.46
17	Catholic Church Insurances Ltd	283,111	.44
18	Ravenscourt Pty Ltd	225,000	.35
19	HSBC Custody Nominees (Australia) Limited	221,399	.34
20	Equity Trustees Limited	200,979	.31

Voting rights

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

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

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

These voting arrangement are subject to certain minor exceptions.

Stock Exchange listing

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

Final dividend

The final dividend of 15 cents per share (fully franked) will be paid on 13 October 2006 to shareholders entitled to receive dividends and registered on 26 September 2006, being the record date.

Direct payment into shareholders' accounts

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

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

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

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

Removal from Annual Report mailing

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

Enquiries

If you have any questions about your shareholding, dividend payments, tax payments, tax file number or change of address etc., please contact our share registry, Link Market Services, or visit their website at **www.linkmarketservices.com.au**

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