



ANNUAL REPORT 2007



Your Investment Guardians



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# Chairman's welcome

A message from Ian Blair,  
the IOOF Group Chairman

*It is a real pleasure to introduce the 2007 Annual Report to shareholders. It has been another eventful and successful year of progress for the IOOF Group.*

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## New Chief Executive Officer (CEO)

One of the most significant tasks of any board is the appointment and support of the Group's CEO. This year we were sorry to receive the resignation of Ron Dewhurst, who had filled the role with distinction since 2004. After a wide search process, we appointed Tony Robinson to the role, and are delighted with his work at IOOF so far. Tony came with the right experience and with a growth-oriented and enthusiastic approach to the task. As can be seen from Tony's CEO report which follows, he is already working hard to further develop the many opportunities which present themselves to a group like IOOF, which operates in a rapidly developing market place.

## Our financial results

As reported in the formal annual accounting statements later in this document, IOOF has had another successful financial year with:

- funds under management and administration (FUMA) increasing by 14% to \$34.8 billion;
- underlying net profit (excluding the impact of Perennial and restructuring costs) after tax increasing by 26% to \$29.2 million; and
- full year dividends increasing by 22% to 33 cents.

Our annual financial statements are again drawn up in accordance with the requirements of the recently imposed International Financial Reporting Standards (IFRS). Last year I expressed the view that under IFRS, our accounts are becoming confusing and out of touch with shareholders' desire for succinct and meaningful information. This year, in my opinion, the problem has worsened with our annual accounts becoming even more complex and less meaningful. I am disappointed to say that I don't see much prospect for improvement from regulators who have more regard for international compliance than for reporting on the true performance of the business.

## Investment markets – our eggs are not in one basket

Whilst the investment world is growing rapidly, the recent turbulence in Australian and international investment markets demonstrates that we must be ever vigilant in the development of our various business units. Our market involvement covers most of the wide range of asset classes available to investors in this country. We are mindful of this diversity, which in itself offers an effective form of investment risk management.

“Whilst the investment world is growing rapidly, the recent turbulence in Australian and international investment markets demonstrates that we must be ever vigilant in the development of our various business units.”



### Our role in the community

At IOOF, we believe it is important that we don't lose sight of our community origins which go back to the friendly society movement, which transported itself from the UK to this country in the 1840's. At the time of our demutualisation and listing in 2002 and 2003, we established and funded the IOOF Foundation. The Foundation has grown to the point where we have now granted more than \$2.9 million to organisations committed to supporting disadvantaged families, aged care and disadvantaged children. This takes us back to the company's original cause.

### The Board and management

The Board has been further strengthened this year with the appointment of Rick Harper as a Director. With this appointment, the Board has completed a period of renewal. Three new Directors have been appointed over the last two years, following the retirement of some long serving Directors. The Board is working well with CEO Tony Robinson and his high quality and committed management team. I would like to thank the Board and management for their hard work during the year and the financial and business development success they have achieved for shareholders.

A handwritten signature in black ink, appearing to be 'I. Blair'.

Ian Blair, Chairman

# Chief Executive Officer's welcome

A message from Tony Robinson,  
the IOOF Group Chief Executive Officer

*Well, what a way to start with a new organisation – a very successful year and great underlying financial performance. Underlying net profit after tax has risen by 26% but of equal importance is the amount of work that has been done to ensure we continue to grow and develop in future years.*

## Joining a successful business

I have obviously had the good fortune to join a successful business driven by a group of capable people working to achieve great outcomes.

Ron Dewhurst and the team achieved a lot over recent years and the good news is there is more to be achieved.

You can be very comfortable that the organisation has the capabilities to harvest the opportunities that exist. As I've said, the organisation is full of capable and committed people and the result this year is a tribute to their efforts.

## 2006/07 in review

The 2006/07 financial year was a very good period for the IOOF Group as a whole.

The Perennial businesses continued to grow both through the development of new products and achieving increased funds under management for existing products. The strong equity market obviously made a significant contribution to funds under management growth, but the businesses achieved considerable new funds flows, particularly in some of the newer areas such as the Global Listed Property vehicle (Perennial Real Estate Investments). What's more, the Perennial Growth Shares Wholesale Trust was recently rated a top 10 fund by Morningstar.<sup>1</sup>

The superannuation administration services business, IOOF Portfolio Solutions, enjoyed a successful year after completing the launch of its new offering, Pursuit, in late October. The new product range was fundamental to the noteworthy uplift in net inflows, with IOOF Portfolio Solutions exceeding \$250 million, an increase of more than 200% over last year's results. Pleasingly, its innovative offering saw Pursuit Select Personal Superannuation win the Rainmaker Best New Superannuation Product of the Year award for 2007.

The investment products area achieved strong funds growth, particularly in its Multi Investment Manager (MIM) funds. This part of the business continues to develop its skills and capabilities. The performance of this area is highlighted by the results for our core MIM product which achieved returns of over 25% compound growth p.a. for the four years ending 2006/07. In addition, the IOOF MIM Balanced Growth Fund has been rated by Morningstar as a top 10 fund over three years, and a top 3 fund over one year.<sup>2</sup>

Our fully-owned dealer group, Consultum Financial Advisers, was successfully launched to the market, following the integration of two distinct dealer group businesses previously supported by IOOF. Although this was a difficult process, Consultum is now well positioned to offer comprehensive and market-leading dealer services to its existing advisers.

All of the achievements in 2006/07 have helped lay strong foundations for 2007/08.

<sup>1</sup> Based on performance total return over three years as at 31 July 2007.

<sup>2</sup> Morningstar rating of performance as at 30 June 2007. Based on data provided by Intech Research Pty Ltd and Mercer Investment Consulting Pty.

"You can be very comfortable the organisation has the capabilities to harvest the opportunities that exist. The organisation is full of capable and committed people and the result this year is a tribute to their efforts."



### Looking forward – what we can expect in 2007/08

Perennial is now well placed to lift its profile with retail investors. It has a strong retail sales team and is increasingly focused on lifting its brand and profile within the financial adviser market and directly to high net worth individuals.

These two goals will help the Perennial group take the next steps to ensure its long-term position as one of Australia's leading fund managers.

The Perennial group has also launched new products over the last few months, with strong funds flow expected for each of them. Perennial has built new channels to market, in particular via the creation of a vehicle domiciled in Ireland which will help access the overseas pool of investable funds.

The structured products area (IOOF Investor Solutions) will spend much of 2007/08 laying the foundation for growth in subsequent years. For example, work is underway to improve investment options available for investors in our investment bond funds. And we continue to look for ways to refresh and build our capabilities in our property unit (IOOF Property Plus, which has in excess of \$100 million of funds under management and compound returns of over 15% for the five-year period to 30 June 2007), and our MIMs product division.

Our superannuation administration business (IOOF Portfolio Solutions) is targeting significant funds under administration (FUA) growth this year, off the interest in the new Pursuit product and work undertaken by the business to rebuild relationships with the financial advisory market. Considerable work has been undertaken to ensure we have an offering for advisers that is more than just product-related. The feedback on the service elements of the offering has been encouraging.

Some of that work has been undertaken in conjunction with our dealer group, Consultum, so it too has a compelling offering to take to advisers as we work to rebuild adviser numbers in this group.

All of this work and our expectation for a strong year are set in the context of equity markets' performance, to which IOOF's businesses are leveraged. The Group has significant fixed costs, particularly through its personnel, so movements in funds under management or administration drive revenue through to profits. One of the significant contributors to changes in funds under management and administration is the growth or decline in equity markets.

As I write this note, the equity markets are fluctuating and the contribution we have received in recent years from market growth looks unlikely to repeat this year.

While this may make the tasks we have set ourselves for 2007/08 more challenging, I remain confident that we will achieve our goal of 15% growth in Underlying Net Profit After Tax.

In conclusion, I would like to thank the Board for the opportunity they have provided for me to join IOOF and the people and Board of IOOF for their support since joining.

Tony Robinson, Chief Executive Officer



## *Initiative*

*During 2006/07, we embarked on our ServiceFirst business transformation initiative, creating improved processes, capabilities and tools to improve adviser and client services.*

## Financial highlights

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- Underlying Net Profit After Tax (UNPAT<sup>1</sup>) increased 26% to \$29.2 million. Net profit after tax (NPAT<sup>2</sup>) was \$22.3 million.
- Underlying cash earnings<sup>3</sup> increased by 19% from \$42.7 million to 50.7 million.
- Total funds under management and administration (FUMA) increased from \$30.5 billion to \$34.8 billion, a 14.1% increase.
- Operating efficiency ratio, excluding the impact of restating minorities as operating expenses, remained stable at 64%.
- Total shareholder return of 23.4%.
- Fully franked dividends for the year of 33 cents per share comprised of an interim 15 cents per share dividend paid and a final 18 cents per share dividend declared. This represents a 22% increase.
- Increased share of Perennial consolidated profits through the acquisition of minority shares in Perennial Investment Partners Limited (PIPL), and other subsidiary share purchases.
- An equity placement of \$40 million was made in July 2007, with net proceeds to be used to repay debt as it matures.

## Milestones

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- Launch of new investment administration product, Pursuit, which offers two investment models: Core and Select.
- Launch of Consultum Financial Advisers (Consultum), a new dealer group combining Winchcombe Carson and Financial Partnership.
- ServiceFirst business transformation initiative, creating improved processes, capabilities and tools to improve adviser and client services.
- Pursuit Select Personal Superannuation awarded Best New Superannuation Product of the Year at the Rainmaker Marketing Excellence Awards.
- Three Rainmaker Marketing Excellence Award nominations: Best Website of the Year – Superannuation (IOOF), Best New Superannuation Product of the Year (Pursuit Select Personal Superannuation) and Best Website of the Year – Financial Planning (Consultum Financial Advisers).
- Pursuit Select and Core Personal Superannuation receive AAA rating by SelectingSuper.
- IOOF joined forces with Austral Credit Union (Austral) to provide Austral members with access to a professional financial planning service.
- Consultum Financial Advisers establishes alliance with Information Technology Contract and Recruitment Association (ITCRA), providing quality financial advice for members.
- Perennial Retail established to bring greater focus to the development of Perennial's retail funds management business. Perennial's retail sales increased by 28.3% over the previous year.
- Positive research house ratings obtained in 2007 for both Perennial Growth and Perennial Real Estate.
- Perennial Value launches Absolute Value investment capability for institutional investors.

1 UNPAT – NPAT excluding the after tax impact of: a) acquisition costs resulting from acquiring the remaining minority interest in PIPL and the consequent restructuring; and b) revaluations of liabilities arising from PIPL Group shareholder agreements (Perennial related transactions).

2 NPAT – profit attributable to the members of IOOF Holdings Ltd after allowing for minority interests. NPAT differs from UNPAT due to Perennial related transactions.

3 Underlying results exclude the impact of Perennial related transactions.

# Review of Operations & Financial Condition



## *Building on our strengths*

*Operating in all aspects of the financial services value chain (funds management, investment and superannuation administration, and financial planning advice), IOOF continues to strengthen its presence in the wealth management marketplace.*

## IOOF today

The IOOF Group (also referred to as IOOF or the Group)\* has substantially enhanced and strengthened its presence in the Australian wealth management marketplace. The Group operates in many aspects of the financial services value chain, with businesses including a fund manager, investment and superannuation administration provider and financial planning dealer group.

The Group has enjoyed excellent business growth and continues to build on the solid foundations established some 160 years ago. As at 30 June 2007, the IOOF Group boasts \$34.8 billion in funds under management and administration.

As a result of investment performance and improved service, there is growing awareness of IOOF amongst investors and distributors of the Group's products and services. This, combined with a strong financial position drawing the attention of the shareholder community, sees the Group's competitive position in the marketplace strengthening.

## What is the IOOF Group's key purpose?

The Group is working to provide the highest calibre of investment funds administration solutions and asset management capabilities. 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;
- leading boutique asset management through Perennial Investment Partners; 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 platform product Pursuit, the launch of new investment products (high growth fund), and the launch of Consultum Financial Advisers (Consultum), a new dealer group combining Winchcombe Carson and Financial Partnership.

## The IOOF business

In June 2007, the Group underwent a reorganisation which saw the focus shift from the corporate office (which became a holding company providing support and capital) to a number of specialist businesses. We anticipate that the business unit focus and direct accountability for each area's performance will be important contributors to IOOF's future success.

(Note: The financial results outlined in this Annual Report retrospectively reflect IOOF's business structure for the 2006/07 financial year, not the current structure outlined below.)

The Group's specialist businesses include:

- Portfolio Solutions;
- Investor Solutions;
- Perennial Investment Partners Limited; and
- Consultum Financial Advisers Pty Limited.

These four key businesses operate in tandem to deliver on the Group's objective of creating and distributing leading, quality financial products and services to advisers and their clients.

\* The IOOF Group refers to the IOOF group of companies comprising IOOF Holdings Ltd and all its related bodies corporate.

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## Investment and superannuation administration

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IOOF Portfolio Solutions is responsible for creating, administering and distributing investment and superannuation administration services to advisers, their clients and employers.

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



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## Structured products

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IOOF Investor Solutions develops, manages and administers IOOF-branded structured products.

- IOOF Multi Investment Manager (MIMs) Trust
- Friendly society based products (such as the Supersaver bond)



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## Asset management

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Perennial Investment Partners is our specialist boutique asset manager. Investing in six specialist investment management firms, Perennial's sole business focus is to deliver excellence in funds management through the alignment of management and client objectives.

- A range of boutique, specialist asset managers including Australian equities, international and regional equities, property, fixed interest and cash, and multi-sector capabilities.



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## Financial advice

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Consultum Financial Advisers is our financial advisory dealer group. With a national adviser-base numbering over 110, Consultum's philosophy is to create a unique adviser/client experience, characterised by life-stage financial planning and a long-term partnership with the client.

- Financial advisory dealer group
- Distribution alliances (e.g. Austral Credit Union and ITCRA)



### Who manages IOOF?

The overall corporate governance of IOOF is the responsibility of the IOOF Holdings Ltd Board of Directors, who are 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 managers from across the business.



IOOF Board of Directors (from left to right): Mr James Pfeiffer, Dr Roger Sexton, Mr Michael Crivelli, Mr Antony (Tony) Robinson, Ms Kate Spargo, Ms Jane Harvey, Mr Roderick (Rick) Harper and Mr Ian Blair. Absent: Mr Anthony (Tony) Hodges.

### IOOF Holdings Ltd Board of Directors

**Mr Ian Blair**  
**OAM, MMgt, FCA**

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

**Mr Michael Crivelli**  
**BEc, ASA, FFin**

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

**Mr Roderick (Rick) Harper**  
**BCom (Hons)**

- Non-Executive Director since November 2006
- Member of the Audit and Risk Committee

**Ms Jane Harvey**  
**BCom, MBA, FCA, FAICD**

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

**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

Refer to page 14 for further information.

**Mr James Pfeiffer  
BA, LLB**

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

**Mr Antony (Tony) Robinson  
BCom, MBA**

- Appointed Chief Executive Officer (CEO) in April 2007
- Executive Director of a number of Group subsidiaries

Refer to page 14 for further information.

**Dr Roger Sexton,  
BEc (Hons), MEc, PhD (Ec), FAICD, FAIM, FFin**

- Non-Executive Director of IOOF Holdings Ltd since 2002
- Chairman of OutScope Ltd and Consultum Financial Advisers Pty Ltd
- Director of Perennial Investment Partners Ltd
- Member of the Remuneration and Nomination Committee

**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 the Governance Committee
- Chairman of the Remuneration and Nomination Committee

**For detailed biographies of each Director, please refer to the Directors' Report.**

**Key business unit leaders**

**Mr Stuart Abley, Head of Consultum**

Stuart joined the IOOF Group in 2006 when the Group purchased remaining equity in dealer group, Financial Partnership. Stuart established Financial Partnership as a founding Director.

Prior to this, Stuart held a number of senior executive positions including Managing Director of Lynx Financial Services, a senior management role at ING, National Sales & Marketing Manager for IFMA Financial Services and Business Development Manager with Zurich Australia.

With over 20 years' industry experience in various adviser management roles, Stuart contributes a great depth of understanding about what advisers require to support the growth of a successful, sustainable advice business.

Stuart has a Diploma of Financial Planning and holds the Certified Financial Planner qualification.

**Mr John Billington, General Manager,  
IOOF Portfolio Solutions**

John joined the IOOF Group in October 2006. He has extensive experience throughout the financial services sector, with over 25 years of working within the finance, asset management and banking sectors.

Most recently, John worked as Principal Consultant with Phoenix Consulting, where he primarily worked with a leading superannuation fund manager to enhance the product, investment and operational functions.

John also spent over three years as Managing Partner Financial Services, Deloitte Consulting, where he consulted to a range of financial services organisations, including AXA and NAB. During this time, he established Deloitte's Financial Services practice in Hong Kong.

His successful career includes roles such as National Operations Manager with AMP, Associate Partner with Andersen Consulting, Acting Chief Financial Officer AXA Asia Pacific and Product Manager with ING.

**Ms Adrianna Bisogni, General Counsel and  
Company Secretary  
LLB (Hons), BA**

Adrianna is a lawyer with over 15 years' experience in corporate law working for firms such as Mallesons Stephen Jaques and Rothschild Asset Management Limited/Sagitta Wealth Management Limited.

She has a wide range of experience in relation to all aspects of the law relating to 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.

## Our management structure

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

Mark has over 30 years' experience in finance, working across a broad range of industries for companies such as WMC, Ausdoc, Laminex Industries, AAMI/Promina and Olex Cables.

In particular, he has public company experience in financial management and advice, management of financial risks, management of key strategic projects, acquisitions and establishing joint ventures.

### **Mr Anthony (Tony) Hodges, General Manager, Investor Solutions Dip FP, FAICD (Dip), SF Fin**

Tony was appointed as an Executive Director in September 2004 and is also currently an executive director of a number of Group subsidiaries.

His 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.

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.

### **Mr Anthony Patterson, Managing Director, Perennial Investment Partners SA Fin, AAICD**

Anthony is Managing Director of Perennial Investment Partners Limited and has some 25 years' experience in the investment and superannuation industries.

Anthony joined Perennial in 2001 and was promoted to the position of Managing Director in May 2003. As well as being a Director of Perennial Investment Partners Limited, he is also a Director of Perennial Value Management Limited, Perennial Investment Partners International Equities Management Pty Ltd, Perennial Investment Partners Asia Limited, Perennial Growth Management Pty Ltd, Perennial Real Estate Investments Pty Ltd and Perennial Fixed Interest Pty Ltd.

Prior to joining Perennial, Anthony was CEO of Lend Lease Corporate Services Limited. During this time, Anthony participated in the management team of MLC, which oversaw the implementation of MLC Limited's overall business strategy. He sat on MLC's investment committee and distribution committees for both retail and wholesale funds management.

### **Mr Antony (Tony) Robinson, Chief Executive Officer (CEO) BCom, MBA**

Tony was appointed CEO in April 2007. He has broad experience in an array of service-based industries and brings to IOOF a wealth of executive-level experience across financial services and other related industries.

From 2001-2006, Tony was the CEO of listed insurance and broking company, OAMPS Ltd, prior to its acquisition by the Wesfarmers Group. Under his tenure, OAMPS grew from 200 to over 1,200 employees to become the largest Australian-owned insurance broker and specialist underwriter in the market.

Previous roles include CEO of financial services technology group, Wealthpoint, (which forms part of the St George Group), and a variety of senior management positions at Link Telecommunications and Mayne Nickless.

Tony is a Non-Executive Director of Bendigo Bank Ltd.

A photograph of a person's legs and feet running on a cobblestone path. The path is made of rectangular stones with dark, recessed lines. A white, hand-drawn line starts from a small circle in the bottom left and curves diagonally upwards towards the runner's feet. The runner is wearing black shorts and athletic shoes. The background is a blurred blue fence.

## Growth

*The Group has enjoyed excellent business growth and continues to build on the solid foundations established some 160 years ago. As at 30 June 2007, the IOOF Group boasts \$34.8 billion in funds under management and administration.*

#### Revenue

19% ▲

Increased from  
\$223.9 million to  
\$267.4 million.

#### Underlying operating expense to margin

No change

Stable at  
64%.

#### Underlying net profit after tax

26% ▲

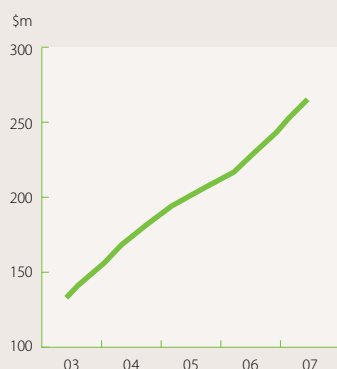
Increased from  
\$23.1 million to  
\$29.2 million.

#### Underlying cash earnings

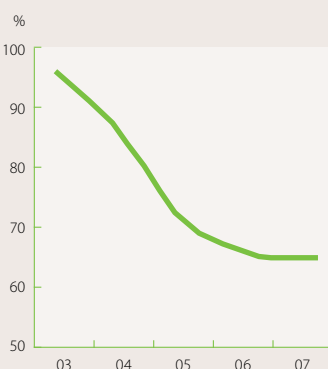
19% ▲

Increased from  
\$42.7 million to  
\$50.7 million.

### Scorecard – our five-year performance



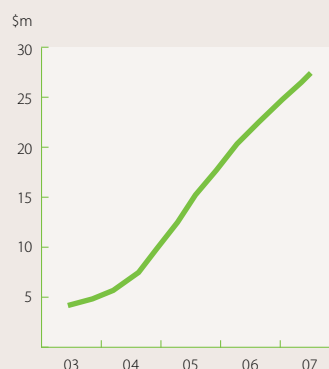
Represents **revenue** from ordinary activities. 2002-04 figures have been adjusted to remove the impact of the Excess of Market Value Over Net Assets (EMVONA) adjustment. The EMVONA concept is no longer applicable following the introduction of AIFRS. 2005-07 figures are AIFRS figures used for management reporting purposes.



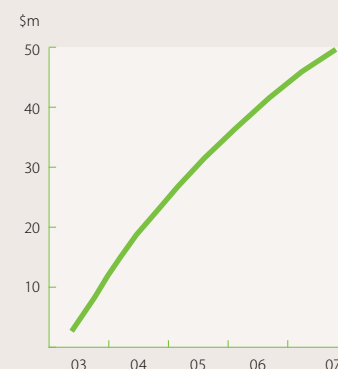
**Underlying operating expense** excludes commission, management fees, non-cash and non-recurring items. 2007 excludes the impact of significant items associated with the acquisition of Perennial minority interests and share agreements liability revaluations.

**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.



**Underlying net profit after tax** is based on AIFRS figures used for management reporting purposes. 2007 excludes the impact of significant items associated with the acquisition of Perennial minority interests and share agreements liability revaluations. 2002-04 figures have been adjusted to remove the impact of the EMVONA adjustment.



**Underlying cash earnings** are represented by gross margin less operating expenses. Excluded from these earnings are non-cash and non-recurring items. 2007 excludes the impact of significant cash items associated with the acquisition of Perennial minority interests.

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

### Funds inflows

7% ↑

Increased from  
**\$7.1 billion to  
\$7.6 billion.**

### Assets under management

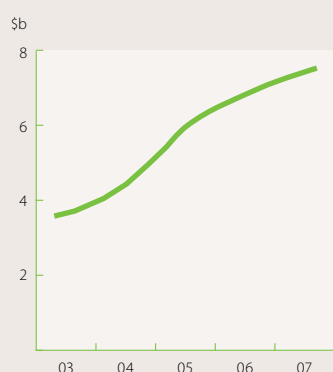
14% ↑

Increased from  
**\$30.5 billion to  
\$34.8 billion.**

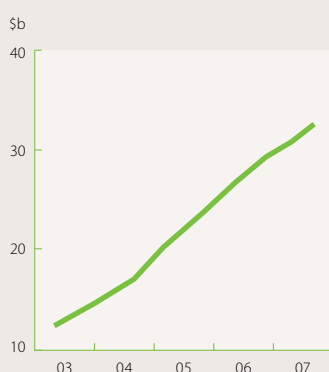
### Share price

20% ↑

Increased from  
**\$8.50 at 30 June 2006 to  
\$10.19 at 30 June 2007.**



**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 not related to operating performance.

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 2007 are growth in funds under management and administration (FUMA) and cost efficiency.

During the year, there has been a 14.1% increase in FUMA from \$30.5 billion at 30 June 2006 to \$34.8 billion at 30 June 2007. The increase in FUMA translated into higher management and administration 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.

## Funds under management and administration

The growth in FUMA was impacted by a number of factors.

### • Net sales of products

An increase in net sales will generally have a positive impact on net revenue. Fees are generated from the management of both retail and wholesale products sold to retail investors (FUMA).

Over the last few years, funds under management (FUM) growth has been significantly stronger in the wholesale sector compared to the retail sector. This year, growth in the Perennial business consolidated with an increase in wholesale FUM of \$2.6 billion or 15%, compared to growth in the previous year of 45%.

Retail FUMA grew by \$1.7 billion or 13% which represented a slightly better rate of growth compared to the prior year.

This growth in the retail sector was favourably impacted by the launch of a new, highly competitive platform product, Pursuit, which offers two investment pricing and service models. Retail FUMA net sales more than doubled the net sales achieved in the prior year.

### • Number of investors

The number of investors in IOOF products affects the level of FUMA and therefore IOOF's performance. Investments can be placed into IOOF products through superannuation funds, via independent and aligned financial advisers or directly with IOOF or Perennial. Funds can be invested into IOOF platforms or on external platforms that include IOOF products.

### • Number of advisers

As mentioned above, independent and aligned financial advisers are key distributors of the Group and a key source of investment funds as they provide a sales distribution network for IOOF products. The number of advisers supporting IOOF products, therefore, influences the growth in FUMA.

During the 2006/07 year, IOOF launched Consultum Financial Advisers, an amalgamation of Winchcombe Carson and Financial Partnership. As this dealer group grows and gains momentum, it is expected to generate further FUMA growth.

Over 50% of sales generated by Consultum Financial Advisers were from advisers located in Victoria and Tasmania.

### • Performance of the trusts

Good performance of the trusts attracts strong inflows. Individual fund performance is disclosed on the IOOF website at [www.ioof.com.au](http://www.ioof.com.au)

### • External factors

#### Market performance

Performance of the markets in which IOOF operated during the year had a large impact on IOOF's performance. Strong market growth continued to be the major reason for growth in FUMA. In particular, strong returns from equity markets continued to have a favourable impact on FUMA.

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

IOOF's diversified range of asset management capabilities include Australian equities, international equities, fixed interest and property.

#### Superannuation Changes

Changes to superannuation legislation have been a major factor in the growth of the industry in recent years. Legislated superannuation contributions have resulted in an increasing pool of funds that is available for long-term investment.

A recent one-off opportunity to contribute to superannuation funds prior to changes to contribution limits resulted in strong inflows in June 2007. The abolition of Reasonable Benefit Limits has also made it more attractive to invest in superannuation products.

#### Personal Income Tax Changes

Increases in tax thresholds effective from 1 July 2007 will result in personal tax cuts and cash savings. It is expected that some of the additional disposable income will result in an increase in the funds available for investment.

## Cost efficiency

Cost efficiency is measured by an efficiency ratio (cash operating cost to gross profit).

The efficiency ratio remained stable at 64%. This ratio was in line with forecast and was maintained through:

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

Cost reductions were 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.

## Capital management

Performance is also a function of how efficiently capital is employed. During the year, minority interests in Perennial Investment Partners Limited, Perennial Value Management Limited and Perennial Fixed Interest Partners Pty Ltd were acquired. To fund these acquisitions it was necessary to draw down a line of credit facility to the extent of \$33,500,000 at 30 June 2007 to ensure compliance with various licence requirements.

Prior to year end, the process to raise \$40 million by way of a share placement commenced. In early July 2007, net proceeds of the placement were received and will be applied against borrowings as they mature.

## Shareholder value

Shareholder value can be measured by:

### • Total shareholder return

Total shareholder return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. For the financial year ended 30 June 2007, the TSR for IOOF Holdings Ltd shareholders was 23.4%.

### • Earnings per share

Basic earnings per share is 35.1 cents per share compared to 36.5 cents per share for last year. Diluted earnings per share is 34.5 cents per share compared to 35.8 cents per share for last year.

### • Dividends

In October 2006, a final dividend in respect of the financial year ended 30 June 2006 was paid. This dividend amounted to \$9.7 million and represented 15 cents per ordinary share franked to 100% based on tax paid at 30%.

In April 2007, an interim dividend in respect of the financial year ended 30 June 2007 was paid. This dividend amounted to \$9.7 million and represented 15 cents per ordinary share franked to 100% based on tax paid at 30%.

The Directors have recommended the payment of a final dividend of 18 cents per ordinary share franked to 100% based on tax at 30%.

### • Franking credits

The balance of the franking account at 30 June 2007 of \$26.9 million will support the payment of fully franked dividends as recommended by Directors. It is expected that the IOOF Group will continue to make future tax payments and this will increase the availability of franking credits.

A full-page background image showing two runners from behind as they jog across a wooden-plank bridge. The runner on the left wears a white tank top with black trim and black shorts, while the runner on the right wears a red t-shirt and dark shorts. In the background, a city skyline with tall buildings and bare trees is visible under a cloudy sky. The bridge has a metal railing on the left. Long shadows of the runners are cast on the wooden planks.

## Committed

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

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 role of 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 better knowledge of the operations of the Group and are better able to contribute at the Group Board level.

### Board committees

The Board has a number of committees to which it has delegated various functions. These committees are comprised of either all, or a majority of, Independent Directors or other external parties and, where applicable, comply with the ASX Principles. 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. A review of the arrangements was conducted in 2005, resulting in changed methodology and a change in audit partner.

The Audit and Risk Committee also reviews the effectiveness of administrative, operating and accounting controls. During this year, we have had a change in the membership of the Audit and Risk Committee. This committee is currently composed of all Independent Directors and is chaired by a qualified accountant. The members are Jane Harvey (Chair), James Pfeiffer and Rick Harper.

During 2006/07, a new external audit partner was appointed as a result of regulatory rotation requirements. A full review of the company's external audit requirements will be conducted during the first quarter of 2007/8. We intend to update shareholders with the result of this review at the November 2007 Annual General Meeting.

### 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, Tony Robinson.

### Remuneration and Nominations Committee

The Remuneration and Nominations 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 senior management.

Directorship is reviewed annually, with the policy that there should be sufficient rotation of Directors to meet good corporate governance standards. In-line with the Corporations Law requirements, IOOF retires one third of Directors each year. The Remuneration and Nominations 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 Nominations 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 undertaken to identify specific individuals who satisfy the criteria for nomination and consideration by the committee. Proposals are then taken to the Board for review and approval.

### Performance evaluation

IOOF has a formal performance evaluation process which establishes objectives, Key Result Areas and Key Performance Indicators for management and 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 measuring performance against a number of 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 on the price or value of the company's securities. The Company Secretary is responsible for monitoring information which could be price sensitive, liaising with the CEO and Continuous Disclosure Committee to make an initial assessment, and escalating such information to the Board for disclosure where practicable. It is noted there can be no delay in informing the ASX; if the Board is not immediately available, the Company Secretary is authorised to lodge such information.

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

## Other shareholder communications

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

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

## Independent legal and other advice

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

## Code of Conduct

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

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

## Risk management

A vital element of the IOOF Group's business is the management of risk. Effective risk management practices are core to the ability of the Group to meet its objectives. The Board of IOOF Holdings Ltd is committed to solid risk management and oversees risk management policies and procedures designed to identify and manage business risks.

IOOF's risk management framework is based on *Australian Standard 4360 Risk Management* and aims to ensure risks are understood, appropriately controlled and reported to management and the Board via the Audit and Risk Committee. IOOF categorises risk as follows:

- Financial or Strategic;
- Operational;
- Regulatory Compliance; and
- Reputation and Environment.

IOOF's approach is to consider risks that threaten the achievement of business objectives and identify exposures that are unacceptably high. The Group focuses resources to ensure adequate measures are in place to deal with them. A process of continuous monitoring is in place, based on a combination of management control, self-assessment and independent review.

The risk management system in place supports IOOF's ability to address recommendations in the *ASX Principles of Good Corporate Governance and Best Practice*. The CEO and CFO provide an annual, 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 addition to a system of controls, IOOF maintains an insurance program designed to address insurable risk events. The program is tailored to the IOOF Group's requirements and is reviewed annually.

The Group maintains a framework to ensure regulatory compliance obligations are managed based on *Australian Standard 3806 Compliance Programs*. This framework covers each product line of the IOOF Group's business.

## 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 this vital work is continued in the future, the Trustees have agreed the Foundation will support the following:

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

Since its first round of grants in July 2004, the IOOF Foundation has contributed nearly \$2.9 million to organisations committed to helping those in need.

The Foundation would like to take this opportunity to thank Lindsay Bytheway, a founding Trustee Director, for his contribution to the establishment and success of the Foundation. Lindsay retired from the Foundation in March 2007.

Angelika Dickschen was appointed to the Foundation's Board of Trustees in March 2007. The Foundation and its Directors welcome Angelika, and her knowledge and enthusiasm, to the Board.

In 2006–07, the IOOF Foundation made grants to assist the operations of a number of Australian organisations, including:

- **Port Phillip Specialist School** is a multi-mode specialist school catering for a diverse population of students aged 2 to 18 years. Located in Port Melbourne, Victoria, the student population includes children with moderate to severe multiple disabilities, with associated intellectual disability. Funding was provided to contribute to the purchase of outdoor sails to cover the playground equipment and protect the children during the summer months;
- Funding for a people mover was provided to the **Eastern Volunteer Resource Centre** (EVRC). EVRC was established in 1976 and provides volunteer assistance and social support transport for the frail elderly and people with disabilities living in the cities of Maroondah and Whitehorse and the Shire of Yarra Ranges;



*Typo Station approached IOOF Foundation with a request for help in fitting out new Eco-Huts being built on our property in north east Victoria. The huts will enable us to triple the number of young people we can accommodate at one time. IOOF's generous support will enable us to purchase beds and linen for the new huts.*

*Typo Station*



*The support of the IOOF Foundation has meant that Urban Seed Edge now connects with more students and school communities than ever before, allowing Edge to continue in its mission to transform disadvantaged communities and empower students to be actively engaged in their schools and neighbourhoods.*



*Urban Seed*

- **Urban Seed** received funding for its Edge program. Urban Seed combines street work in the heart of Melbourne with education programs and a strong independent voice on urban, business, social and political issues including homelessness, drug addiction, problem gambling and poverty;
- **Doncare** is a non-government, non-profit community services organisation and has been the main community services provider in the Doncaster area since its inception in 1969. For the second year in a row, the Foundation provided funding in support of its Good Beginnings program for families;

- **Typo Station** works with young men aged between 15 and 19 who are disengaged or disengaging from schools, families and communities. These young people are experiencing difficulties at school and/or home and are struggling with low self esteem, poor social competence and limited coping strategies. The program begins with a five week intensive residential experience at Typo Station located in the foothills of the Alpine National Park near Whitfield in north east Victoria. The initial five weeks is followed by ongoing telephone based support programs that aim to build on the skills experiences and relationships forged in the first five weeks and is maintained for two years; and
- **The Leukaemia Foundation of Australia** commenced over 31 years ago and provides support services to patients of leukaemias, lymphomas and myeloma and their families in every state and territory of Australia. The IOOF Foundation's grant will assist patients, their carers and families through a range of educational and support programs.

For more information on the Foundation, please contact Nicole Wright on 131 369.

## Staff Giving Committee

In 2004, a Staff Giving Committee was established at IOOF to allow 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 donation. Where opportunities present themselves, we would like to be able to extend help in the form of volunteers from the IOOF Group.

A very successful partnership with **Good Shepherd Youth and Community Services** has been established through the generosity of staff at Christmas time. The Giving at Christmas time 2006 project mirrored the success of the 2005 initiative. The people of IOOF provided thoughtful, considerate gifts to very disadvantaged young Victorians, brightening their Christmas.

**Wish Day** was also repeated for the second year; IOOF had volunteers out and about from 7.30 am to 1 pm spreading the Make a Wish message and raising money for this very worthy charity.

IOOF staff also participated in **Australia's Biggest Morning Tea** held on Thursday 24 May. Australia's Biggest Morning Tea raises funds for the Cancer Council of Australia.

If you would like any additional information on the Staff Giving Committee, please contact Nicole Wright on 131 369.



Top row (L – R): Ron Prasad, Stephen George, Maria Bonham, Elisha Bellingham, Vincent Rossitto, Uyen Nghiem  
Bottom row (L – R): Kathy Do, Karen Rousseau, Jeanette Cheah



Enjoying the experiences provided at Typo Station.

IOOF Holdings Ltd

# Financial Report for the year ended 30 June 2007



## Advance

*During 2007 we've moved forward, gaining valuable momentum from the introduction of a new CEO and successful product launches. The steps we've taken are simple but they are already showing that the year ahead is going to be an exciting one.*



## IOOF Holdings Ltd Directors' Report

Your directors present their report on the consolidated entity ('the Group') consisting of IOOF Holdings Ltd ('the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2007.

### Directors

The following persons were directors of the Company during the whole financial year and up to the date of this report:

Mr I Blair  
Dr R N Sexton  
Mr M U R Crivelli  
Mr A P Hodges  
Ms K D Spargo  
Ms J Harvey  
Mr J Pfeiffer

Mr R Harper and Mr A D Robinson were appointed as directors on 21 November 2006 and 22 May 2007 respectively and continue in office at the date of this report.

Mr R Dewhurst was a director from the beginning of the financial year until his resignation on 20 April 2007.

### Principal Activities

The principal continuing activities of the Group during the year consisted of:

- offering a range of financial products and portfolio administration services including investments, superannuation, immediate and deferred annuities and investment trusts; and
- providing financial planning and advisory services.

There were no significant changes in the nature of the activities of the Group during the year.

### Dividends

Dividends paid to members of the Company during the financial year were as follows:

	2007 \$'000	2006 \$'000
Final dividend for the year ended 30 June 2006 of 15 cents (2005 – 12 cents) per ordinary share franked to 100% based on tax paid at 30%, paid October 2006.	9,708	7,701
Interim dividend for the year ended 30 June 2007 of 15 cents (2006 – 12 cents) per ordinary share franked to 100% based on tax paid at 30%, paid April 2007.	9,712	7,745

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final dividend of 18 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 11 October 2007 out of retained profits at 30 June 2007.

### Consolidated Results

The consolidated net profit for the period attributable to members of IOOF Holdings Ltd, comprising the Company as the parent entity and controlled entities, ('IOOF Group') was \$22,344,000 (30 June 2006 :\$23,104,000).

The controlled entities include the benefit funds of IOOF Ltd, a subsidiary of IOOF Holdings Ltd. The inclusion of the benefit funds has no impact on the net profit for the period attributable to members of IOOF Holdings Ltd. In order to disclose the tax expense separately, the profit before tax of \$65,550,000 includes an amount equal to the tax expense of the benefit funds of \$33,608,000 (30 June 2006: \$26,058,000). This treatment results in disclosure of an effective tax rate of 62.6% (30 June 2006: 58.4%). The actual tax rate, if the benefit funds are excluded is 23.2% (30 June 2006: 25.3%). The fall in tax rate was the result of recognising temporary differences and tax losses not previously recognised on Perennial Investment Partners Limited joining the IOOF tax consolidation group.

The Group's Funds Under Management and Administration ('FUMA') increased 14.1% from \$30.5 billion at 30 June 2006 to \$34.8 billion at 30 June 2007. Growth during the year was the result of favourable markets as funds inflows offset funds outflows.

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

Wholesale FUMA grew by \$2.6 billion or 15% since 30 June 2006 whilst retail business grew by \$1.7 billion or 13%.

Operating expenditure, excluding commission and management fee expenses, increased compared to the previous corresponding period. In particular, increased staff numbers resulted in increased salaries to support this expansion and growth.

The share of equity profits recognised by the IOOF Group increased by 9.5% compared to last year due to the continued growth in profitability experienced by Perennial Value Management Limited, the results of which are equity accounted.

## Review Of Operations

The operating performance of the IOOF Group for the year ended 30 June 2007 is contained in the Review of Operations and Financial Condition report on pages 16 – 19 of this Annual Report.

## Significant Change In State Of Affairs

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

In December 2006, the IOOF Group acquired the remaining 21.85% shares of the subsidiary Perennial Investment Partners Limited from minority interests in that subsidiary. The cost of the acquisition was \$68,152,000 paid to minority holders and \$9,434,000 paid to option holders. A deferred liability of \$37,183,000 has also been recognised at 30 June 2007. The deferred liability represents the best estimate of the net present value of payments due in 2009 to all parties for the acquisition of minority interests. Goodwill of \$102,933,000 was recognised on acquisition.

Loans to Directors and Executives of Perennial Investment Partners Limited made in respect of equity of that company were repaid.

In March 2007, the IOOF Group also acquired shares from minority interests in its subsidiary Perennial Fixed Interest Partners Pty Ltd. The Group's shareholding in this entity increased from 62.8% to 67.3%.

Additional shares were also acquired in Perennial Value Management Limited increasing the profit entitlement from 40% to 42.3%. Whilst the increased shareholding increased share ownership from 50% to 52.3%, due to the voting rights associated with different classes of shares, the increased ownership does not result in control and consequently Perennial Value Management Ltd continues to be equity accounted.

To fund the acquisition of minorities and additional interest in the associated entity, it was necessary to draw down a line of credit facility to the extent of \$33,500,000 at 30 June 2007 to ensure compliance with various licence requirements.

During the year, an AIFRS adjustment was made in respect of commitments contained in shareholder agreements with executives of Perennial subsidiaries. A liability exists under AASB 132 in relation to IOOF's commitment to provide liquidity, under certain circumstances, in the vested shares held by the minority interests in two Perennial Subsidiaries (Perennial Fixed Interest Partners Pty Ltd and Perennial Growth Management Pty Ltd). Accordingly, IOOF has derecognised the minority

interest in these companies. The 2005/06 accounts have been restated to ensure a consistent treatment. In substance, the minority interest is now classified as a liability.

In the Balance Sheet the total liability in respect of this obligation amounts to approximately \$20,690,000 as at 30 June 2007 (30 June 2006: \$16,124,000). The asset side of the Balance Sheet has increased as a result of the recognition of goodwill. Goodwill recognised at 30 June 2006 in respect of these obligations amounted to \$14,398,000 with a further \$5,016,000 recognised in the year ended 30 June 2007 due to vesting of additional shares. A net revaluation expense of \$1,976,000 representing the increase in liability during the year arising from increased profitability of these subsidiaries has also been processed through the Income Statement.

## Events Occurring After Balance Sheet Date

Prior to year end, the process to raise \$40 million by way of a share placement commenced. In early July 2007, the proceeds of the equity raising were received and are progressively being applied against borrowings as they mature. This equity raising has had the effect of increasing the Group's net tangible assets per share to approximately 50 cents per share.

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 30 June 2007 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years,
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future 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 IOOF Group and the expected results of those operations in subsequent financial years would be likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been included in this report.

## Environmental Regulation

The IOOF Group is not subject to significant environmental regulation.

## Information on Directors

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in other related companies	Units in IOOF Registered Schemes
<b>Mr I Blair</b>  OAM, MMgt, FCA  Chairman – non-executive director	60	<p><b>Experience</b></p> <p>Group Chairman of IOOF Holdings Ltd since 2005. Non-executive Director of IOOF Holdings Ltd since 2002.</p> <p>Non-executive Director of IOOF Ltd from 2000 to 2002.</p> <p>Extensive experience with accounting firm Deloitte Touche Tohmatsu, including five years as CEO of the firm. Active in local government and community organisations and received an Order of Australia Medal in 1987 for services to the community.</p> <p><b>Other current directorships</b></p> <p>SAS Trustee Corporation (NSW State Superannuation Fund) (director since 1998). Capral Aluminium Ltd. (director since 2006).</p> <p><b>Former directorships in last 3yrs</b></p> <p>Melbourne Business School Ltd (director from 1992 to 2006). Sisters of Charity Health Service Ltd (director from 2001 to 2006).</p>	<p>Chairman of IOOF Holdings Ltd.</p> <p>Member of the Remuneration and Nomination Committee.</p> <p>Member of the Audit and Risk Committee.</p>	<p>9,677 ordinary shares held directly.</p> <p>5,808 ordinary shares held indirectly.</p>	NIL	<p>IOOF Supersaver – 2,854 units</p> <p>Perennial International Equities Trust – 72,692 units</p> <p>Perennial Japanese Equity Trust – 47,099 units</p>
<b>Dr R N Sexton</b>  B.Ec (Hons), M.Ec Ph.D (Ec), FAICD, FAIM, FFin  Deputy Chairman – non-executive director	57	<p><b>Experience</b></p> <p>Non-executive Director of IOOF Holdings Ltd since 2002.</p> <p>Non-executive Director of IOOF Ltd from 1996 to 2002.</p> <p>Served as Chairman of IOOF Friendly Society (SA) and the SA Motor Accident Commission.</p> <p>Former Deputy Chairman Korvest Limited.</p> <p>Former Deputy Chairman Challenger Wine Trust.</p> <p>Former Director of Hyundai Automotive Distributors.</p> <p>Former Managing director of investment bank Challenger Beston Limited (formerly Beston Pacific Corporation Limited) from 1991 to 2002.</p> <p>Over twenty years experience in senior management and a specialist in the areas of corporate reconstruction, mergers and acquisitions, and privatisations.</p> <p><b>Other current directorships</b></p> <p>Chairman of the Venture Capital Board in South Australia (director since 2003).</p> <p>Chairman of Beston Pacific Asset Management Pty Ltd (director since 2003).</p> <p>IBIS World Pty Ltd (director since 1989).</p> <p><b>Former directorships in last 3yrs</b></p> <p>Motor Accident Board (SA) (director from 2004 to 2007).</p>	<p>Deputy Chairman of IOOF Holdings Ltd.</p> <p>Member of the Remuneration and Nomination Committee.</p> <p>Member of the Audit and Risk Committee to 28 May 2007.</p>	<p>12,313 ordinary shares held directly.</p> <p>3,872 ordinary shares held indirectly.</p>	NIL	<p>IOOF Supersaver – 1,618 units</p>

Information on Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in other related companies	Units in IOOF Registered Schemes
<b>Mr M U R Crivelli</b>  B.Ec, ASA, FFin Executive director	68	<p><b>Experience</b></p> <p>Executive Director of IOOF Holdings Ltd since 2002.</p> <p>Non-executive director of IOOF Ltd from 1997 to 1999, and executive director from 1999 to 2002.</p> <p>Currently Chairman of Perennial Investment Partners Limited and various Perennial subsidiaries.</p> <p>Former 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, Australian Investment Managers' Association (now part of IFSA) and the Sydney Futures Exchange Ltd.</p> <p>Over forty years' experience in the investment banking and funds management industries.</p> <p><b>Other current directorships</b></p> <p>Wayside Chapel Foundation (director since 2007).</p> <p><b>Former directorships in last 3yrs</b></p> <p>None</p>	Executive Chairman of Perennial Investment Partners Limited.	9,534 ordinary shares held directly.	5,000 shares in Perennial Investment Partners Asia Limited.	Perennial Global Property – 518,019 units Perennial Growth Shares Trust – 220,714 units Perennial Value Smaller Companies – 460,653 units Perennial Value Australian Shares – 609,021 units Perennial Japanese Equities Trust Shares – 378,359 units Perennial Trusts International Equities – 879,855 units Perennial Trusts Asian Equity Trust Units – 466,078 units Perennial Trusts Balanced Fund – 79,170 units

## Information on Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in other related companies	Units in IOOF Registered Schemes
<b>Mr R Harper</b> B.Com. (Hons). CFTP (Snr.) Independent non-executive director	47	<p><b>Experience</b></p> <p>Non-executive Director of IOOF Holdings Ltd since 2006.</p> <p>Entrepreneur and Company Director.</p> <p>Chairman and Managing Director, Verity Capital Management Limited since 2005.</p> <p>Consultant to Bear Stearns Asset Management: Private Funds Group.</p> <p>Former Chief Executive Officer of Superannuation Funds Management Corporation of South Australia (Funds SA).</p> <p>Former Chief Executive of the South Australian Government Financing Authority (SAFA).</p> <p>Over twenty years experience in the Australian financial sector. Managing Director of Verity Capital Management Limited, a company he founded in 2005. He is a specialist in raising capital for international private equity firms from wholesale investors in the Australian and New Zealand markets.</p> <p><b>Other current directorships</b></p> <p>Verity Capital Management Limited (director since 2005).</p> <p>Nerrigundah Investments Pty Ltd (director since 2005).</p> <p>208 King William Road Pty Ltd (director since 2007).</p> <p>Notarisana (Australia) Pty Ltd (chairman &amp; director since 2006).</p> <p>Swiss Wellness Natural Health and Beauty Spa Pty Ltd (director since 2006).</p> <p>Member Council of Governors, Scotch College Adelaide (director since 2004).</p> <p>Member South Australian State Council, Committee for Economic Development of Australia.</p> <p><b>Former directorships in last 3yrs</b></p> <p>Global Commodities Limited (director from 2005 to 2006).</p>	Member of the Audit and Risk Committee.	NIL	NIL	NIL

Information on Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in other related companies	Units in IOOF Registered Schemes
<b>Ms J Harvey</b> B.Com, MBA, FCA, FAICD  Independent non-executive director	52	<p><b>Experience</b></p> <p>Non-executive Director of IOOF Holdings Ltd since 2005.</p> <p>Partner of PricewaterhouseCoopers from 1996 to 2002.</p> <p>Extensive business, finance and general management skills in a range of line management and consulting roles across many industry sectors.</p> <p><b>Other current directorships</b></p> <p>Bayside Health Services (director since 2001).</p> <p>Rural Finance Corporation (director since 2002).</p> <p>Royal Flying Doctor Service (Vic) (director since 2002).</p> <p>Telecommunications Industry Ombudsman (director since 2002).</p> <p>Boom Logistics Limited (director since 2005).</p> <p>Legal Services Board (director since 2005).</p> <p>Colonial Foundation Trust (director since 2007).</p> <p><b>Former directorships in last 3yrs</b></p> <p>Victorian Managed Insurance Authority (director from 2002 to 2005).</p>	<p>Chairman of Audit and Risk Committee.</p> <p>Member of Remuneration and Nomination Committee.</p>	1,546 ordinary shares held indirectly.	NIL	NIL
<b>Mr A P Hodges</b> DipFP, FAICD (Dip), SF Fin  Executive director	52	<p><b>Experience</b></p> <p>Thirty-four year career in the securities industry including both merchant banking and investment management.</p> <p>Held senior positions with AMP Morgan Grenfell Acceptances and AMP Discount Corporation. Joined the IOOF Group in 1985 and establishing the Investment Division as Head of Investments. Extensive experience in establishing and managing successful investment management teams. Over 18 years involvement with the Securities Institute of Australia as a principal lecturer.</p> <p>Founding Director of Perennial Investment Partners Limited.</p> <p><b>Current Other Directorships</b></p> <p>None</p> <p><b>Former directorships in last 3yrs</b></p> <p>None</p>	<p>Managing Director – Investor Solutions for the IOOF Group</p>	<p>5,595 ordinary shares held directly.</p> <p>403,174 ordinary shares held indirectly.</p>	NIL	<p>IOOF Supersaver – Australian Equities – 41,451 units.</p> <p>Perennial Wholesale Trust – Growth Australian Shares – 131 units.</p> <p><b>IOOF Portfolio Service Investment Options:</b></p> <p>Perennial Balanced Wholesale Trust – 512,261 units.</p> <p>Perennial Global Property Wholesale Trust – 188,319 units.</p> <p>Perennial Asian Shares Wholesale Trust – 155,550 units.</p> <p>Cash – 16,894 units.</p>

## Information on Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in other related companies	Units in IOOF Registered Schemes
<b>Mr J Pfeiffer</b> BA, LLB Independent non-executive director	60	<p><b>Experience</b></p> <p>Non-Executive Director of IOOF Holdings Ltd since 2005.</p> <p>Solicitor, and consultant to Freehills.</p> <p>Partner of Freehills for 25 years practising in the areas of corporate/commercial law.</p> <p>Former director of Peter MacCallum Cancer Institute for over 10 years.</p> <p>Experience in both corporate governance and risk management. Active in several other community organisations.</p> <p><b>Other current directorships</b></p> <p>Chairman of Wesley Mission Melbourne Ltd (director since 2001).</p> <p>Member of the Board of Haileybury Ltd (director since 1982).</p> <p><b>Former directorships in last 3yrs</b></p> <p>None</p>	<p>Chairman of Governance Committee.</p> <p>Member of Audit and Risk Committee.</p>	3,256 ordinary shares held indirectly.	NIL	NIL
<b>Mr A D Robinson</b> B.Com, MBA Executive director	49	<p><b>Experience</b></p> <p>Former CEO of OAMPS Ltd, a listed insurance and broking company.</p> <p>Former CEO of Wealthpoint, a financial services technology business and part of St George Group.</p> <p>Broad experience in an array of service based industries and a wealth of executive level experience across financial services and other related industries. Held a variety of senior management roles at Link Telecommunications and Mayne Nickless Limited.</p> <p><b>Other current directorships</b></p> <p>Bendigo Bank Ltd (director since 2006).</p> <p>Rowena House Pty Ltd (director since 1997).</p> <p><b>Former directorships in last 3yrs</b></p> <p>OAMPS Ltd (director from 2002 to 2006).</p>	<p>Chief Executive Officer of the IOOF Group.</p>	<p>3,500 ordinary shares held directly.</p> <p>4,000 ordinary shares held indirectly.</p>	NIL	NIL

Information on Directors (continued)

Director	Age	Experience and Directorships	Special Responsibilities	Shares in IOOF Holdings Ltd	Shares in other related companies	Units in IOOF Registered Schemes
<b>Ms K D Spargo</b> LLB (Hons.), BA, FAICD Independent non-executive director	55	<b>Experience</b> Non-executive Director of IOOF Holdings Ltd since 2002. Non-executive Director of IOOF Ltd from 1999 to 2002. Director of various group subsidiaries. Former Chairman of HomeStart Finance. Member of NeuroSciences Victoria Limited. Chairman of Accounting Professional and Ethical Standards Board. Councillor of Victorian Division of Australian Institute of Company Directors 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. <b>Other current directorships</b> Australian Pork Ltd (director since 2001). Pacific Hydro Ltd (director since 2004). ColInvest Ltd (director since 2005). Investec Bank (Australia) Ltd (director since 2005). Transfield Services Infrastructure Ltd (director since 2007). <b>Former directorships in last 3yrs</b> Fulton Hogan Ltd (director from 2003 to 2007). Uniseed Pty Ltd (director from 2003 to 2006). Melbourne Ventures Pty Ltd (director from 2004 to 2006).	Chairman of Remuneration & Nomination Committee. Member of the Governance Committee.	3,328 ordinary shares held directly. 2,625 ordinary shares held indirectly.	NIL	IOOF Supersaver – Australian Equities – 2,854 units

## Company Secretaries

The Company Secretary is Ms Adrianna Bisogni, LLB (Hons), BA. She was appointed to this position on 20 June 2007. Ms Bisogni has been the IOOF Group's General Counsel since 2003. Previously she had eleven years' experience in corporate law with firms such as Mallesons Stephen Jaques and Rothschild Asset Management Limited/Sagitta Wealth.

Mrs Susan Foley ceased to act as Company Secretary on 20 June 2007.

## Directors' Meetings

The number of Directors' meetings (including board sub-committee meetings) and the number of meetings attended by each director during the financial year were:

Director	Directors' Meetings		Committee Meetings						Subsidiary Meetings
	Meetings Held	Meetings Attended	Remuneration and Nominations Committee		Audit & Risk Committee		Governance Committee		Meetings Attended by Directors
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(c)
Mr I Blair	25	25	6	4	6	4	–	–	33
Dr R N Sexton	25	21	6	5	5	4	–	–	27
Mr M U R Crivelli*	25	20	–	–	–	–	–	–	26
Mr R Dewhurst	23	23	–	–	–	–	2	1	39
Mr R Harper	13	13	–	–	3	3	–	–	0
Ms J Harvey	25	25	6	6	6	6	–	–	30
Mr A Hodges	25	19	–	–	–	–	–	–	47
Mr J Pfeiffer	25	23	–	–	6	4	4	4	25
Mr A D Robinson	2	2	–	–	–	–	2	2	8
Ms K D Spargo	25	21	6	6	–	–	4	3	16

(a) the number of meetings held during the time the director held office or was a member of the committee during the year.

(b) the number of meetings attended during the year.

(c) the number of regular board meetings of subsidiary entities attended during the time the director held office during the year.

\* excluded from a number of meetings due to conflicts of interest.

– not a member of the relevant committee.

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.

## Indemnification and Insurance

During the financial year, the IOOF Group paid insurance premiums to insure the directors and secretaries of the Company and its controlled entities, and the general officers of each of the companies in the Group.

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 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*.

## Remuneration Report

### Part A. Key Management Personnel

The purpose of the remuneration report is to set 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*.

For the purposes of this report, the Key Management Personnel of the IOOF Group are the Directors (both Executive and Non-Executive) and the Senior Executives set out in the table below:

Name	Position
Mr Stuart Abley (effective 12 June 2007)	Head of Consultum Financial Advisers
Mr John Billington (appointed 4 October 2006)	General Manager – Portfolio Solutions
Ms Adrianna Bisogni	General Counsel and Company Secretary
Mr Mark Blackburn	Chief Financial Officer
Mr Renato Mota (effective 15 November 2006)	General Manager – Investor Solutions
Mr Anthony Patterson	Managing Director – Perennial Investment Partners Limited
Mr Marshall Stephen	Chief Information Officer
Mr Peter Wallbridge	General Manager – Human Resources
<i>Key Management Personnel who departed during or since the end of the financial year</i>	
Mr Jarrod Brown (to 8 August 2006)	General Manager – Retail Funds Management
Mrs Susan Foley (to 20 June 2007)	General Manager – Corporate Operations

### Part B. Remuneration policies

#### B.1 Role of the Remuneration and Nominations Committee

The role and composition of the Remuneration and Nominations Committee is to review the adequacy of remuneration policy and procedures and develop adequate succession and development plans for senior management. More detailed information about the Remuneration and Nominations Committee can be found in the Corporate Governance section of the Annual Report.

## Part B. Remuneration policies (continued)

### B.2 Remuneration policy objectives

The remuneration policies differ for Non-Executive Directors, Executive Directors and Senior Executives. The policy for each category of Key Management Personnel is detailed below. The common objective of these policies is to attract, recruit and retain high calibre personnel and fairly remunerate them in accordance with market benchmarks under the direction of the Remuneration and Nominations Committee.

The Board from time to time engages external and independent remuneration consultants to perform reviews and a range of benchmarking exercises to assess remuneration levels paid to Key Management Personnel 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.

### B.3 Policy for remuneration

#### B.3.1 Non-Executive Directors

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

The policy for Non-Executive Directors is different to that applying to Senior Executives or Executive Directors, and has been established so that Non-Executive Directors' remuneration is independent of the Company's earnings or growth in shareholder value. The policy is deliberately structured this way to encourage Non-Executive Directors to perform their roles independently of Senior Executives. Senior Executives' remuneration is more significantly influenced by company performance to create a more robust environment for decision making.

#### B.3.2 Executive Directors

##### Mr Antony Robinson – Chief Executive Officer – IOOF Holdings Ltd

The remuneration of Mr Robinson 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.

The proportion of total remuneration that is 'at risk' is directly linked to the capacity of the Chief Executive Officer to influence the performance of the Company.

##### 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 executive remuneration. Mr Crivelli sits on the IOOF Holdings Ltd Board as an Executive Director.

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

In addition to his role as an Executive Director of IOOF Holdings Ltd and several other subsidiary companies in the Group, Mr Hodges holds the role of Managing Director – Investor Solutions, reporting to the IOOF CEO. Mr Hodges' remuneration is provided under the same framework that applies to the Senior Executives (see below).

#### B.3.3 Other Key Management Personnel

##### 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 of companies, measured through a performance scorecard.

#### Other Senior Executives

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

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.

## Part C. Remuneration approach

### C.1 Remuneration components summary

Remuneration for Senior Executives is broken down into three categories as explained in the following table:

Component	Explanation	2006/07
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 62 <sup>nd</sup> 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 Senior Executives, 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 for the performance period (see section C.4). 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, being an equity based facility. For Senior Executives, 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 Total Incentive Compensation Opportunity. At the conclusion of the performance period a component of the total incentive compensation award is apportioned to fund an equity allocation. The relevant amount will be determined by the CEO, based on satisfaction of the performance scorecard objectives (set out in section C.4). The shares that are awarded as the LTI component are 'at risk' subject to the achievement of service conditions.

### C.2 Overview of remuneration elements

Remuneration elements for each category of Key Management Personnel and each remuneration component are set out in the following table:

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

\* Deferred Share Purchase Plans enable Directors and staff to salary sacrifice a portion of fees or 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 13 April 2003.

Further information regarding the specific elements applicable to each category of Key Management Personnel is provided in the commentary set out below.

## Part C. Remuneration approach (continued)

### C.3 Remuneration components

#### C.3.1 Non-Executive Directors

Non-Executive Directors receive a base fee to compensate them for all elements of their duty to the Board.

#### C.3.2 Executive Directors

##### **Mr Antony Robinson, Chief Executive Officer – IOOF Holdings Ltd**

Mr Robinson receives a remuneration package comprising fixed remuneration (cash based), a short-term incentive (cash based) and a long-term incentive (equity based). The 'on plan' 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 objectives. Up to 125% of the 'on plan' short-term incentive amount will be paid if 'stretch' performance objectives are achieved.

The performance objectives include the achievement of a Cash Earnings per Share target, a Growth in Shareholder Value objective, and the completion of key strategic projects. 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.

The long-term incentive program offers a maximum annual reward opportunity of \$1,000,000 depending on the achievement of performance conditions set by the Board (which are linked to the success of the Group as a whole), and the IOOF share price performance. Subject to shareholder approvals being obtained, it is intended Mr Robinson be entitled to an annual allocation of 50,000 performance shares under the IOOF Executive Performance Share Plan (which vest subject to the achievement of performance conditions tested over a 3 year period from allotment date), and a grant of 675,000 options provided in three equal tranches (which vest subject to achievement of performance conditions that are to be tested over 2, 3 and 4 year performance periods respectively for each tranche, all commencing on 1 July 2007). The options will be exercisable for a period of 2 years following their vesting date. The performance shares require satisfaction of total shareholder return targets, whereas the options vest following satisfaction of cash earnings per share targets.

The base remuneration package and short-term incentive will be reviewed by the Board annually, and the long-term incentive will be reviewed after 3 years.

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

On the basis of working an agreed number of 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.

#### C.3.3 Other Key Management Personnel

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

Mr Patterson receives a remuneration package comprising fixed remuneration, a Short-Term Incentive and a Deferred Incentive Component. His Total Incentive Compensation Opportunity is tied to a performance scorecard incorporating performance objectives that reinforce 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, Tax, Depreciation and Amortisation 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.

The deferred component related to 2006/07 will be provided to Mr Patterson as cash, to vest on 1 July 2010, 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 Perennial Balanced Wholesale Trust.

#### **Other Specified Executives**

The total remuneration of the executives who report directly to the IOOF Chief Executive Officer that is 'at risk' is linked 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 in C.1 above, and the Performance Scorecard against which performance is tested is explained on the following page.

## Part C. Remuneration approach (continued)

### C.4 Performance Scorecard Methodology for Senior Executives

Each Senior 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 2006/07 each Senior Executive's scorecard included:

- a Cash Earnings Per Share objective;
- a Growth in Shareholder Value objective;
- a Group total operating costs objective;
- key strategic objectives related to the Executive's own function and business priorities; and
- 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 2006/07 scorecard methodology provides that for each 1% above plan, an additional 2.5% of the incentive opportunity will become payable, up to a maximum of an additional 11.25% of the total incentive. This premium recognises that performance in excess of 100% of plan warrants moderate reward but higher levels of results warrant more substantial recognition. This methodology applies only to that component of the incentive compensation that is tied to the financial components of the scorecard (45% in total).

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 the amount of the Total Incentive Compensation Award to be made to the Executive.

Pre-agreed percentages of the Total 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.

## Part D. Terms of Appointment

### D.1 Terms of Appointment

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.

#### D.1.1 Non-Executive Directors

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.

#### D.1.2 Executive Directors

##### Mr Antony Robinson, Chief Executive Officer – IOOF Holdings Ltd

Mr Robinson is employed under an unlimited duration service agreement which commenced on 24 April 2007. Under that agreement Mr Robinson 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 40.

There are various performance and vesting conditions attached to the remuneration provided to Mr Robinson under the terms of his agreement.

Mr Robinson may terminate his employment by giving IOOF six months written notice. The Board may waive the requirement for him to serve out part or all of the notice period, although he would be entitled to the base remuneration for that portion of the notice period not served out. Any unvested incentives at the date of termination would lapse.

## Part D. Terms of Appointment (continued)

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

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. The terms and conditions of employment are set out in the table in section D.2.

### **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 Managing Director – Investor Solutions, reporting to the IOOF CEO. Mr Hodges' remuneration is provided under the same framework that applies to other Senior Executives. The terms and conditions of employment are set out in the table in section D.2.

As noted in the table in section D.2, Mr Hodges has been with the Group in excess of 20 years. Any termination payment or period will be determined by the Board, on the recommendation of the Remuneration and Nominations Committee, taking into account seniority, length of service, the reasons for the termination and other rights (if any) of Mr Hodges and the Group.

#### **D.1.3 Other Key Management Personnel**

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

In December 2006, the IOOF Group acquired the remaining 21.85% shares of the subsidiary Perennial Investment Partners Ltd from minority interests in that subsidiary. As a consequence of this transaction a new executive service agreement has been executed with Mr Patterson. The agreement provides for Mr Patterson to be employed over a period of unlimited duration, subject to the termination provisions set out in the table in section D.2.

The agreement provides for Mr Patterson to receive a total remuneration package comprising a fixed remuneration component and a further total variable compensation package.

### **Mr John Billington, General Manager – Portfolio Solutions**

IOOF Investment Management Limited has entered into a two year fixed term employment agreement with Mr Billington effective from 4 October 2006. The company may terminate Mr Billington's employment at any time by giving him four months written notice, calculated on fixed remuneration. After 5 June 2008 however, the company may terminate the contract by providing a payment of fixed remuneration covering the balance of the contract period.

Mr Billington has no entitlement to redundancy benefits upon conclusion of the fixed term contract, or for any other reason that may cause his employment to end during the course of the fixed term.

Mr Billington's compensation is made up of a fixed remuneration package and a further short-term incentive opportunity that is tied to performance as outlined in a performance scorecard. A component of the short-term incentive is tied to the achievement of a suite of group financial objectives. The balance of the short-term incentive opportunity is tied to the achievement of a suite of objectives focussed on sales, service, people, and governance and compliance objectives.

#### **Other Senior Executives**

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 Billington) 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.

## Part D. Terms of Appointment (continued)

### D.2 Summary of Terms and Conditions of Employment

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

Name	Employing Company	Commencement Date	Term	Termination Provisions / Benefits
<b>Executive Directors</b>				
<b>Antony Robinson</b>	IOOF Holdings Ltd	24 Apr 2007	Ongoing	The company may terminate Mr Robinson's employment at any time by giving 12 months written notice, or the company may elect to make payment of base remuneration in lieu of part or all of the notice period that he is not required to serve out. The proportion (if any) of the short-term incentive and any unvested long-term incentives to which Mr Robinson would be entitled in this event is at the discretion of the Board.
<b>Michael Crivelli</b>	Perennial Investment Partners Limited	22 Dec 1997	Ongoing	If at any time prior to 30 June 2009, the company terminates Mr Crivelli's employment on any basis other than fraud, death, bankruptcy or permanent disability or if a change in control of the company occurs, Mr Crivelli can choose to have the deferred payment, pursuant to the Share Sale and Purchase Agreement to which he is a party, paid to him within 30 business days (refer to Note 20 to the Financial Statements). Mr Crivelli will also be paid accrued monies or benefits to which Mr Crivelli is entitled on the termination date and statutory entitlements. After 30 June 2009, the company may terminate and is required to pay accrued monies or benefits to which Mr Crivelli is entitled on the termination date, and statutory entitlements.
<b>Anthony Hodges</b>	IOOF Holdings Ltd	24 Sep 1985	Ongoing	The company may terminate the contract for cause on five months written notice. In the case of redundancy, IOOF Holdings Ltd Board will agree the terms with Mr Hodges.
<b>Executives</b>				
<b>Stuart Abley</b>	Outscope Ltd	26 May 2006	Ongoing	The company may terminate the contract (other than in the case of redundancy) by providing up to five months notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
<b>John Billington</b>	IOOF Investment Management Limited	4 Oct 2006	Fixed term contract to 5 Oct 2008	The company may terminate the contract at any time by giving four months written notice (or payment in lieu, calculated on fixed remuneration).
<b>Adrianna Bisogni</b>	IOOF Holdings Ltd	28 Jan 2003	Ongoing	The company may terminate the contract for cause on three months written notice (or payment in lieu, calculated on fixed remuneration.). In the case of redundancy, the Senior Staff Redundancy Policy applies.
<b>Mark Blackburn</b>	IOOF Holdings Ltd	25 Oct 2004	Ongoing	The company may terminate the contract (other than in the case of redundancy) on nine months notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
<b>Renato Mota</b>	IOOF Holdings Ltd	20 Oct 2003	Ongoing	The company may terminate the contract (other than in the case of redundancy) by providing up to seven months notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
<b>Anthony Patterson</b>	Perennial Investment Partners Limited	30 Apr 2001	Ongoing	If at any time prior to 30 June 2009, the company terminates Mr Patterson's current role on any basis other than fraud, death, bankruptcy or permanent disability or if a change in control of the company occurs, Mr Patterson can choose to have the deferred payment, pursuant to the Share Sale and Purchase Agreement to which he is a party, paid to him within 30 business days (refer to Note 20 to the Financial Statements). Mr Patterson will also be paid accrued monies or benefits to which Mr Patterson is entitled on the termination date and statutory entitlements. Further, other than in the case of serious breach of the executive service agreement where no notice of termination would be provided, the company may only terminate the contract by paying a sum calculated by reference to the Senior Staff Redundancy Policy.
<b>Marshall Stephen</b>	IOOF Investment Management Limited	24 Sep 2001	Ongoing	The company may terminate the contract for cause on one months written notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.
<b>Peter Wallbridge</b>	IOOF Holdings Ltd	12 Oct 1998	Ongoing	The company may terminate the contract for cause on one months written notice (or payment in lieu, calculated on fixed remuneration). In the case of redundancy, the Senior Staff Redundancy Policy applies.

## Part E. Remuneration of Non-Executive Directors (audited)

### E.1 Approval of Funding for the Remuneration

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.

### E.2 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 2007 and the range of prices at which shares were acquired during the financial year ended 30 June 2007.

Name	Shares Acquired	Share price range at acquisition date	Dollar Value
Mr I Blair	2,663	\$8.50 – \$11.36	\$26,004
Ms J Harvey	1,350	\$9.65 – \$11.36	\$14,000
Mr J Pfeiffer	2,888	\$9.65 – \$11.36	\$30,008
Dr R Sexton	2,663	\$8.50 – \$11.36	\$26,004
Ms K Spargo	1,331	\$8.50 – \$11.36	\$12,998

### E.3 Retirement Benefits

The IOOF Board has withdrawn this benefit from the benefits package of new Non-Executive Directors. However, the program will continue for Directors appointed prior to 13 April 2003 to fulfil the terms of historical agreements. This benefit provides a cash based payment to Non-Executive Directors at the time of their retirement and is calculated as follows:

Period of Service as a NED	* 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 3 years of service to date of retirement.

## Part E. Remuneration of Non-Executive Directors (audited) (continued)

### E.4 Remuneration Table

This table sets out the remuneration received by Non-Executive Directors for the financial year ended 30 June 2007 and the comparative year.

#### Key Management Personnel 2007 – Consolidated

	Short-Term Benefits			Post-Employment Benefits	Share based Payments	Total	Post-Employment Benefits	Total
Name	Salary and Fees \$	Non-Monetary Benefits <sup>(1)</sup> \$	Total Primary Benefits \$	Superannuation <sup>(2)</sup> \$	Shares <sup>(3)</sup> \$	Shareholder Approved Remuneration <sup>(4)</sup> \$	Retirement Benefits <sup>(5)</sup> \$	\$
<b>Non-Executive Directors</b>								
<b>Mr I Blair</b>								
2007	75,516	–	75,516	106,253	26,004	207,773	50,253	258,026
2006	85,173	–	85,173	44,297	24,000	153,470	89,736	243,206
<b>Ms J Harvey</b>								
2007	112,156	–	112,156	10,094	14,000	136,250	–	136,250
2006	73,558	–	73,558	7,275	–	80,833	–	80,833
<b>Mr J Pfeiffer</b>								
2007	42,467	–	42,467	63,775	30,008	136,250	–	136,250
2006	73,558	–	73,558	7,275	–	80,833	–	80,833
<b>Dr R N Sexton</b>								
2007	103,997	–	103,997	11,700	26,003	141,700	72,080	213,780
2006	96,473	–	96,473	10,528	9,978	116,979	23,724	140,703
<b>Ms K D Spargo</b>								
2007	112,002	–	112,002	11,250	12,998	136,250	17,931	154,181
2006	84,033	–	84,033	9,300	10,000	103,333	24,547	127,880
<b>Mr R Harper (appointed November 2006)</b>								
2007	76,763	–	76,763	4,909	–	81,672	–	81,672
<b>Directors who retired during or since the end of the financial year</b>								
<b>Mr M W Parkinson, C.B.E. (retired 15 November 2005)</b>								
2006	36,021	1,199	37,220	3,563	–	40,783	15,166	55,949
<b>Mr R J Schoer (retired 15 November 2005)</b>								
2006	12,940	4,001	16,941	48,269	14,000	79,210	37,625	116,835
<b>Total Non-Executive Directors 2007</b>	<b>522,901</b>	<b>–</b>	<b>522,901</b>	<b>207,981</b>	<b>109,013</b>	<b>839,895</b>	<b>140,264</b>	<b>980,159</b>
<b>Total Non-Executive Directors 2006</b>	<b>461,756</b>	<b>5,200</b>	<b>466,956</b>	<b>130,507</b>	<b>57,978</b>	<b>655,441</b>	<b>190,798</b>	<b>846,239</b>

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

(2) Superannuation includes directors' fees sacrificed into superannuation funds.

(3) Share based payments represent directors' fees sacrificed into the Non-Executive Director Deferred Share Purchase Plan.

(4) Shareholder Approved Remuneration amounted to \$839,895 and was within the shareholder approved limit of \$850,000 per annum.

(5) Non-Executive Directors appointed after 13 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.

## Part F. Remuneration of Executive Directors and other Key Management Personnel (audited)

### F.1 Remuneration Table

This table sets out the remuneration received by Executive Directors and other Key Management Personnel for the financial year ended 30 June 2007 and the comparative year.

#### Key Management Personnel – Consolidated

	Short-Term Benefits				Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits	Share based Payments	Total
Name	Salary and Fees <sup>(1)</sup> \$	Bonus <sup>(2)</sup> \$	Non-Monetary Benefits <sup>(3)</sup> \$	Total Primary Benefits \$	Superannuation <sup>(4)</sup> \$	Termination Benefits \$	Other Long-Term Benefits <sup>(5)</sup> \$	Shares <sup>(6)</sup> \$	\$
<b>Executive Directors</b>									
<b>Mr A D Robinson (appointed 24 April 2007)</b>									
2007	52,723	90,000	–	142,723	42,386	–	–	6,113	191,222
<b>Mr M U R Crivelli</b>									
2007	236,835	–	768	237,603	21,701	–	16,415	–	275,719
2006	249,791	–	34,491	284,282	21,664	–	13,504	–	319,450
<b>Mr A P Hodges</b>									
2007	289,808	159,863	48,165	497,836	24,023	–	17,284	242,223	781,366
2006	298,669	147,928	7,846	454,443	23,774	–	4,488	125,697	608,402
<b>Other Key Management Personnel</b>									
<b>Mr S Abley (effective 12 June 2007)</b>									
2007	9,889	3,320	–	13,209	774	–	–	187	14,170
<b>Mr J Billington (appointed 4 October 2006)</b>									
2007	277,929	–	48,841	326,770	9,409	–	–	–	336,179
<b>Ms A Bisogni</b>									
2007#	274,869	117,140	–	392,009	23,991	–	–	186,876	602,876
2006	264,923	100,238	–	365,161	22,958	–	–	71,375	459,494
<b>Mr M Blackburn</b>									
2007^#	301,645	180,797	–	482,442	105,109	–	–	292,761	880,312
2006	332,611	162,908	–	495,519	45,513	–	–	71,605	612,637
<b>Mr R Mota (effective 15 November 2006)</b>									
2007#	138,651	53,125	–	191,776	9,492	–	–	12,668	213,936
<b>Mr A Patterson</b>									
2007^	631,732	400,000	9,312	1,041,044	12,321	–	183,420	–	1,236,785
2006	483,257	250,000	8,910	742,167	11,769	–	67,261	–	821,197
<b>Mr M Stephen</b>									
2007	284,540	110,381	6,091	401,012	21,660	–	11,778	93,773	528,223
2006	237,835	85,868	4,362	328,065	19,277	–	–	32,949	380,291
<b>Mr P Wallbridge</b>									
2007^#	255,832	108,351	25,000	389,183	22,982	–	37,414	180,459	630,038
2006	209,522	87,473	24,642	321,637	21,043	–	8,420	75,550	426,650

Part F. Remuneration of Executive Directors and other Key Management Personnel (audited)  
(continued)

	Short-Term Benefits				Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits	Share based Payments	Total
Name	Salary and Fees <sup>(1)</sup> \$	Bonus <sup>(2)</sup> \$	Non-Monetary Benefits <sup>(3)</sup> \$	Total Primary Benefits \$	Superannuation <sup>(4)</sup> \$	Termination Benefits \$	Other Long-Term Benefits <sup>(5)</sup> \$	Shares <sup>(6)</sup> \$	\$
<b>Other Key Management Personnel who departed during or since the end of the financial year</b>									
<b>Mr J Brown (to 8 August 2006)</b>									
2007 <sup>^</sup>	34,168	-	706	34,874	3,075	687,083	-	177,939	902,971
2006	307,251	159,077	1,043	467,371	26,835	-	-	75,261	569,467
<b>Mr R Dewhurst (to 20 April 2007)</b>									
2007	483,169	87,500	4,720	575,389	77,496	30,233	-	440,625	1,123,743
2006	569,216	682,500	5,644	1,257,360	95,963	-	-	587,500	1,940,823
<b>Mrs S Foley (to 20 June 2007)</b>									
2007 <sup>^</sup> #	239,994	-	5,800	245,794	21,599	871,474	-	(9,450)	1,129,417
2006	204,995	85,800	5,600	296,395	38,278	-	-	30,950	365,623
<b>Mr D Booth (to 21 October 2005)</b>									
2006	96,296	40,000	12,038	148,334	6,090	474,651	-	166,752	795,827
<b>Total 2007</b>	<b>3,511,784</b>	<b>1,310,477</b>	<b>149,403</b>	<b>4,971,664</b>	<b>396,018</b>	<b>1,588,790</b>	<b>266,311</b>	<b>1,624,174</b>	<b>8,846,957</b>
<b>Total 2006</b>	<b>3,254,366</b>	<b>1,801,792</b>	<b>104,576</b>	<b>5,160,734</b>	<b>333,164</b>	<b>474,651</b>	<b>93,673</b>	<b>1,237,639</b>	<b>7,299,861</b>

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

<sup>(2)</sup> The bonus reflects amounts provided under the short-term incentive program in relation to the financial year. This incentive payment amount was communicated to participants in September 2007. The maximum value of the bonuses is the amount shown. The minimum value of the bonuses, had the performance hurdles not been met, would have been zero. The amount of Mr Billington's bonus for the period will not be determined until after 4 October 2007, being the first anniversary of his fixed term appointment.

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

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

<sup>(5)</sup> Other Long-term benefits includes accruals for long service leave and a long term incentive of \$165,000 (2006: \$50,000) accruing to Mr A Patterson, which is not payable within twelve months after the end of the period.

<sup>(6)</sup> Equity compensation includes salary and performance incentives sacrificed into the Deferred Share Purchase Plan and accruals in relation to the Executive Performance Share Plan. The value of the number of shares expected to vest in the Executive Performance Share Plan has been apportioned over the term from grant date to vesting date. The grant dates for shares allocated under this plan were 1 December 2003, 1 December 2004, 1 December 2005 and 1 December 2006. The shares issued to Mr R Dewhurst relate to guaranteed long term equity rewards. The grant date for shares issued to Mr R Dewhurst was 19 April 2004.

<sup>^</sup> Denotes one of the five highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

<sup>#</sup> Denotes one of the five highest paid executives of IOOF Holdings Ltd, as required to be disclosed under the *Corporations Act 2001*.

## Part F. Remuneration of Executive Directors and Senior Executives (audited) (continued)

### F.2 Remuneration Components as a Percentage of Total Remuneration (audited)

#### Remuneration Components (based on annualised amounts)

Key Management Personnel	Fixed %	Total Incentive Compensation Award %	Total Remuneration %
Mr A D Robinson	51	49	100
Mr M U R Crivelli	100	–	100
Mr A P Hodges	44	56	100
Mr S Abley (effective 12 June 2007)	78	22	100
Mr J Billington	100	–	100
Ms A Bisogni	47	53	100
Mr M Blackburn	44	56	100
Mr R Mota (effective 15 November 2006)	54	46	100
Mr A Patterson	36	64	100
Mr M Stephen	47	53	100
Mr P Wallbridge	48	52	100
<b>Senior Executives who departed during or since the end of the financial year</b>			
Mr J Brown	100	–	100
Mr R Dewhurst	100	–	100
Mrs S Foley	100	–	100

### F.3 Cash Bonus and LTI Equity Allocations

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

Key Management Personnel	Cash		LTI	
	Paid %	Forfeited %	Awarded %	Forfeited %
Mr A D Robinson	100	–	–	–
Mr M U R Crivelli	–	–	–	–
Mr A P Hodges	100	–	100	–
Mr S Abley (effective 12 June 2007)	100	–	100	–
Mr J Billington	–	–	–	–
Ms A Bisogni	100	–	100	–
Mr M Blackburn	100	–	100	–
Mr R Mota (effective 15 November 2006)	100	–	100	–
Mr A Patterson	100	–	100	–
Mr M Stephen	100	–	100	–
Mr P Wallbridge	100	–	100	–
<b>Senior Executives who departed during or since the end of the financial year</b>				
Mr J Brown	–	100	40.6	59.4
Mr R Dewhurst	–	100	–	100
Mrs S Foley	–	100	–	100

### F.3 Cash Bonus and LTI Equity Allocations (continued)

The amount of Mr Billington's cash bonus for the period will not be determined until after 4 October 2007, being the first anniversary of his appointment.

The 2006 and 2007 allocations have time based vesting conditions (three years). No additional performance conditions are attached because performance objectives must be achieved prior to eligibility.

The 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 2004 and 2005 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 52.

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

Part F. Remuneration of Executive Directors and Senior Executives (audited) (continued)

**F.4 Unvested Shareholdings – number and value of shares (audited)**

Key Management Personnel	Grant Date	Issue Price	Vesting Date <sup>(1)</sup>	Unvested at 30 June 2006	Granted	Forfeited	Vested	Unvested at 30 June 2007
<b>Executive Directors</b>								
<b>Mr A D Robinson</b>	–	–	–	–	–	–	–	–
			Total Value	\$0	–	–	–	\$0
<b>Mr M U R Crivelli</b>	–	–	–	–	–	–	–	–
			Total Value	\$0	–	–	–	\$0
<b>Mr A P Hodges</b>	Nov-03	\$3.15	Oct-06	50,000	–	–	(50,000)	–
	Nov-04	\$8.65	Oct-07	29,493	–	–	–	29,493
	Nov-05	\$7.42	Oct-08	34,376	–	–	–	34,376
	Nov-06	\$10.53	Oct-09	–	26,085	–	–	26,085
			Total Value	\$667,684	\$274,725	–	(\$157,500)	\$784,909
<b>Other Key Management Personnel</b>								
<b>Mr S Abley</b>	Nov-06	\$10.53	Oct-09	–	6,409	–	–	6,409
			Total Value	\$0	\$67,499	–	–	\$67,499
<b>Mr J Billington</b>	–	–	–	–	–	–	–	–
			Total Value	\$0	–	–	–	\$0
<b>Mr A Bisogni</b>	Nov-03	\$3.15	Oct-06	20,000	–	–	(20,000)	–
	Nov-04	\$8.65	Oct-07	23,421	–	–	–	23,421
	Nov-05	\$7.42	Oct-08	28,815	–	–	–	28,815
	Nov-06	\$10.53	Oct-09	–	22,208	–	–	22,208
			Total Value	\$479,399	\$233,892	–	(\$63,000)	\$650,291
<b>Mr M Blackburn</b>	Nov-04	\$8.65	Oct-07	42,000	–	–	–	42,000
	Nov-05	\$7.42	Oct-08	38,420	–	–	–	38,420
	Nov-06	\$10.53	Oct-09	–	28,726	–	–	28,726
			Total Value	\$648,376	\$302,539	–	–	\$950,916
<b>Mr R Mota</b>	Nov-05	\$7.42	Oct-08	6,066	–	–	–	6,066
	Nov-06	\$10.53	Oct-09	–	6,210	–	–	6,210
			Total Value	\$45,010	\$65,403	–	–	\$110,413
<b>Mr A Patterson</b>	–	–	–	–	–	–	–	–
			Total Value	\$0	–	–	–	\$0
<b>Mr M Stephen</b>	Nov-03	\$3.15	Oct-06	10,000	–	–	(10,000)	–
	Nov-04	\$8.65	Oct-07	7,634	–	–	–	7,634
	Nov-05	\$7.42	Oct-08	25,276	–	–	–	25,276
	Nov-06	\$10.53	Oct-09	–	19,024	–	–	19,024
			Total Value	\$285,082	\$200,359	–	(\$31,500)	\$453,941
<b>Mr P Wallbridge</b>	Nov-03	\$3.15	Oct-06	24,000	–	–	(24,000)	–
	Nov-04	\$8.65	Oct-07	22,554	–	–	–	22,554
	Nov-05	\$7.42	Oct-08	27,298	–	–	–	27,298
	Nov-06	\$10.53	Oct-09	–	19,379	–	–	19,379
			Total Value	\$473,243	\$204,098	–	(\$75,600)	\$601,741

## Part F. Remuneration of Executive Directors and Senior Executives (audited) (continued)

### F.4 Unvested Shareholdings – number and value of shares (audited) (continued)

Key Management Personnel	Grant Date	Issue Price	Vesting Date <sup>(1)</sup>	Unvested at 30 June 2006	Granted	Forfeited	Vested	Unvested at 30 June 2007
<b>Key Management Personnel who have departed during or since the end of the financial year</b>								
<b>Mr J Brown (to 8 August 2006)</b>	Nov-03	\$3.15	Oct-06	30,000	–	–	(30,000)	–
	Nov-04	\$8.65	Oct-07	28,192	–	(28,192)	–	–
	Nov-05	\$7.42	Oct-08	32,859	–	(32,859)	–	–
	Aug-06	\$9.32	Oct-09	–	25,603	–	(25,603)	–
			Total Value	\$582,175	\$238,620	(\$487,675)	(\$333,120)	\$0
<b>Mr R Dewhurst (to 20 April 2007) <sup>(2)</sup></b>	Apr-04	\$4.70	Apr 05 thru Apr 08	250,000	–	(125,000)	(125,000)	–
			Total Value	\$1,175,000	–	(\$587,500)	(\$587,500)	\$0
<b>Mrs S Foley (to 20 June 2007)</b>	Nov-05	\$7.42	Oct-08	32,758	–	(32,758)	–	–
	Nov-06	\$10.53	Oct-09	–	19,009	(19,009)	–	–
			Total Value	\$243,064	\$200,201	(\$443,265)	–	\$0

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

<sup>(2)</sup> Mr R Dewhurst's original contract of employment included guaranteed long term equity rewards of 500,000 shares that were to vest evenly over a four year period; being 125,000 shares at the completion of each year of employment.

### F.5 Maximum value of previous year Executive Performance Share Grants that vest in future periods (unaudited)

The following table discloses additional information in respect of executive performance share and option grants that will vest in the future.

Key Management Personnel	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012
	\$	\$	\$	\$	\$
<b>Shares:</b>					
Mr A D Robinson	98,768	364,051	493,887	401,232	135,949
Mr M U R Crivelli	–	–	–	–	–
Mr A P Hodges	249,521	199,488	38,156	–	–
Mr S Abley	15,187	40,312	9,375	–	–
Mr J Billington	–	–	–	–	–
Ms A Bisogni	208,407	169,373	32,485	–	–
Mr M Blackburn	288,715	220,267	42,019	–	–
Mr R Mota	41,591	45,310	9,084	–	–
Mr A Patterson	–	–	–	–	–
Mr M Stephen	166,227	145,700	27,828	–	–
Mr P Wallbridge	193,943	150,017	28,347	–	–
<b>Options:</b>					
Mr A D Robinson	265,377	265,377	153,650	69,300	–

Values have been calculated by applying probabilities to the likelihood of the shares and options 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.

Refer to the notes to the financial statements for further explanation of the valuation method and for details of Key Management Personnel shareholdings.

## Part G. Remuneration and Company Performance (unaudited)

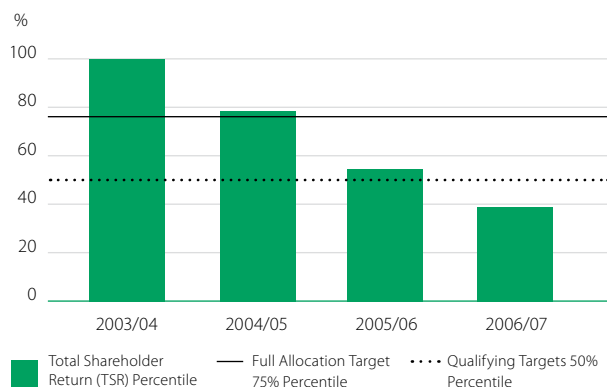
Performance scorecard objectives align individual performance with the interests of shareholders by linking an individual's remuneration and incentives to the creation of shareholder wealth. Executives' remuneration includes a fixed remuneration package and a total incentive compensation award which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

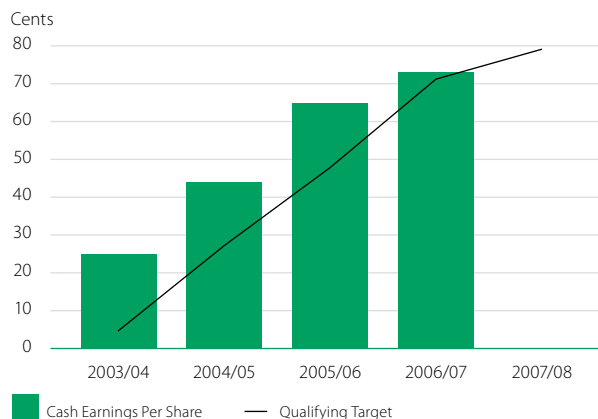
Dividends paid and shareholder return, are disclosed in the annual report. Details of Contributed equity are disclosed in Note 26 of the Annual Report.

### Total Shareholder Return Percentile



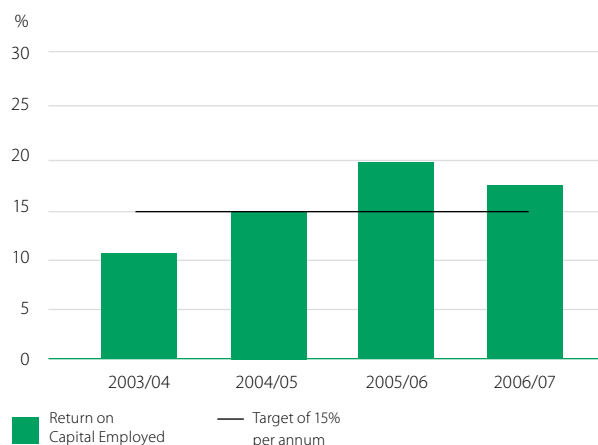
The Total Shareholder Return Percentile measures the growth in IOOF's share price and dividends paid compared to a peer group that has the same underlying business drivers and faces similar growth opportunities and challenges.

### 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% growth in Cash Earnings Per Share on the prior period actual Cash Earnings Per Share.

### 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.

## 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 and Risk 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. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor's independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk 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 APES 110 Code of Ethics for Professional Accountants.

In relation to the consolidated entity, the amount paid for non-audit services to the auditor PricewaterhouseCoopers was \$Nil (2006: \$20,000).

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 54.

## Rounding 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.



**Mr I Blair**

*Chairman of the Board*



**Mr A D Robinson**

*Director and Chief Executive Officer*

Melbourne, 12 September 2007.

PricewaterhouseCoopers  
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## Auditor's Independence Declaration

As lead auditor for the audit of IOOF Holdings Ltd for the year ended 30 June 2007, 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.



Russell S Sutton  
Partner

PricewaterhouseCoopers

Melbourne, 12 September 2007

IOOF Holdings Ltd  
**Income Statements**  
for the year ended 30 June 2007

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	4 (a)	368,294	332,665	39,430	31,796
Other income	4 (b)	109,899	67,525	429	249
Expenses	6	(418,195)	(348,564)	(17,882)	(12,915)
Finance costs	6	(2,258)	(13)	(2,389)	(6)
Share of profit or loss of associates	5	7,810	7,130	–	–
<b>Profit before income tax</b>		<b>65,550</b>	<b>58,743</b>	<b>19,588</b>	<b>19,124</b>
Income tax (expense)/benefit	7	(41,036)	(34,335)	700	(733)
<b>Profit for the year</b>		<b>24,514</b>	<b>24,408</b>	<b>20,288</b>	<b>18,391</b>
Profit is attributable to:					
Equity holders of IOOF Holdings Ltd		22,344	23,104	20,288	18,391
Minority interest		2,170	1,304	–	–
		<b>24,514</b>	<b>24,408</b>	<b>20,288</b>	<b>18,391</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		<b>Cents</b>	<b>Cents</b>		
Basic earnings per share	32	35.1	36.5		
Diluted earnings per share	32	34.5	35.8		

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

IOOF Holdings Ltd  
Balance Sheets  
as at 30 June 2007

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Assets</b>					
Cash and cash equivalents	9	509,280	502,385	1,202	43,990
Receivables	10	61,416	54,178	26,597	29,000
Other financial assets	11	934,033	928,667	256,802	148,250
Investments accounted for using the equity method	12	8,369	2,762	–	–
Other assets	13	16,139	13,352	10,173	7,487
Plant and equipment	14	3,247	2,595	1,485	828
Deferred tax assets	15	7,006	4,813	4,601	2,199
Intangible assets	16	197,230	90,887	–	–
<b>Total Assets</b>		<b>1,736,720</b>	<b>1,599,639</b>	<b>300,860</b>	<b>231,754</b>
<b>Liabilities</b>					
Payables	17	32,809	30,305	4,075	5,041
Borrowings	18	33,500	–	38,500	–
Current tax liabilities	19	18,950	26,678	18,095	25,418
Deferred tax liabilities	19	29,713	24,865	–	–
Provisions	20	45,120	6,832	41,432	3,635
Other financial liabilities	21	20,690	16,124	–	–
Deferred revenue liability	22	4,967	4,972	–	–
Investment contract liabilities	23	519,644	457,678	–	–
Insurance contract liabilities	24	534,566	593,721	–	–
Outside interest in controlled trusts	25	306,856	251,337	–	–
<b>Total Liabilities</b>		<b>1,546,815</b>	<b>1,412,512</b>	<b>102,102</b>	<b>34,094</b>
<b>Net Assets</b>		<b>189,905</b>	<b>187,127</b>	<b>198,758</b>	<b>197,660</b>
<b>Equity</b>					
Parent entity interest					
Contributed equity	26	179,030	178,740	179,030	178,740
Treasury shares	26	(5,346)	(7,416)	–	–
Preference shares	26	1,400	1,400	1,400	1,400
Reserves	27	3,769	3,686	2,554	2,615
Retained profits	28	10,305	7,114	15,774	14,905
Total parent entity interest		189,158	183,524	198,758	197,660
Minority interest	29	747	3,603	–	–
<b>Total Equity</b>		<b>189,905</b>	<b>187,127</b>	<b>198,758</b>	<b>197,660</b>

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

IOOF Holdings Ltd  
**Statements of Changes in Equity**  
for the year ended 30 June 2007

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Total Equity at the beginning of the year</b>		<b>187,127</b>	<b>174,079</b>	<b>197,660</b>	<b>189,531</b>
Asset revaluation reserve recognised	27	–	1,071	–	–
<b>Net income recognised directly in equity</b>		<b>–</b>	<b>1,071</b>	<b>–</b>	<b>–</b>
Profit for the year		24,514	24,408	20,288	18,391
<b>Total recognised income and expense for the year</b>		<b>24,514</b>	<b>25,479</b>	<b>20,288</b>	<b>18,391</b>
<b>Transactions with equity holders in their capacity as equity holders</b>					
Shares issued to General staff share acquisition plan	26	290	269	290	269
Shares issued to Executive performance share scheme	26	–	2,488	–	2,488
Preference share capital issued	26	–	1,400	–	1,400
Less Treasury shares – Executive performance share plan	26	2,070	(1,956)	–	–
Reserve for share based payments	27	83	1,027	(61)	1,027
Minority interest decrease on change in shareholding		(3,612)	–	–	–
Dividends paid to shareholders of the Company	28	(19,153)	(15,125)	(19,419)	(15,446)
Dividends paid to minority interests in subsidiaries		(1,414)	(534)	–	–
		<b>(21,736)</b>	<b>(12,431)</b>	<b>(19,190)</b>	<b>(10,262)</b>
<b>Total Equity at the end of the year</b>		<b>189,905</b>	<b>187,127</b>	<b>198,758</b>	<b>197,660</b>
<b>Total recognised income and expense for the year is attributable to:</b>					
– Members of IOOF Holdings Ltd	28	22,344	24,175	20,288	18,391
– Minority interest		2,170	1,304	–	–
		<b>24,514</b>	<b>25,479</b>	<b>20,288</b>	<b>18,391</b>

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

IOOF Holdings Ltd  
**Cash Flow Statements**  
for the year ended 30 June 2007

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>					
Management fees and commission income received		294,630	234,881	10,047	9,066
Premium income received		1,238	928	–	–
Contribution proceeds		55,583	61,459	–	–
Payments to suppliers and employees		(268,060)	(225,470)	(14,405)	(10,169)
Distributions received		44,585	51,577	1,409	2,282
Dividends received from non-related entities		12,444	10,544	26,617	18,500
Dividends received from associate		7,428	6,536	–	–
Interest income received		25,820	27,667	2,621	1,971
Interest paid		(952)	(13)	(1,109)	–
Withdrawal payments		(141,185)	(123,926)	–	–
Proceeds for purchases or sales of financial assets		102,131	53,412	184	–
Other income received		3,519	2,137	233	250
GST paid		(11,845)	(3,366)	872	531
Income tax paid		(46,113)	(28,406)	(8,013)	(432)
Net cash provided by/(used in) operating activities	40(b)	<b>79,223</b>	<b>67,960</b>	<b>18,456</b>	<b>21,999</b>
<b>Cash flows from financing activities</b>					
Dividends paid to shareholders of the Company		(19,153)	(15,125)	(19,419)	(15,446)
Dividends paid to minority interests in subsidiaries		(1,414)	(534)	–	–
Dividends paid to shareholders entitled to contractual share buy-back		(2,390)	(1,348)	–	–
Proceeds from line of credit facility		33,500	–	33,500	–
Proceeds from loans from controlled entities		–	–	5,000	–
Net cash provided by/(used in) financing activities		<b>10,543</b>	<b>(17,007)</b>	<b>19,081</b>	<b>(15,446)</b>
<b>Cash flows from investing activities</b>					
Deferred payment for acquisition of business		(9,434)	–	(8,654)	–
Proceeds from repayment of loans and mortgage securities		–	280	–	–
Payment for purchase of plant and equipment		(1,944)	(1,506)	(1,299)	(63)
Proceeds from sale of plant and equipment		6	–	8	–
Payment for the purchase of shares in a controlled entity		(68,152)	(700)	(65,405)	(2,100)
Payment for purchase of shares in associate		(5,225)	–	–	–
Payment for purchase of investments		–	–	–	(3)
Payment for purchase of other intangible assets		(189)	(1,085)	–	–
Proceeds from loans repaid by Directors		3,458	–	–	–
Loans made to controlled entities		–	–	(5,225)	–
Loans made to related parties		(500)	–	–	–
Proceeds from loans repaid by controlled entities		–	–	250	–
Proceeds from loans repaid by policyholders-Benefit Funds		1,060	–	–	–
Loans made to policyholders-Benefit Funds		(1,969)	–	–	–
Release of regulatory deposits		18	–	–	–
Net cash provided by/(used in) investing activities		<b>(82,871)</b>	<b>(3,011)</b>	<b>(80,325)</b>	<b>(2,166)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		6,895	47,942	(42,788)	4,387
Net cash adjustment upon consolidation of controlled trusts		–	(459,896)	–	–
Cash and cash equivalents at the beginning of the year		502,385	914,339	43,990	39,603
<b>Cash and cash equivalents at the end of the year</b>	40(a)	<b>509,280</b>	<b>502,385</b>	<b>1,202</b>	<b>43,990</b>

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

## 1. Summary of Significant Accounting Policies

The principal 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 Ltd ('Parent') as an individual entity and the consolidated entity consisting of IOOF Holdings Ltd and its subsidiaries ('Group').

### (a) Basis of Preparation

The financial report is a general purpose financial report for the annual reporting year ended 30 June 2007. 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*.

#### *Compliance with IFRSs*

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of IOOF Holdings Ltd comply with the International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRS.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified 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.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements were authorised for issue by the Directors on 12 September 2007. The Company has the power to amend and reissue the financial report.

### (b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of IOOF Holdings Ltd ('Company' or 'parent entity') as at 30 June 2007 and the results of all subsidiaries for the year then ended. This includes the benefit funds of its subsidiary, IOOF Ltd, and any controlled trusts. IOOF Holdings Ltd, its subsidiaries and the controlled trusts together are referred to in this financial report as the Group or the consolidated entity.

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. 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(l) *Product Classification* for information in relation to the different accounting treatment of investment contracts with discretionary participating features.

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.

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*).

## 1. Summary of Significant Accounting Policies (continued)

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

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

### *Employee Share Trust*

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the IOOF Executive Performance Share Plan Trust are disclosed as treasury shares and are deducted from contributed equity.

### **(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.

### **(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;
- distribution income is 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;

## 1. Summary of Significant Accounting Policies (continued)

- 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.

### (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% (2006: 15%) and the ordinary business of the Company is taxed at the rate of 30% (2006: 30%).

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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 probable 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.

### *Tax consolidation legislation*

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 consolidation 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.

Current and deferred tax amounts are allocated to members of the tax group by utilising a modified 'standalone' approach which means that each group member will recognise transactions with another group member except for dividend income from other group members and capital gains and losses from transactions as with other group members.

### (g) Cash and Cash Equivalents

For cash flow presentation 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 impairment. They are due for settlement at terms which vary between 14 days and, in exceptional circumstances, 180 days from the date of recognition.

## 1. Summary of Significant Accounting Policies (continued)

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. 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 original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

### (i) Other Financial Assets

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.

#### *Recognition and Derecognition*

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.

#### *Subsequent Measurement*

'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.

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.

## 1. Summary of Significant Accounting Policies (continued)

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) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### (k) Product classification

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.

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 Group has determined that all financial assets held within its reported statutory funds (including the benefit funds which are treated as statutory funds) represent the assets backing policy liabilities and are measured at fair value through profit or loss. Other than loans and receivables, financial assets held by the Group and its controlled entities, have been designated at fair value through profit or loss as the Group and its controlled entities are managed on a fair value basis.

## 1. Summary of Significant Accounting Policies (continued)

### (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.

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.

## 1. Summary of Significant Accounting Policies (continued)

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 39 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 five years.

The estimated useful life has been subject to change in the current reporting period. The impact of this change is quantified in Note 8 Revision of an Accounting Estimate.

### (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. Where the absences are expected to occur within 12 months, they are recognised in other creditors, whereas where the absences are expected to occur beyond 12 months, they are discounted to present values and are recognised in non-current provisions.

#### (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.

## 1. Summary of Significant Accounting Policies (continued)

### (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 fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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.

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.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

### (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.

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.

## 1. Summary of Significant Accounting Policies (continued)

Liabilities for termination benefits and redundancies which are not expected to be settled within twelve 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. 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 probable 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. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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) Other Financial Liabilities

Purchase commitments to reacquire interests from minority shareholders are accounted for in accordance with AASB 132 *Financial Instruments: Presentation* which specifies that an obligation for an entity to purchase its own equity instruments for cash gives rise to a financial liability. The liability is measured at the present value of the redemption amount irrespective of the probability of the exercise of the right by minority shareholders.

### (w) Insurance Contract Liabilities and Claims Expense

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

A claim 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.

### (x) 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.

### (y) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the Income Statement as finance costs.

## 1. Summary of Significant Accounting Policies (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (z) 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.

### (aa) 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 of 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.

### (ab) 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.

### (ac) 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.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

# 1. Summary of Significant Accounting Policies (continued)

## (ad) 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.

## (ae) 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.

## (af) Goods and Services Tax

Revenues, expenses and assets 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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

## (ag) 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.

## (ah) 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. Specific disclosures are made wherever accounting policies have not been consistently applied to prior year comparatives.

## (ai) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods, 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 7 *Financial Instruments: Disclosures*; AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]; Revised AASB101 *Presentation of Financial Statements*; AASB 8 *Operating Segments* and AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED151 and other Amendments*.

AASB 7; AASB 2005-10; AASB 101; AASB 8 and AASB 2007-4 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.

- (ii) AASB-I 10 *Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the Annual Report. Application of the interpretation will therefore have no impact on the Group's or the parent entity'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 key non-financial exposures are to operational risk and a failure to meet regulatory compliance obligations. The Group's approach to manage these risks are set out in the remainder of this note, which deals primarily with financial risk.

Risk is defined by IOOF as any event which hinders the sustainable achievement of Group objectives and results including a failure to exploit opportunities. The Group's strategy to manage risk involves the identification of risks by type, impact and likelihood, implementation of controls to mitigate risks, and continuous monitoring and improvement of the procedures in place.

The Group's objective is to satisfactorily manage these risks in line with the Group's Risk Management Policy set by the Board and aligns to *Australian Standard 4360 Risk Management*. Procedures are put in place to control and mitigate the risks faced by the Group and vary depending on the nature of the risk. The Group maintains a framework to ensure regulatory compliance obligations are managed in accordance with *Australian Standard 3806 Compliance Programs*. 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 the Board.

### Financial Risks

Enterprise-wide risk management is performed by the IOOF Group Risk team and management is responsible for the mitigation of financial risks. The Head of Risk monitors financial risk under policies approved by the Board and regularly reports to the Chief Financial Officer and Audit and Risk Committee on existing and anticipated risk exposure and mitigation. Specific financial risks are identified below:

#### (a) Market risk

The Group's income and operating cash flows are impacted by changing market conditions. The Group's primary exposure to market risk is through the impact of market changes on the level of funds under management and consequently management fee revenue. In addition, the Group holds investments in financial assets which are impacted by market movements. This risk is primarily managed by diversification as different businesses in the Group operate in different markets.

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 fail to meet 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

Liquidity risk relates to the Group having insufficient cash and marketable securities to cover current liabilities, unforeseen expenses and to close-out market positions. The Group maintains a prudent approach to managing this exposure by maintaining sufficient liquid assets and an ability to access a committed line of credit.

#### (d) Interest rate risk

Interest rate risk is the risk to the Group's earnings and capital arising from movements in interest rates in respect of borrowings. The Group is exposed to interest rate risk on line of credit and the Company is exposed to interest rate risk on subordinated loans made to companies in the Group. 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.

#### (e) 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. These risks relate to pricing, acceptance and management of mortality, morbidity and longevity risks from policyholders.

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.

## 2. Risk Management (continued)

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 exposures 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 decreased 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. Procedures are in place to ensure these requirements are monitored and adhered to.

### Terms and conditions of insurance contracts

The nature and the terms of the life insurance contracts written is such that certain external variables impact the timing and certainty of future cash flows which are summarised in the table below

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 issuer's discretion.	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)	A clearly defined initial guaranteed sum assured 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.

## 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 16 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 41(d) for further details on actuarial assumptions and methods.

### 3. Critical Accounting Estimates and Judgements (continued)

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.

#### *(vi) Useful life of Adviser Relationships*

In determining the useful life of Adviser Relationships, an attempt has been made to estimate the period of time over which an adviser is likely to work with and contribute positively to the Group. Consideration has been given to the historical trends of adviser exits, and to the incentives remuneration structure in place for advisers which are likely to motivate them to stay. As other factors may make an adviser exit, management could at best use best estimates. As it is impractical to do so, it is implicitly assumed that the benefits that the advisers provide accrue evenly over the estimated period of their useful life with the Group.

#### **(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 2007	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>(a) Revenue</b>						
Management fees:						
– Investment products	205,550	–	205,550	–	–	–
– Controlled entities	–	–	–	9,381	–	9,381
– Benefit funds	17,878	–	17,878	–	–	–
– Associated entity	2,095	–	2,095	–	–	–
– Related entities	–	6,217	6,217	–	–	–
– Other entities	18,511	–	18,511	–	–	–
Deposits received – investment contracts with DPF	–	6,103	6,103	–	–	–
Commission revenue:						
– Non-related entities	19,458	–	19,458	–	–	–
Other fee revenue	1,550	–	1,550	–	–	–
Interest revenue:						
– Directors & Director-related entities	307	–	307	–	–	–
– Other related parties	124	–	124	2,423	–	2,423
– Non-related entities	1,867	23,763	25,630	198	–	198
Dividends:						
– Controlled entities	–	–	–	26,617	–	26,617
– Non-related entities	115	12,329	12,444	–	–	–
Distributions:						
– Other related parties	–	51,515	51,515	811	–	811
<b>Revenue</b>	<b>267,455</b>	<b>99,927</b>	<b>367,382</b>	<b>39,430</b>	<b>–</b>	<b>39,430</b>
<b>Life Insurance Revenue</b>						
Direct insurance premiums	–	679	679	–	–	–
Insurance claims recovered	–	233	233	–	–	–
	–	912	912	–	–	–
<b>Total Revenue</b>	<b>267,455</b>	<b>100,839</b>	<b>368,294</b>	<b>39,430</b>	<b>–</b>	<b>39,430</b>
<b>(b) Other income</b>						
Gains on investments	359	107,571	107,930	196	–	196
Other	1,969	–	1,969	233	–	233
	2,328	107,571	109,899	429	–	429
	<b>269,783</b>	<b>208,410</b>	<b>478,193</b>	<b>39,859</b>	<b>–</b>	<b>39,859</b>

## 4. Revenue (continued)

For the year ended 30 June 2006	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>(a) Revenue</b>						
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	13,106	–	13,106	–	–	–
Other fee revenue	1,442	–	1,442	–	–	–
Interest revenue:						
– Directors & Director-related entities	309	–	309	–	–	–
– Other related parties	108	–	108	2,074	–	2,074
– Non-related entities	1,522	26,900	28,422	184	–	184
Dividends:						
– Controlled entities	–	–	–	18,500	–	18,500
– Non-related entities	66	10,478	10,544	–	–	–
Distributions:						
– Other related parties	–	44,884	44,884	1,796	–	1,796
<b>Revenue</b>	<b>223,926</b>	<b>107,610</b>	<b>331,536</b>	<b>31,796</b>	<b>–</b>	<b>31,796</b>
<b>Life Insurance Revenue</b>						
Direct insurance premiums	–	727	727	–	–	–
Insurance claims recovered	–	402	402	–	–	–
	–	1,129	1,129	–	–	–
<b>Total Revenue</b>	<b>223,926</b>	<b>108,739</b>	<b>332,665</b>	<b>31,796</b>	<b>–</b>	<b>31,796</b>
<b>(b) Other income</b>						
Gains on investments	64	64,767	64,831	–	–	–
Profit on sale of shares in controlled entities	–	–	–	–	–	–
Other	2,694	–	2,694	249	–	249
	2,758	64,767	67,525	249	–	249
	<b>226,684</b>	<b>173,506</b>	<b>400,190</b>	<b>32,045</b>	<b>–</b>	<b>32,045</b>

## 5. Share of Equity Profits

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>For year ended 30 June 2007</b>						
Share of profit of associate	<b>7,810</b>	–	<b>7,810</b>	–	–	–
<b>For year ended 30 June 2006</b>						
Share of profit of associate	<b>7,130</b>	–	<b>7,130</b>	–	–	–

## 6. Expenses

For the year ended 30 June 2007	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
Profit before income tax includes the following specific expenses:						
<b>Finance costs:</b>						
Interest – non-related entities	952	–	952	1,109	–	1,109
Discount on deferred settlement payment	1,306	–	1,306	1,280	–	1,280
	<b>2,258</b>	<b>–</b>	<b>2,258</b>	<b>2,389</b>	<b>–</b>	<b>2,389</b>
<b>Expenses, excluding finance costs:</b>						
Net movement in provision for doubtful debts in respect of amounts receivable from:						
– controlled entity	–	–	–	1,550	–	1,550
– related parties	724	–	724	–	–	–
Depreciation of plant and equipment	1,273	–	1,273	634	–	634
Loss on disposal of assets	13	–	13	–	–	–
Amortisation of software and infrastructure projects	839	–	839	–	–	–
Amortisation of adviser relationships	858	–	858	–	–	–
Goodwill impairment	99	–	99	–	–	–
Operating lease rental expenses:						
– Non-related entities	4,165	–	4,165	–	–	–
Occupancy related expenses	461	–	461	844	–	844
Net transfers to employee provisions	3,542	–	3,542	543	–	543
Salaries and related expenses (Note 6(a))	49,633	–	49,633	4,824	–	4,824
Employee Share-based payments expense	3,223	–	3,223	2,299	–	2,299
Employee Defined contribution plan expense	3,674	–	3,674	720	–	720
Commission, rebates and management fees:						
– Associate entity	19,771	–	19,771	–	–	–
– Benefit funds	–	16,628	16,628	–	–	–
– Non-related entities	115,083	4,472	119,555	–	–	–
Investment contracts with DPF:						
– Benefits and withdrawals paid	–	85,104	85,104	–	–	–
– Decrease in policyholder liabilities	–	(58,822)	(58,822)	–	–	–
Termination bonuses	–	681	681	–	–	–
Distribution to policyholders	–	123,072	123,072	–	–	–
Bad debts written off	135	–	135	135	–	135
Professional fees	11,696	22	11,718	3,870	–	3,870
Marketing	4,859	–	4,859	49	–	49
Deferred acquisition costs amortisation	3,981	–	3,981	–	–	–
Computer maintenance and support	5,527	–	5,527	482	–	482
Office support	4,906	–	4,906	864	–	864
Travel and entertainment	3,331	–	3,331	192	–	192
Revaluation of shareholder liabilities	4,132	–	4,132	–	–	–
Other expenses from ordinary activities	3,964	421	4,385	876	–	876
	<b>245,889</b>	<b>171,578</b>	<b>417,467</b>	<b>17,882</b>	<b>–</b>	<b>17,882</b>
<b>Life Insurance operating expenses include:</b>						
Outward reinsurance expense	–	388	388	–	–	–
Policy payments/claims	–	284	284	–	–	–
Movement in policyholder liabilities	–	(33)	(33)	–	–	–
Operating expenses	–	89	89	–	–	–
	<b>–</b>	<b>728</b>	<b>728</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total expenses, excluding finance costs</b>	<b>245,889</b>	<b>172,306</b>	<b>418,195</b>	<b>17,882</b>	<b>–</b>	<b>17,882</b>

Note 6(a) – In respect of the Parent, salaries of \$4,048,944 have been recharged to other entities of the IOOF Group.

## 6. Expenses (continued)

For the year ended 30 June 2006	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
Profit before income tax includes the following specific expenses:						
<b>Finance costs:</b>						
Interest – non-related entities	13	–	13	6	–	6
<b>Expenses, excluding finance costs:</b>						
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
Amortisation of software and infrastructure projects	1,163	–	1,163	–	–	–
Amortisation of adviser relationships	169	–	169	–	–	–
Loss on disposal of plant and equipment	47	–	47	–	–	–
Losses on investments	318	35,901	36,219	187	–	187
Operating lease rental expenses:						
– Non-related entities	3,895	–	3,895	656	–	656
– Surplus lease space	47	–	47	–	–	–
Occupancy related expenses	487	–	487	313	–	313
Net transfers to employee provisions	3,143	–	3,143	407	–	407
Salaries and related expenses (Note 6(b))	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, rebates and management fees:						
– Associate 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	–	47,713	47,713	–	–	–
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	–	–	–
Revaluation of shareholder liabilities	1,710	–	1,710	–	–	–
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
	204,976	142,606	347,582	12,915	–	12,915
<b>Life Insurance operating expenses include:</b>						
Outward reinsurance expense	–	413	413	–	–	–
Policy payments/claims	–	468	468	–	–	–
Operating expenses	–	101	101	–	–	–
	–	982	982	–	–	–
<b>Total expenses, excluding finance costs</b>	<b>204,976</b>	<b>143,588</b>	<b>348,564</b>	<b>12,915</b>	<b>–</b>	<b>12,915</b>

Note 6(b) – In respect of the Parent, salaries of \$2,404,145 have been recharged to other entities of the IOOF Group.

## 7. Income Tax Expense

For the year ended 30 June 2007	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>(a) Income tax expense</b>						
Current tax	9,244	29,478	38,722	(543)	–	(543)
Deferred tax	30	4,858	4,888	(209)	–	(209)
Recognition of tax losses and deferred tax balances	(1,437)	–	(1,437)	–	–	–
Under/(over) provided in prior years	(477)	(660)	(1,137)	52	–	52
Income tax expense attributed to Profit from continuing operations	<b>7,360</b>	<b>33,676</b>	<b>41,036</b>	<b>(700)</b>	<b>–</b>	<b>(700)</b>
Deferred income tax (revenue)/expense included in income tax expense comprises:						
Decrease/(increase) in deferred tax assets (Note 15)	751	(339)	412	(195)	–	(195)
(Decrease)/increase in deferred tax liabilities (Note 19)	(721)	5,197	4,476	(14)	–	(14)
	30	4,858	4,888	(209)	–	(209)
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>						
Profit from operations before income tax expense and items eliminated on consolidation	29,446	36,104	65,550	19,588	–	19,588
Inter-group interest income eliminated on consolidation	2,270	(2,270)	–	–	–	–
Profit from continuing operations before income tax expense	<b>31,716</b>	<b>33,834</b>	<b>65,550</b>	<b>19,588</b>	<b>–</b>	<b>19,588</b>
Tax at the Australian tax rate of 30%	9,515	10,150	19,665	5,877	–	5,877
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:						
– Share of tax credits with Benefit Funds	2,976	(2,970)	6	–	–	–
– Tax on distribution to policyholders	–	27,156	27,156	–	–	–
– Recognition of tax losses and deferred tax balances	(1,437)	–	(1,437)	–	–	–
– Non assessable income	(3,786)	–	(3,786)	(6,629)	–	(6,629)
– Tax losses not recognised and imputation credits	569	–	569	–	–	–
	7,837	34,336	42,173	(752)	–	(752)
Under/(over) provided in prior years	(477)	(660)	(1,137)	52	–	52
Income tax expense/(benefit)	<b>7,360</b>	<b>33,676</b>	<b>41,036</b>	<b>(700)</b>	<b>–</b>	<b>(700)</b>
<b>(c) Amounts recognised directly in equity</b>	–	–	–	–	–	–
<b>(d) Tax consolidation</b>						
IOOF Holdings Ltd and its wholly owned entities have implemented the tax consolidation legislation.						
The entities have entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly owned entities fund 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 funded by the wholly owned entities each month. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by IOOF Holdings Ltd.						
Taxable income for the tax consolidated group includes the profit generated by IOOF Ltd benefit funds, which is distributable to policyholders of the Benefit Fund. The profit of these funds forms part of the consolidated profit for the calculation of the tax expense.						
<b>(e) Tax losses</b>						
Unused tax losses for which no deferred tax asset has been recognised	4,862	–	4,862	–	–	–
Potential tax benefit at 30% not recognised	1,459	–	1,459	–	–	–

## 7. Income Tax Expense (continued)

For the year ended 30 June 2006	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>(a) Income tax expense</b>						
Current tax	9,309	26,829	36,138	852	–	852
Deferred tax	(1,421)	(613)	(2,034)	(175)	–	(175)
Derecognition of tax losses and deferred tax balances	773	–	773	–	–	–
Under/(over) provided in prior years	(436)	(106)	(542)	56	–	56
Income tax expense is attributed to Profit from continuing operations	<b>8,225</b>	<b>26,110</b>	<b>34,335</b>	<b>733</b>	<b>–</b>	<b>733</b>
Deferred income tax (revenue)/expense included in income tax expense comprises:						
Decrease/(increase) in deferred tax assets (Note 15)	(798)	(111)	(909)	(174)	–	(174)
(Decrease)/increase in deferred tax liabilities (Note 19)	(623)	(502)	(1,125)	(1)	–	(1)
	(1,421)	(613)	(2,034)	(175)	–	(175)
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>						
Profit from operations before income tax expense and items eliminated on consolidation	28,825	29,918	58,743	19,124	–	19,124
Inter-group interest income eliminated on consolidation	3,695	(3,695)	–	–	–	–
Profit from continuing operations before income tax expense	<b>32,520</b>	<b>26,223</b>	<b>58,743</b>	<b>19,124</b>	<b>–</b>	<b>19,124</b>
Tax at the Australian tax rate of 30%	9,756	7,867	17,623	5,737	–	5,737
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 distribution to policyholders	–	20,893	20,893	–	–	–
– Derecognition of tax losses and deferred tax balances	773	–	773	–	–	–
– Non assessable income	(3,337)	–	(3,337)	(5,060)	–	(5,060)
– Imputation credits and tax losses not recognised	(1,523)	–	(1,523)	–	–	–
	8,661	26,216	34,877	677	–	677
Under/(over) provided in prior years	(436)	(106)	(542)	56	–	56
Income tax expense	<b>8,225</b>	<b>26,110</b>	<b>34,335</b>	<b>733</b>	<b>–</b>	<b>733</b>
<b>(c) Amounts recognised directly in equity</b>	–	–	–	–	–	–
<b>(d) Tax losses</b>						
Unused tax losses for which no deferred tax asset has been recognised	4,862	–	4,862	–	–	–
Potential tax benefit at 30% not recognised	1,459	–	1,459	–	–	–

## 8. Revision of an Accounting Estimate and Correction of Error

The estimated useful life of the adviser relationships intangible asset had previously been assessed as three years. Based on current experience, the useful life has been reassessed as five years. The impact of this revision in accounting estimate is that the amount of amortisation recognised during the year ended 30 June 2007 is reduced by \$571,885 from \$1,429,712 to \$857,827. In each of the years ended 30 June 2008 and 30 June 2009, the reduction in amortisation expense is expected to be \$571,885. In the years ended 30 June 2010 and 30 June 2011, it is expected that amortisation expense will increase by \$857,827.

An adjustment has been made to the year ended 30 June 2006 comparative figures within the 30 June 2007 financial statements. This adjustment relates to the recognition of an obligation to buy back subsidiary shareholders equity where certain circumstances occur. The adjustment has the effect of recognising an obligation of \$16,124,520 to subsidiaries shareholders. As a consequence, minority interest of \$1,727,005 has been derecognised with \$14,397,515 being recognised as goodwill.

## 9. Cash And Cash Equivalents

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Cash at bank	39,250	18,432	57,682	1,202	–	1,202
Unlisted Unit Trusts – related party	–	451,598	451,598	–	–	–
	<b>39,250</b>	<b>470,030</b>	<b>509,280</b>	<b>1,202</b>	<b>–</b>	<b>1,202</b>
<b>30 June 2006</b>						
Cash at bank	17,106	17,821	34,927	1,748	–	1,748
Deposits at call	667	–	667	667	–	667
Unlisted Unit Trusts – related party	–	466,791	466,791	41,575	–	41,575
	<b>17,773</b>	<b>484,612</b>	<b>502,385</b>	<b>43,990</b>	<b>–</b>	<b>43,990</b>

Cash at bank and Deposits at call are interest bearing at floating rate interest rates between 5.45% and 5.78% (2006 – 4.86% and 5.53%). The Unlisted Unit Trusts – related party is an investment in Perennial Wholesale Sectoral Unit Trusts.

## 10. Receivables

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Receivables	9,062	3,250	12,312	242	–	242
Interest receivable – other	–	2,122	2,122	–	–	–
Interest receivable – related parties	695	–	695	–	–	–
Amounts receivable from controlled entities	–	–	–	1,835	–	1,835
Provision for doubtful debts	(1,488)	–	(1,488)	(1,711)	–	(1,711)
	8,269	5,372	13,641	366	–	366
Distributions receivable – other non related entity	–	29,508	29,508	–	–	–
Dividends receivable – other non related entities	–	1,685	1,685	–	–	–
Insurance contract asset	–	10	10	–	–	–
Gross policy liabilities ceded under reinsurance	–	261	261	–	–	–
Amounts receivable from related parties	16,311	–	16,311	–	–	–
Tax related receivable from controlled entities	–	–	–	26,231	–	26,231
	<b>24,580</b>	<b>36,836</b>	<b>61,416</b>	<b>26,597</b>	<b>–</b>	<b>26,597</b>
<b>30 June 2006</b>						
Receivables	6,167	5,093	11,260	334	–	334
Amounts receivable from controlled entities	–	–	–	2,958	–	2,958
Provision for doubtful debts	(2,145)	–	(2,145)	(27)	–	(27)
	4,022	5,093	9,115	3,265	–	3,265
Interest receivable – related parties	746	171	917	–	–	–
Interest receivable – other	2	1,698	1,700	–	–	–
Distributions receivable – other non related entity	–	24,263	24,263	598	–	598
Insurance contract asset	–	117	117	–	–	–
Gross policy liabilities ceded under reinsurance	–	446	446	–	–	–
Amounts receivable from related parties	17,620	–	17,620	–	–	–
Tax related receivable from controlled entities	–	–	–	25,137	–	25,137
	<b>22,390</b>	<b>31,788</b>	<b>54,178</b>	<b>29,000</b>	<b>–</b>	<b>29,000</b>
<b>(a) Maturity</b>						
<b>30 June 2007</b>						
Expected to be realised within 12 months	24,580	36,836	61,416	26,597	–	26,597
Expected to be realised after 12 months	–	–	–	–	–	–
	24,580	36,836	61,416	26,597	–	26,597
<b>30 June 2006</b>						
Expected to be realised within 12 months	22,390	31,788	54,178	29,000	–	29,000
Expected to be realised after 12 months	–	–	–	–	–	–
	22,390	31,788	54,178	29,000	–	29,000

## 11. Other Financial Assets

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
<b>Investments in subsidiaries – at cost</b>	–	–	–	215,900	–	215,900
<b>Fair value through profit or loss</b>						
– Shares in listed corporations	–	359,281	359,281	–	–	–
– Certificates of deposit and Bank bills	–	105,696	105,696	–	–	–
– Debt securities	–	264,247	264,247	–	–	–
– Unlisted unit trusts	266	188,294	188,560	–	–	–
	266	917,518	917,784	–	–	–
<b>Available for sale</b>						
– Shares in other corporations	2,342	–	2,342	–	–	–
	2,342	–	2,342	–	–	–
<b>Loans and Receivables</b>						
– Mortgages	128	1,518	1,646	128	–	128
– Loans to Policyholders	–	9,348	9,348	–	–	–
– Loans to directors of associate entities (Note 37(d))	790	–	790	–	–	–
– Loan to related parties (Note 37(e))	97	–	97	33	–	33
– Loans to directors of controlled entities (Note 37(d))	1,060	–	1,060	–	–	–
– Loans to executives of related entities (Note 37(f))	880	–	880	–	–	–
– Loan to controlled entities (Note 37(g))	–	–	–	37,923	–	37,923
– Subordinated loan receivable from controlled entity (Note 37(h))	–	–	–	2,818	–	2,818
– Regulatory deposits (Note 11(a))	86	–	86	–	–	–
	3,041	10,866	13,907	40,902	–	40,902
	<b>5,649</b>	<b>928,384</b>	<b>934,033</b>	<b>256,802</b>	<b>–</b>	<b>256,802</b>
<b>30 June 2006</b>						
<b>Investments in subsidiaries – at cost</b>	–	–	–	111,840	–	111,840
<b>Fair value through profit or loss</b>						
– Shares in listed corporations	–	302,665	302,665	–	–	–
– Certificates of deposit and Bank bills	–	263,240	263,240	–	–	–
– Debt securities	–	182,109	182,109	–	–	–
– Unlisted unit trusts	245	161,853	162,098	–	–	–
	245	909,867	910,112	–	–	–
<b>Available for sale</b>						
– Shares in other corporations	2,042	–	2,042	–	–	–
	2,042	–	2,042	–	–	–
<b>Loans and Receivables</b>						
– Mortgages	116	2,100	2,216	116	–	116
– Loans to Policyholders	–	8,441	8,441	–	–	–
– Loans to directors of associate entities (Note 37(d))	1,790	–	1,790	–	–	–
– Loan to related parties (Note 37(e))	184	–	184	84	–	84
– Loans to directors of controlled entities (Note 37(d))	2,395	–	2,395	–	–	–
– Loans to past directors of controlled entities (Note 37(d))	20	–	20	–	–	–
– Loans to executives of related entities (Note 37(f))	1,363	–	1,363	–	–	–
– Loan to controlled entity (Note 37(g))	–	–	–	33,392	–	33,392
– Subordinated loan receivable from controlled entity (Note 37(h))	–	–	–	2,818	–	2,818
– Regulatory deposits (Note 11(a))	104	–	104	–	–	–
	5,972	10,541	16,513	36,410	–	36,410
	<b>8,259</b>	<b>920,408</b>	<b>928,667</b>	<b>148,250</b>	<b>–</b>	<b>148,250</b>

## 11. Other Financial Assets (continued)

### (a) Regulatory deposits

\$85,570 (2006: \$104,375) is held in cash to satisfy Australian Financial Services Licence requirements. This amount is not available for use.

### (b) Mortgages

Mortgages are stated at fair value and have a weighted average yield of 7.89%. They are expected to mature after 12 months from the financial year end.

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>(c) Maturity</b>						
<b>30 June 2007</b>						
Expected to be realised within 12 months	–	114,648	114,648	972	–	972
Expected to be realised after 12 months	5,649	813,736	819,385	255,830	–	255,830
	5,649	928,384	934,033	256,802	–	256,802
<b>30 June 2006</b>						
Expected to be realised within 12 months	–	84,281	84,281	1,535	–	1,535
Expected to be realised after 12 months	8,259	836,127	844,386	146,220	–	146,220
	8,259	920,408	928,667	147,755	–	147,755

## 12. Investments Accounted For Using The Equity Method

	Consolidated		
	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>			
Investment in associated companies	<b>8,369</b>	–	<b>8,369</b>
Reconciliation of carrying amounts:			
Balance at beginning of year	2,762	–	2,762
Dividend received	(7,428)	–	(7,428)
Share of operating profit after tax	7,810	–	7,810
Additional equity acquired	5,225	–	5,225
	8,369	–	8,369
<b>30 June 2006</b>			
Investment in associated companies	<b>2,762</b>	–	<b>2,762</b>
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

## 12. Investments Accounted For Using The Equity Method (continued)

(a) At 30 June 2007, Perennial Investment Partners Limited (a subsidiary of IOOF Investment Management Limited) had a 52.3% (50%: 30 June 2006) shareholding interest in Perennial Value Management Limited with a 42.3% (40%: 30 June 2006) dividend entitlement to the profits of Perennial Value Management Limited. Due to the voting rights associated with different classes of shares in Perennial Value Management Limited, 52.3% ownership interest does not result in control. However, 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.

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

	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(Loss) \$'000
<b>30 June 2007</b>				
Perennial Value Management Limited	5,471	1,795	12,848	7,810
<b>30 June 2006</b>				
Perennial Value Management Limited	4,588	1,479	11,900	7,130

(c) The associate does not have any contingent liabilities, capital or lease commitments.

(d) 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.

## 13. Other Assets

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Prepayments	5,899	–	5,899	10,173	–	10,173
Deferred acquisition costs (Note 1(m))	10,240	–	10,240	–	–	–
	<b>16,139</b>	<b>–</b>	<b>16,139</b>	<b>10,173</b>	<b>–</b>	<b>10,173</b>
<b>30 June 2006</b>						
Prepayments	1,511	–	1,511	7,487	–	7,487
Deferred acquisition costs (Note 1(m))	11,841	–	11,841	–	–	–
	<b>13,352</b>	<b>–</b>	<b>13,352</b>	<b>7,487</b>	<b>–</b>	<b>7,487</b>
<b>(a) Maturity</b>						
<b>30 June 2007</b>						
Expected to be realised within 12 months	8,610	–	8,610	2,542	–	2,542
Expected to be realised after 12 months	7,529	–	7,529	7,631	–	7,631
	<b>16,139</b>	<b>–</b>	<b>16,139</b>	<b>10,173</b>	<b>–</b>	<b>10,173</b>
<b>30 June 2006</b>						
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
	<b>13,352</b>	<b>–</b>	<b>13,352</b>	<b>7,487</b>	<b>–</b>	<b>7,487</b>

## 14. Plant And Equipment

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
<b>Office Equipment</b>						
Cost	4,127	–	4,127	157	–	157
Accumulated depreciation	(2,414)	–	(2,414)	(99)	–	(99)
	1,713	–	1,713	58	–	58
<b>Leasehold Improvements</b>						
Cost	5,257	–	5,257	2,758	–	2,758
Accumulated depreciation	(3,723)	–	(3,723)	(1,331)	–	(1,331)
	1,534	–	1,534	1,427	–	1,427
<b>Total Plant and Equipment</b>						
Cost	9,384	–	9,384	2,915	–	2,915
Accumulated depreciation	(6,137)	–	(6,137)	(1,430)	–	(1,430)
	<b>3,247</b>	<b>–</b>	<b>3,247</b>	<b>1,485</b>	<b>–</b>	<b>1,485</b>
	Office Equipment \$'000	Leasehold	Total \$'000	Office Equipment \$'000	Leasehold	Total \$'000
<b>Reconciliation of movements</b>						
Carrying amount at beginning of year	1,764	831	2,595	84	744	828
Additions	606	1,338	1,944	6	1,293	1,299
Disposals	(15)	(4)	(19)	–	(8)	(8)
Depreciation	(642)	(631)	(1,273)	(32)	(602)	(634)
<b>Carrying amount at end of year</b>	1,713	1,534	3,247	58	1,427	1,485
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2006</b>						
<b>Office Equipment</b>						
Cost	3,605	–	3,605	151	–	151
Accumulated depreciation	(1,841)	–	(1,841)	(67)	–	(67)
	1,764	–	1,764	84	–	84
<b>Leasehold Improvements</b>						
Cost	3,924	–	3,924	1,473	–	1,473
Accumulated depreciation	(3,093)	–	(3,093)	(729)	–	(729)
	831	–	831	744	–	744
<b>Total Plant and Equipment</b>						
Cost	7,529	–	7,529	1,624	–	1,624
Accumulated depreciation	(4,934)	–	(4,934)	(796)	–	(796)
	<b>2,595</b>	<b>–</b>	<b>2,595</b>	<b>828</b>	<b>–</b>	<b>828</b>
	Office Equipment \$'000	Leasehold	Total \$'000	Office Equipment \$'000	Leasehold	Total \$'000
<b>Reconciliation of movements</b>						
Carrying amount at beginning of year	776	1,172	1,948	87	1,081	1,168
Additions	1,431	75	1,506	29	34	63
Disposals	(25)	–	(25)	–	–	–
Depreciation	(418)	(416)	(834)	(32)	(371)	(403)
<b>Carrying amount at end of year</b>	1,764	831	2,595	84	744	828

## 15. Deferred Tax Assets

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Deferred tax asset (Note 15(a))	<b>7,006</b>	–	<b>7,006</b>	<b>4,601</b>	–	<b>4,601</b>
<b>30 June 2006</b>						
Deferred tax asset (Note 15(a))	<b>4,803</b>	<b>10</b>	<b>4,813</b>	<b>2,199</b>	–	<b>2,199</b>
<b>(a) Deferred tax asset balance comprises temporary differences attributable to:</b>						
<b>30 June 2007</b>						
Employee benefits	2,458	–	2,458	196	–	196
Doubtful Debts	524	–	524	513	–	513
Provision for legal costs	782	–	782	782	–	782
Provisions, accruals and creditors	2,556	10	2,566	617	–	617
Fixed assets, computer software and infrastructure projects	1,536	3	1,539	249	–	249
Other, mainly tax losses not previously recognised	2,271	453	2,724	2,244	–	2,244
Deferred Tax Asset closing balance at 30 June 2007	10,127	466	10,593	4,601	–	4,601
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 19)	(3,121)	(466)	(3,587)	–	–	–
<b>Net Deferred Tax Asset closing balance at 30 June 2007</b>	<b>7,006</b>	<b>–</b>	<b>7,006</b>	<b>4,601</b>	<b>–</b>	<b>4,601</b>
<b>30 June 2006</b>						
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 19)	(3,948)	(117)	(4,065)	(14)	–	(14)
<b>Net Deferred Tax Asset closing balance at 30 June 2006</b>	<b>4,803</b>	<b>10</b>	<b>4,813</b>	<b>2,199</b>	<b>–</b>	<b>2,199</b>
<b>(b) Reconciliation of movements</b>						
<b>30 June 2007</b>						
Carrying amount at beginning of year	8,751	127	8,878	2,213	–	2,213
Adjustments to opening balance	551	–	551	–	–	–
Adjustments per Income tax return	(286)	–	(286)	3	–	3
Tax Losses	2,189	–	2,189	2,190	–	2,190
Credit/(Charge) to Income Statement (Note 7)	(751)	339	(412)	195	–	195
Writeback of Deferred Tax Asset	(327)	–	(327)	–	–	–
<b>Carrying amount at end of year</b>	<b>10,127</b>	<b>466</b>	<b>10,593</b>	<b>4,601</b>	<b>–</b>	<b>4,601</b>
<b>30 June 2006</b>						
Carrying amount at beginning of year	8,283	16	8,299	2,029	–	2,029
Adjustments to opening balance	447	–	447	(2)	–	(2)
Transfers 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)	–	–	–
<b>Carrying amount at end of year</b>	<b>8,751</b>	<b>127</b>	<b>8,878</b>	<b>2,213</b>	<b>–</b>	<b>2,213</b>
<b>(c) Maturity</b>						
<b>30 June 2007</b>						
Recoverable within 12 months	7,453	13	7,466	2,945	–	2,945
Recoverable after 12 months	2,674	453	3,127	1,656	–	1,656
	<b>10,127</b>	<b>466</b>	<b>10,593</b>	<b>4,601</b>	<b>–</b>	<b>4,601</b>
<b>30 June 2006</b>						
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
	<b>8,751</b>	<b>127</b>	<b>8,878</b>	<b>2,213</b>	<b>–</b>	<b>2,213</b>

## 16. Intangible Assets

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Computer Software and Infrastructure projects – at cost	16,063	–	16,063	–	–	–
Accumulated amortisation and impairment	(15,070)	–	(15,070)	–	–	–
	993	–	993	–	–	–
Adviser relationships	4,289	–	4,289	–	–	–
Accumulated amortisation and impairment	(1,027)	–	(1,027)	–	–	–
	3,262	–	3,262	–	–	–
Goodwill	193,074	–	193,074	–	–	–
Accumulated amortisation and impairment	(99)	–	(99)	–	–	–
	192,975	–	192,975	–	–	–
	<b>197,230</b>	<b>–</b>	<b>197,230</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>30 June 2006</b>						
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	(169)	–	(169)	–	–	–
	4,120	–	4,120	–	–	–
Goodwill	85,125	–	85,125	–	–	–
Accumulated amortisation and impairment	–	–	–	–	–	–
	85,125	–	85,125	–	–	–
	<b>90,887</b>	<b>–</b>	<b>90,887</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Consolidated 2007				Consolidated 2006			
	Software & Projects \$'000	Adviser Relationships \$'000	Goodwill \$'000	Total \$'000	Software & Projects \$'000	Adviser Relationships \$'000	Goodwill \$'000	Total \$'000
<b>Reconciliation of movements</b>								
Carrying amount at beginning of year	1,642	4,120	85,125	90,887	1,652	–	70,004	71,656
Additions	190	–	107,949	108,139	1,153	–	14,398	15,551
Additions through business combination	–	–	–	–	–	4,289	723	5,012
Amortisation and impairment	(839)	(858)	(99)	(1,796)	(1,163)	(169)	–	(1,332)
<b>Carrying amount at end of year</b>	<b>993</b>	<b>3,262</b>	<b>192,975</b>	<b>197,230</b>	<b>1,642</b>	<b>4,120</b>	<b>85,125</b>	<b>90,887</b>

### (a) Impairment tests for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:	2007 \$'000	2006 \$'000
IOOF Investment Management Limited	54,448	54,448
IOOF Ltd	11,970	11,970
Perennial Group	125,834	17,984
Consultum Financial Advisers Pty Ltd	723	723
	<b>192,975</b>	<b>85,125</b>

## 16. Intangible Assets (continued)

The recoverable amounts for IOOF Investment Management Limited and IOOF Ltd have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Discount rates and further cash flows reflect specific circumstances and risks relating to the relevant CGU as stated below. Management's assessment of Goodwill's value-in-use materially exceeds the value of Goodwill allocated to these CGUs, therefore any significant changes to assumptions used in management's assessment will not result in impairment.

For IOOF Investment Management Limited, cash inflows for years 2 – 4 have been increased at a rate of 10.3% per annum in accordance with the estimated compounding annual growth rate for Australian Investment Fund assets for the 5 years to March 2006. Cash outflows for years 2 – 4 have been increased at a rate of 4.25% as an estimate of expected Australian wages growth. Cash inflows and outflows for year 5 have been increased at a rate of 4.25% per annum. A growth rate of zero has been applied from Year 5 into perpetuity. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used is 16.4% pre-tax.

For IOOF Ltd, cash flows have been projected for a nine year period beyond the initial financial budget with no ongoing cash flows expected beyond that period of time. Cash inflows for years 2 – 10 have been held constant in accordance with management's assessment of past performance and future expectations given the long-term nature of the products. Cash outflows for years 2 – 10 have been increased at a rate of 4.5% as an estimate of expected Australian wages growth. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used is 15.1% pre-tax.

In respect of the Perennial Group, goodwill of \$106,420,000 arose from the acquisition of equity in Perennial Investment Partners Limited and Perennial Fixed Interest Partners Pty Ltd. These represent recently concluded arms length transactions between knowledgeable and willing parties attesting to genuine market value.

An additional \$19,414,000 of goodwill arose on recognition of the obligation to acquire shares from equity holders under shareholding agreements with Perennial executives. The recoverable amounts have been based on fair value calculations. In respect of Perennial Fixed Interest Partners Pty Ltd, the fair value represents the value derived from a recently concluded arms length transaction between knowledgeable and willing parties attesting to a genuine market value. In respect of Perennial Growth Management Pty Ltd, the calculations used an appropriate market-based earnings multiple of 14 times net profit after tax for the year ended 30 June 2007. The earnings multiple equates to recently observed sales of equities in Perennial subsidiaries.

For Consultum Financial Advisers Pty Ltd, Management has made an estimate of the improvement in cash flows over a 4 year period arising from the acquisition of Financial Partnership Pty Ltd. Cash flow savings have been assessed over 4 years in accordance with management's estimate of the remaining life of the adviser book acquired. A discount rate of 7% has been applied to these cash flows as this rate represents the funding rate applicable to cash flows of this nature. Management's calculations of discounted net cash flows materially exceeds the value of Goodwill allocated to this CGU, therefore any significant change of management's assumptions will not result in impairment.

### (b) Restatement of prior year

As disclosed on Note 8, goodwill has been recognised in respect of obligations to acquire shares from minority shareholders in Perennial subsidiaries.

## 17. Payables

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Accounts payable	21,492	1,703	23,195	1,303	–	1,303
Amounts payable to other related parties	1,113	–	1,113	12	–	12
Tax related payable to controlled entities	–	–	–	1,578	–	1,578
Other creditors – employee entitlements	8,501	–	8,501	1,182	–	1,182
	<b>31,106</b>	<b>1,703</b>	<b>32,809</b>	<b>4,075</b>	<b>–</b>	<b>4,075</b>
<b>30 June 2006</b>						
Accounts payable	20,886	251	21,137	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
	<b>30,054</b>	<b>251</b>	<b>30,305</b>	<b>5,041</b>	<b>–</b>	<b>5,041</b>

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

## 18. Borrowings

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
<b>Unsecured and Non-Traded</b>						
Cash Advance Facility	33,500	–	33,500	33,500	–	33,500
Loan from controlled entity	–	–	–	5,000	–	5,000
	33,500	–	33,500	38,500	–	38,500

No borrowings existed at 30 June 2006.

The Cash Advance Facility is provided under an Australian dollar line of credit facility, to which unrestricted access was available at balance date as follows:

	Consolidated		
	2007 \$'000		2006 \$'000
Total Cash Advance Facility	35,000		20,000
Used at balance date	33,500		–
Unused at balance date	1,500		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. The base interest rate is the Reuters BBSY bid rate for that year on the first day of the year drawn down.

During the year, the facility was increased to \$35,000,000. The current interest rate is 6.92% on the Cash Advance Facility. The effective interest rates vary between 6.81% and 6.92%.

The financial liability under the Cash Advance Facility has a fair value equal to its carrying amount.

## 19. Tax Liabilities

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Current Income tax payable	18,950	–	18,950	18,095	–	18,095
Deferred tax liability (Note 19(a))	–	29,713	29,713	–	–	–
<b>30 June 2006</b>						
Current Income tax payable	26,678	–	26,678	25,418	–	25,418
Deferred tax liability (Note 19(a))	–	24,865	24,865	–	–	–
<b>(a) Non-Current Deferred tax liability comprises temporary differences attributable to:</b>						
<b>30 June 2007</b>						
Unrealised gains	–	30,123	30,123	–	–	–
Deferred acquisition costs	1,707	–	1,707	–	–	–
Prepayments	1	–	1	–	–	–
Depreciation	3	–	3	–	–	–
Interest receivable	6	56	62	–	–	–
Other	1,404	–	1,404	–	–	–
Deferred Tax Liability closing balance at 30 June 2007	3,121	30,179	33,300	–	–	–
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 15)	(3,121)	(466)	(3,587)	–	–	–
<b>Net Deferred Tax Liability closing balance at 30 June 2007</b>	–	29,713	29,713	–	–	–

## 19. Tax Liabilities (continued)

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2006</b>						
Unrealised gains	2	24,925	24,927	–	–	–
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	28,930	14	–	14
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 15)	(3,948)	(117)	(4,065)	(14)	–	(14)
<b>Net Deferred Tax Liability closing balance at 30 June 2006</b>	–	24,865	24,865	–	–	–
<b>(b) Reconciliation of movements</b>						
<b>30 June 2007</b>						
Carrying amount at beginning of year	3,948	24,982	28,930	14	–	14
Adjustments to opening balance	217	–	217	–	–	–
Writeback of Deferred Tax Liability	(323)	–	(323)	–	–	–
(Credited)/Charged to Income Statement (Note 7)	(721)	5,197	4,476	(14)	–	(14)
<b>Carrying amount at end of year</b>	3,121	30,179	33,300	–	–	–
<b>30 June 2006</b>						
Carrying amount at beginning of year	4,852	25,481	30,333	14	–	14
Adjustments to opening balance	(175)	3	(172)	–	–	–
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)
<b>Carrying amount at end of year</b>	3,948	24,982	28,930	14	–	14
<b>(c) Maturity:</b>						
<b>30 June 2007</b>						
Payable within 12 months	488	56	544	–	–	–
Payable after 12 months	2,633	30,123	32,756	–	–	–
	3,121	30,179	33,300	–	–	–
<b>30 June 2006</b>						
Payable within 12 months	712	60	772	–	–	–
Payable after 12 months	3,236	24,922	28,158	14	–	14
	3,948	24,982	28,930	14	–	14

## 20. Provisions

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Employee entitlements	3,074	–	3,074	335	–	335
Directors' retirement	653	–	653	653	–	653
Deferred Settlement	37,183	–	37,183	37,183	–	37,183
Other provisions	4,210	–	4,210	3,261	–	3,261
	<b>45,120</b>	<b>–</b>	<b>45,120</b>	<b>41,432</b>	<b>–</b>	<b>41,432</b>
<b>30 June 2006</b>						
Employee entitlements	2,438	–	2,438	312	–	312
Directors' retirement	562	–	562	562	–	562
Other provisions	3,832	–	3,832	2,761	–	2,761
	<b>6,832</b>	<b>–</b>	<b>6,832</b>	<b>3,635</b>	<b>–</b>	<b>3,635</b>

### (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.

#### *Deferred Settlement*

The deferred settlement relates to a final payment due to parties to the acquisition of minority interest of Perennial Investment Partners Limited due in June 2009.

#### *Other provisions*

Provisions have been made for the present value of the Directors' best estimates of 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.

### (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	Deferred Settlement \$'000	Other Provisions \$'000
Balance at beginning of the year	562	–	3,832
Additional provisions recognised	91	37,183	378
<b>Balance at end of the year</b>	<b>653</b>	<b>37,183</b>	<b>4,210</b>

	Parent		
	Directors' Retirement \$'000	Deferred Settlement \$'000	Other Provisions \$'000
Balance at beginning of the year	562	–	2,761
Additional provisions recognised / (derecognised)	91	37,183	500
<b>Balance at end of the year</b>	<b>653</b>	<b>37,183</b>	<b>3,261</b>

## 20. Provisions (continued)

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>(c) Maturity</b>						
<b>30 June 2007</b>						
Payable within 12 months	4,324	–	4,324	3,283	–	3,283
Payable after 12 months	40,796	–	40,796	38,149	–	38,149
	45,120	–	45,120	41,432	–	41,432
<b>30 June 2006</b>						
Payable within 12 months	2,176	–	2,176	874	–	874
Payable after 12 months	4,656	–	4,656	2,761	–	2,761
	6,832	–	6,832	3,635	–	3,635

## 21. Other Financial Liabilities

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Share buy-back liabilities	20,690	–	20,690	–	–	–
<b>30 June 2006</b>						
Share buy-back liabilities	16,124	–	16,124	–	–	–

A liability has been recognised in respect of an obligation by the Group to buy back vested shares in some Perennial Group subsidiaries under certain circumstances. The prior year has been amended to reflect this transaction. Refer Note 8.

## 22. Deferred Revenue Liability

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Deferred revenue liability	4,967	–	4,967	–	–	–
<b>30 June 2006</b>						
Deferred revenue liability	4,972	–	4,972	–	–	–
<b>(a) Maturity</b>						
<b>30 June 2007</b>						
Expected to be realised within 12 months	994	–	994	–	–	–
Expected to be realised after 12 months	3,973	–	3,973	–	–	–
	4,967	–	4,967	–	–	–
<b>30 June 2006</b>						
Expected to be realised within 12 months	994	–	994	–	–	–
Expected to be realised after 12 months	3,978	–	3,978	–	–	–
	4,972	–	4,972	–	–	–

## 23. Investment Contract Liabilities

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Member liabilities – other investment contracts	–	519,644	519,644	–	–	–
<b>30 June 2006</b>						
Member liabilities – other investment contracts	–	457,678	457,678	–	–	–
<b>(a) Reconciliation of movements in Investment contract liabilities</b>						
<b>30 June 2007</b>						
Investment contract liabilities at 1 July 2006	–	457,678	457,678	–	–	–
Distribution to policy holders	–	73,583	73,583	–	–	–
Investment contract contributions	–	43,783	43,783	–	–	–
Investment contract withdrawals	–	(55,400)	(55,400)	–	–	–
<b>Investment contract liabilities at 30 June 2007</b>	–	519,644	519,644	–	–	–
<b>30 June 2006</b>						
Investment contract liabilities at 30 June 2005	–	1,042,455	1,042,455	–	–	–
AIFRS transitional adjustment	–	(969)	(969)	–	–	–
Less insurance contract liabilities reclassified (Note 24 (a))	–	(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)	–	–	–
<b>Investment contract liabilities at 30 June 2006</b>	–	457,678	457,678	–	–	–
<b>(b) Maturity</b>						
<b>30 June 2007</b>						
Expected to be paid within 12 months	–	40,532	40,532	–	–	–
Expected to be paid after 12 months	–	479,112	479,112	–	–	–
	–	519,644	519,644	–	–	–
<b>30 June 2006</b>						
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	–	–	–

## 24. Insurance Contract Liabilities

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Policyholder liabilities – investment contracts with DPF	–	534,218	534,218	–	–	–
Policy liabilities ceded under reinsurance	–	348	348	–	–	–
	–	<b>534,566</b>	<b>534,566</b>	–	–	–
<b>30 June 2006</b>						
Policyholder liabilities – investment contracts with DPF	–	593,040	593,040	–	–	–
Policy liabilities ceded under reinsurance	–	681	681	–	–	–
	–	<b>593,721</b>	<b>593,721</b>	–	–	–
<b>(a) Reconciliation of movements in Policyholder liabilities:</b>						
<b>30 June 2007</b>						
Insurance contract liabilities at 1 July 2006	–	593,721	593,721	–	–	–
Net increase in life insurance contract policy liabilities	–	19,846	19,846	–	–	–
Life insurance contract contributions	–	6,103	6,103	–	–	–
Life insurance contract withdrawals	–	(85,104)	(85,104)	–	–	–
Insurance contract liabilities at 30 June 2007	–	534,566	534,566	–	–	–
<b>30 June 2006</b>						
Insurance contract liabilities at 1 July 2005	–	453	453	–	–	–
Gross life insurance contract liabilities reclassified at 1 July 2005 (Note 23 (a))	–	629,398	629,398	–	–	–
Net increase 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)	–	–	–
Insurance contract liabilities at 30 June 2006	–	593,721	593,721	–	–	–
<b>(b) Maturity</b>						
<b>30 June 2007</b>						
Expected to be paid within 12 months	–	89,251	89,251	–	–	–
Expected to be paid after 12 months	–	445,315	445,315	–	–	–
	–	<b>534,566</b>	<b>534,566</b>	–	–	–
<b>30 June 2006</b>						
Expected to be paid within 12 months	–	53,848	53,848	–	–	–
Expected to be paid after 12 months	–	539,873	539,873	–	–	–
	–	<b>593,721</b>	<b>593,721</b>	–	–	–

## 25. Outside Interest in Controlled Trusts

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
Outside interest in controlled trusts	–	306,856	306,856	–	–	–
<b>30 June 2006</b>						
Outside interest in controlled trusts	–	251,337	251,337	–	–	–

## 26. Contributed Equity

	No. of shares	Consolidated			Parent		
		Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>							
<b>Ordinary Shares (Note 26(a))</b>							
Balance at the beginning of the year	64,546,226	178,740	–	178,740	178,740	–	178,740
Issued during the year	27,542	290	–	290	290	–	290
<b>Balance at the end of the year</b>	<b>64,573,768</b>	<b>179,030</b>	<b>–</b>	<b>179,030</b>	<b>179,030</b>	<b>–</b>	<b>179,030</b>
<b>Treasury Shares (Note 26(b))</b>							
Balance at the beginning of the year	(1,298,301)	(7,416)	–	(7,416)	–	–	–
Employee shares vested during the year (Note 27)	469,432	2,070	–	2,070	–	–	–
<b>Balance at the end of the year</b>	<b>(828,869)</b>	<b>(5,346)</b>	<b>–</b>	<b>(5,346)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Redeemable Converting Preference Shares (Note 26(c))</b>							
Balance at the beginning of the year	176,012	1,400	–	1,400	1,400	–	1,400
Issued during the year	–	–	–	–	–	–	–
<b>Balance at the end of the year</b>	<b>176,012</b>	<b>1,400</b>	<b>–</b>	<b>1,400</b>	<b>1,400</b>	<b>–</b>	<b>1400</b>

## 26. Contributed Equity (continued)

	No. of shares	Consolidated			Parent		
		Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2006</b>							
<b>Ordinary Shares (Note 26(a))</b>							
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
<b>Balance at the end of the year</b>	<b>64,546,226</b>	<b>178,740</b>	<b>–</b>	<b>178,740</b>	<b>178,740</b>	<b>–</b>	<b>178,740</b>
<b>Treasury Shares (Note 26(b))</b>							
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 27)	108,525	532	–	532	–	–	–
<b>Balance at the end of the year</b>	<b>(1,298,301)</b>	<b>(7,416)</b>	<b>–</b>	<b>(7,416)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Redeemable Converting Preference Shares (Note 26(c))</b>							
Balance at the beginning of the year	–	–	–	–	–	–	–
Issued during the year	176,012	1,400	–	1,400	1,400	–	1,400
<b>Balance at the end of the year</b>	<b>176,012</b>	<b>1,400</b>	<b>–</b>	<b>1,400</b>	<b>1,400</b>	<b>–</b>	<b>1,400</b>

### (a) Ordinary Shares

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.

### (b) Treasury Shares

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

### (c) Redeemable Converting Preference Shares

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 Pty Ltd 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.

### (d) Options

Information relating to options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 36.

## 27. Reserves

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
<b>Reserves</b>						
Asset revaluation reserve	1,071	–	1,071	–	–	–
Share-based payments reserve	2,698	–	2,698	2,554	–	2,554
	<b>3,769</b>	<b>–</b>	<b>3,769</b>	<b>2,554</b>	<b>–</b>	<b>2,554</b>
<b>Movements:</b>						
<b>Asset revaluation reserve</b>						
Balance at the beginning of the year	1,071	–	1,071	–	–	–
Amount recognised during the year	–	–	–	–	–	–
Balance at the end of the year	<b>1,071</b>	<b>–</b>	<b>1,071</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Share-based payments reserve</b>						
Balance at the beginning of the year	2,615	–	2,615	2,615	–	2,615
Amount recognised during the year	2,153	–	2,153	2,009	–	2,009
Shares vested during the year (Note 26)	(2,070)	–	(2,070)	(2,070)	–	(2,070)
Balance at the end of the year	<b>2,698</b>	<b>–</b>	<b>2,698</b>	<b>2,554</b>	<b>–</b>	<b>2,554</b>
<b>30 June 2006</b>						
<b>Reserves</b>						
Asset revaluation reserve	1,071	–	1,071	–	–	–
Share-based payments reserve	2,615	–	2,615	2,615	–	2,615
	<b>3,686</b>	<b>–</b>	<b>3,686</b>	<b>2,615</b>	<b>–</b>	<b>2,615</b>
<b>Movements:</b>						
<b>Asset revaluation reserve</b>						
Balance at the beginning of the year	–	–	–	–	–	–
Amount recognised during the year	1,071	–	1,071	–	–	–
Balance at the end of the year	<b>1,071</b>	<b>–</b>	<b>1,071</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Share-based payments reserve</b>						
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 26)	(532)	–	(532)	(532)	–	(532)
Balance at the end of the year	<b>2,615</b>	<b>–</b>	<b>2,615</b>	<b>2,615</b>	<b>–</b>	<b>2,615</b>

### Nature and purpose of reserves:

#### Asset revaluation reserve

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.

#### Share-based payments reserve

The share-based payments reserve is used to recognise:

- the fair value of options issued to employees but not exercised;
- the fair value of shares issued to employees;
- in the group – the issue of shares held by the IOOF Executive Performance Share Plan Trust to employees; and
- in the parent entity – the fair value of shares and options issued to employees of subsidiaries and the funding of the share purchase by the IOOF Executive Performance Share Plan Trust.

## 28. Retained Profits

	Consolidated			Parent		
	Shareholder \$'000	Statutory \$'000	Total \$'000	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>						
<b>Retained Profits</b>						
Balance at the beginning of the year	6,775	339	7,114	14,905	–	14,905
Net profit attributable to members of IOOF Holdings Ltd	22,186	158	22,344	20,288	–	20,288
Dividends paid	(19,153)	–	(19,153)	(19,419)	–	(19,419)
<b>Balance at the end of the year</b>	<b>9,808</b>	<b>497</b>	<b>10,305</b>	<b>15,774</b>	<b>–</b>	<b>15,774</b>
<b>30 June 2006</b>						
<b>Retained Profits</b>						
Balance at the beginning of the year	(1,091)	226	(865)	11,960	–	11,960
Net profit attributable to members of IOOF Holdings Ltd	22,991	113	23,104	18,391	–	18,391
Dividends paid	(15,125)	–	(15,125)	(15,446)	–	(15,446)
<b>Balance at the end of the year</b>	<b>6,775</b>	<b>339</b>	<b>7,114</b>	<b>14,905</b>	<b>–</b>	<b>14,905</b>

## 29. Minority Interest

	Consolidated		
	Shareholder \$'000	Statutory \$'000	Total \$'000
<b>30 June 2007</b>			
Minority interest	<b>747</b>	–	<b>747</b>
<b>30 June 2006</b>			
Minority interest	<b>3,603</b>	–	<b>3,603</b>

As disclosed in Note 8, the minority interest for the prior year has been amended to reflect the derecognition of interests held by shareholders of Perennial subsidiaries which have been reclassified as a financial liability.

## 30. Dividends

A final dividend of 15 cents per ordinary share franked to 100% based on a tax paid at 30% was paid in October 2006 in respect of the financial year ended 30 June 2006. This dividend amounted to \$9,708,336.

An interim dividend of 15 cents per ordinary share franked to 100% based on a tax paid at 30% was paid in April 2007 in respect of the financial year ended 30 June 2007. This dividend amounted to \$9,712,467.

The Directors have recommended the payment of a final dividend of 18 cents per ordinary share franked to 100% based on tax at 30%.

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2006: 30%)	26,908	26,263	25,245	20,541

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 \$4,995,000 (2006: \$4,149,400).

## 31. Auditors' Remuneration

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>Auditors' remuneration paid by members of the IOOF Holdings Ltd Group during the year and for the comparative prior period:</b>				
<b>(a) Auditing the financial reports</b>				
PricewaterhouseCoopers				
– Parent entity	398,459	211,769	398,459	211,769
– Controlled entities	378,705	267,837	–	–
– Other related parties	806,218	743,320	–	–
	1,583,382	1,222,926	398,459	211,769
<b>(b) Other services</b>				
PricewaterhouseCoopers				
– Audit of regulatory returns	354,108	420,672	10,723	96,222
– Other assurance services	–	20,000	–	–
	354,108	440,672	10,723	96,222

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*.

## 32. Earnings per Share

	Consolidated	
	2007	2006
	Cents	Cents
Basic earnings per share	35.1	36.5
Diluted earnings per share	34.5	35.8
<b>Reconciliations of earnings used in calculating earnings per share</b>	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax	24,514	24,408
(Profit)/loss attributable to minority interests	(2,170)	(1,304)
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	22,344	23,104
<b>Weighted average number of shares used in the calculation of earnings per share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	63,647,407	63,357,972
Adjustments for calculation of diluted earnings per share:		
Unvested shares held in IOOF Executive Performance Share Plan Trust	913,904	1,083,853
Redeemable Converting Preference Shares	176,012	17,360
Unvested shares granted to advisers	30,000	–
<b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>64,767,323</b>	<b>64,459,185</b>

### 33. 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 deferred settlement referred to in Note 20 *Provisions* relates to a final payment due to parties to the acquisition of minority interest of Perennial Investment Partners Limited due in June 2009. The amount recognised has been discounted to present value. Certain defined events would result in early settlement of the liability, increasing the amount payable by \$5,110,590.

A subsidiary in the IOOF Group is in the process of setting up a UCITS III fund in Ireland. IOOF Investment Management Limited has committed to provide €300,000 (approximately \$470,280) of the initial funding required under Irish law.

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 2007 was \$325,345 (2006: \$325,345).

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.

### 34. 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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
The maximum contingent consideration payable in respect of the dealer group agreements due within 12 months is:	604	1,154	–	–

### 35. Other Commitments

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Operating Leases</b>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
– not later than one year	5,097	4,698	2,177	2,062
– later than one year, not later than five years	5,908	7,422	3,318	3,087
	11,005	12,120	5,495	5,149

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.

## 36. 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
<b>Non-Executive Directors</b>		
Mr I Blair	Chairman	
Dr R N Sexton	Deputy Chairman	
Ms J Harvey	Non-executive director	
Mr J Pfeiffer	Non-executive director	
Ms K D Spargo	Non-executive director	
Mr R Harper (from November 2006)	Non-executive director	
<b>Executive Directors</b>		
Mr A D Robinson (appointed 24 April 2007, director from 22 May 2007)	Chief Executive Officer	IOOF Holdings Ltd
Mr M U R Crivelli	Executive Director	Perennial Investment Partners Limited
Mr A Hodges	Managing Director – Investor Solutions	IOOF Holdings Ltd
Mr R Dewhurst (to 20 April 2007)	Former Chief Executive Officer	IOOF Holdings Ltd
<b>Key Management Personnel</b>		
Mr S Abley (from 12 June 2007)	Head of Consultum Financial Advisers	Outscope Ltd
Mr J Billington (from 4 October 2006)	General Manager – Portfolio Solutions	IOOF Investment Management Limited
Ms A Bisogni	General Counsel	IOOF Holdings Ltd
Mr M Blackburn	Chief Financial Officer	IOOF Holdings Ltd
Mr R Mota (from 15 November 2006)	General Manager – Investor Solutions	IOOF Holdings Ltd
Mr A Patterson	Managing Director – Perennial Investment Partners Limited	Perennial Investment Partners Limited
Mr M Stephen	Chief Information Officer	IOOF Investment Management Limited
Mr P Wallbridge	General Manager – Human Resources	IOOF Holdings Ltd
Mr J Brown (to 8 August 2006)	Former General Manager – Retail Funds Management	IOOF Investment Management Limited
Mrs S Foley (to 20 June 2007)	Former Company Secretary	IOOF Holdings Ltd

### 36. Key Management Personnel (continued)

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>Key Management Personnel Compensation</b>				
Short-term employee benefits	5,494,565	5,627,690	2,041,843	1,946,579
Post-employment benefits	744,263	654,470	215,670	472,805
Other long-term benefits	266,311	93,672	31,156	4,360
Termination benefits	1,588,790	474,651	930,435	–
Share-based payments	1,727,074	1,295,617	714,956	1,023,620
Total	9,821,003	8,146,100	3,934,060	3,447,364

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

No options over ordinary shares in the company have been held at any time during the financial year or in the prior year by the directors of IOOF Holdings Ltd or other key management personnel of the Group, including their personally related parties.

Subject to shareholder approval being obtained, it is intended Mr Robinson be entitled a grant of 675,000 options provided in three equal tranches (which vest subject to achievement of performance conditions that are to be tested over 2, 3 and 4 year performance periods respectively for each tranche, all commencing on 1 July 2007). The options will be exercisable for a period of 2 years following their vesting date.

##### ii) Share holdings

Subject to shareholder approval being obtained, it is intended Mr Robinson be entitled to an annual allocation of 50,000 performance shares under the IOOF Executive Performance Share Plan (which vest subject to the achievement of performance conditions tested over a 3 year period from allotment date).

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 on the following page.

## 36. Key Management Personnel (continued)

### Equity holdings and transactions for ordinary shareholdings in the Company relating to KMP

Name		Balance of shareholding at start of the year	Ordinary shares vested or salary sacrificed during period as remuneration Note 36 (b) <sup>(1)</sup>	Change as result of other transactions	Balance of shareholding at end of the year
		Number	Number	Number	Number
<b>Directors</b>					
Mr I Blair	2007	12,626	2,663	–	15,289
	2006	9,677	2,949	–	12,626
Dr R N Sexton	2007	13,326	2,663	–	15,989
	2006	12,313	1,013	–	13,326
Mr M U R Crivelli	2007	9,534	–	–	9,534
	2006	9,534	–	–	9,534
Mr R Harper	2007	–	–	–	–
Ms J Harvey	2007	–	1,350	–	1,350
	2006	–	–	–	–
Mr A P Hodges	2007	708,769	50,000	(350,000)	408,769
	2006	708,769	–	–	708,769
Mr J Pfeiffer	2007	–	2,888	–	2,888
	2006	–	–	–	–
Mr A D Robinson	2007	–	–	7,500	7,500
Ms K D Spargo	2007	4,524	1,331	–	5,855
	2006	3,328	1,196	–	4,524
Mr R Dewhurst (to 20 April 2007) (Note 36(b) <sup>(2)</sup> )	2007	250,000	125,000	(375,000)	–
	2006	125,000	125,000	–	250,000
<b>Other Key Management Personnel of the Group</b>					
Mr S Abley	2007	–	–	–	–
Mr J Billington	2007	–	–	–	–
Ms A Bisogni	2007	–	20,000	–	20,000
	2006	–	–	–	–
Mr M Blackburn	2007	1,800	–	–	1,800
	2006	1,800	–	–	1,800
Mr R Mota	2007	–	–	3,878	3,878
Mr A Patterson	2007	430	–	–	430
	2006	430	–	–	430
Mr M Stephen	2007	317	10,000	–	10,317
	2006	317	–	–	317
Mr P Wallbridge	2007	5,338	24,000	(4,762)	24,576
	2006	5,338	–	–	5,338
Mr J Brown (to 8 August 2006) (Note 36 (b) <sup>(2)</sup> )	2007	–	55,603	(55,603)	–
	2006	38,095	–	(38,095)	–
Mrs S Foley (to 20 June 2007) (Note 36 (b) <sup>(2)</sup> )	2007	4,098	–	(4,098)	–
	2006	1,206	2,892	–	4,098

<sup>(1)</sup> Ordinary shares vested during the current year may include shares related to performance incentives accruing to previous years. Although vested, the shares may not have yet been released from the Executive Performance Share Plan Trust during the period.

<sup>(2)</sup> Mr R Dewhurst, Mr J Brown and Mrs S Foley ceased employment with the company during the financial year. Consequently, a shareholding of nil has been disclosed at 30 June 2007.

### 36. Key Management Personnel (continued)

#### 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. During the year, the shareholdings in Perennial Investment Partners Limited were acquired by entities in the IOOF Group.

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
<b>Directors</b>				
Mr M U R Crivelli	2007	4,140	(4,140)	–
	2006	4,140	–	4,140
<b>Other Key Management Personnel of the Group</b>				
Mr A Patterson	2007	7,335	(7,335)	–
	2006	7,335	–	7,335

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
<b>Directors</b>				
Mr M U R Crivelli	2007	5,000	–	5,000
	2006	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:

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
<b>Other Key Management Personnel of the Group</b>				
Mr A Patterson (Class B)	2007	450	–	450
	2006	450	–	450
Mr A Patterson (Class C)	2007	340	–	340
	2006	340	–	340

## 36. Key Management Personnel (continued)

### (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:

		Balance of loans at start of the year	Interest paid and payable	Balance of loans at end of the year	Number of individuals within group at end of the year
Aggregates for Key Management Personnel		\$	\$	\$	
<b>Directors (Note 36(c)<sup>(1)</sup>)</b>	2007	22,261	788	–	1
	2006	20,955	1,306	22,261	1
<b>Other Key Management Personnel</b>	2007	2,273,506	127,335	1,155,624	1
	2006	2,206,318	142,946	2,273,506	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 the year	Higher indebtedness during the year
		\$	\$	\$	\$
<b>Other Key Management Personnel</b>					
Mr A Patterson (Note 36(c) <sup>(2)</sup> )	2007	2,273,506	127,335	1,155,624	2,367,258
	2006	2,206,318	142,946	2,273,506	2,349,264

#### Terms and Conditions of Loans Issued

<sup>(1)</sup> The unsecured loan was issued to Mr Crivelli on 18 August 1999. The loan was fully repaid during the year.

<sup>(2)</sup> 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 on 2 April 2004. The loan in respect of equity in Perennial Investment Partners Limited was fully repaid during the year.

### (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.

## 37. Related Party Disclosures

### (a) Identities of Related Parties

Controlled entities are detailed in Note 38. Other related parties were:

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

Directors and Key Management Personnel are set out in Note 36.

## 37. Related Party Disclosures (continued).

### (b) Controlled Entities

The ownership interest in controlled entities is set out in Note 38.

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.

### (c) Other Transactions with Related Parties

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>Investments in related party trusts:</b>				
IOOF Sectoral Unit Trusts – controlled	–	–	–	41,575,302
IOOF Sectoral Unit Trusts – related	451,597,965	466,790,923	–	–
Number of units	438,694,524	455,193,518	–	38,953,717
<b>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:</b>				
Receipt of management fees from:				
– Controlled entities	–	–	9,380,651	9,242,058
– Benefit funds	17,877,680	17,754,211	–	–
– Associated entity	2,094,724	2,005,897	–	–
– Related entities	6,216,758	5,895,726	–	–
Receipt of interest revenue from:				
– Directors & Director–related entities	306,756	309,112	–	–
– Other related parties	123,698	107,598	2,422,706	2,074,273
Receipt of dividends from:				
– Controlled entities	–	–	26,617,009	18,500,000
Receipt of distributions from:				
– Other related parties	51,514,677	44,884,183	811,141	1,795,630
Payment of commission and management fees to:				
– Associated entity	19,771,156	13,171,156	–	–
– Benefit funds	16,627,744	16,228,000	–	–
Amounts receivable from controlled entities	–	–	3,179,490	3,368,912
Amounts receivable from related parties	16,310,949	17,619,595	–	–
Interest receivable – related parties	709,242	889,691	–	–
Tax related receivable from controlled entities	–	–	26,230,865	25,137,376
Amounts payable to other related parties	1,113,094	1,146,740	12,445	–
Tax related payable to controlled entities	–	–	1,577,708	566,325

## 37. Related Party Disclosures (continued)

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

	Notes	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<b>The aggregate value of loans to Directors of the IOOF Group made by the IOOF Group as at balance date amounted to:</b>					
Directors of associated entities from IOOF Group	(d) (i)	790,181	1,789,820	–	–
Directors of controlled entities from IOOF Group	(d) (ii)	1,060,211	2,394,774	–	–
Past Directors from IOOF Group	(d) (iii)	–	19,988	–	–
		1,850,392	4,204,582	–	–
<b>Interest revenue of the IOOF Group on loans to:</b>					
Directors of associated entities from IOOF Group		122,111	132,461	–	–
Directors of controlled entities from IOOF Group		180,906	176,651	–	–
Past Directors from IOOF Group		3,739	–	–	–
		306,756	309,112	–	–
<b>Loans made to Directors of the IOOF Group during the year:</b>					
Directors of controlled entities from IOOF Group	(d) (iv)	375,000	–	–	–
<b>Interest repaid on loans from IOOF Group during the year:</b>					
Directors of associated entities from IOOF Group		144,146	75,011	–	–
Directors of controlled entities from IOOF Group		214,628	75,758	–	–
		358,774	150,769	–	–
<b>Interest written off on loans to Directors from IOOF Group:</b>					
Directors of associated entities from IOOF Group		3,061	–	–	–
Directors of controlled entities from IOOF Group		29,378	–	–	–
Past Directors from IOOF Group		6,006	–	–	–
		38,445	–	–	–
<b>Interest on loans to Directors from the IOOF Group provided against during the year:</b>					
Directors of associated entities from IOOF Group		201,245	–	–	–
Directors of controlled entities from IOOF Group		229,974	–	–	–
	(d) (v)	431,219	–	–	–
<b>Interest receivable balance on loans to Directors from IOOF Group as at balance date:</b>					
Directors of associated entities as at balance date.		201,245	226,341	–	–
Directors of controlled entities as at balance date.		241,967	305,067	–	–
Past Directors from IOOF Group as at balance date.		–	2,267	–	–
		443,212	533,675	–	–
<b>Loans to Directors from IOOF Group repaid during the year:</b>					
Directors of associated entities from IOOF Group		999,639	–	–	–
Directors of controlled entities from IOOF Group		1,709,563	–	–	–
Past Directors from IOOF Group		19,988	–	–	–
		2,729,190	–	–	–

### 37. Related Party Disclosures (continued)

- (i) The Director who received the loans referred to above was Mr J Murray. The amounts were advanced by Perennial Investment Partners Limited and IOOF Investment Management Limited for the specific purpose of assisting him to acquire an equity interest in subsidiaries of the Company. The parties to the loans are permitted to discharge the loans by transferring the shares to the lender. The unsecured interest bearing loans were made on commercial terms and conditions.
- (ii) The Directors who received the loans referred to above were Mr A Patterson, Mr G Feben, Mr F Uhlenbruch, Mr A Mulcahy, Mr L Mickelborough, Mr N Murphy and Mr R MacDougall. The amounts were advanced by Perennial Investment Partners Limited and IOOF Investment Management Limited for the specific purpose of assisting them to acquire an equity interest in subsidiaries of the Company. The parties to the loans are permitted to discharge the loans by transferring the shares to the lender. The unsecured interest bearing loans were made on commercial terms and conditions. Mr G Feben and Mr F Uhlenbruch fully repaid their loans on 8 March 2007.
- (iii) The loan was advanced during 2004 financial year to Mr K Series. Mr Series, a former executive Director of a related party, was a related party to the IOOF Group due to his past shareholding of Perennial Investment Partners Limited. The loan was made on commercial terms and conditions. Mr K Series fully repaid his loan on 21 December 2006 when his shareholding in Perennial Investment Partners Limited was acquired by the IOOF Group.
- (iv) The Directors of the company and related parties who received loans referred to above were Mr A Mulcahy, Mr L Mickelborough and Mr R MacDougall. The amounts were advanced to the Directors in September 2006 and repaid by the Directors on 8 March 2007. The loans were made on commercial terms and conditions for the specific purpose of assisting Directors to acquire an equity interest in related entities.
- (v) The interest receivable provided against on the above balances relate to the loans of Mr A Patterson and Mr J Murray. The amounts provided are \$229,974 and \$201,245 for Mr A Patterson and Mr J Murray respectively.
- (vi) Prior year comparatives have been reclassified to better reflect outstanding balances.

#### (e) Unsecured loans to other related parties of the IOOF Holdings Ltd, subsidiaries and related entities

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
The aggregate value of loans to related parties of IOOF Holdings Ltd, subsidiaries and related entities made by the IOOF Group as at balance date amounted to	96,958	184,000	32,958	84,000
Interest revenue on loans	12,545	9,916	5,824	2,227
Interest repaid during the year	12,545	9,916	5,824	2,227
Loans made during the year	–	84,000	–	84,000
Loan repaid during the year	87,042	95,657	51,042	–

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

## 37. Related Party Disclosures (continued)

### (f) Unsecured loans to Executives of the IOOF Group

	Notes	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
The aggregate value of loans to Executives of the IOOF Group made by the IOOF Group as at balance date amounted to	(f) (i)	879,620	1,363,874	–	–
Interest revenue of IOOF Group on loans to Executives		111,153	97,682	–	–
Loans made to Executives of the IOOF Group during the year by the IOOF Group	(f) (ii)	125,000	–	–	–
Interest repaid during the year		64,458	–	–	–
Interest written off during the year		6,256	–	–	–
Interest provided against during the year	(f) (iii)	247,679	–	–	–
Interest receivable balance as at balance date		252,352	211,913	–	–
Loans repaid during the year		609,254	–	–	–

- (i) The Executives who received the loans referred to above were Mr H Giddy, Mr P Durham, Mr H Behncke, Mr S Bruce, Mr S Chivers, Mr A McLachlan, Mr A Sutherland and Mr K West. The amounts were advanced by Perennial Investment Partners Limited for the specific purpose of assisting them to acquire an equity interest in subsidiaries of the Company. The parties to the loans are permitted to discharge the loans by transferring the shares to the lender. The unsecured interest bearing loans were made on commercial terms and conditions. Mr S Chivers fully repaid his loan on 8 March 2007.
- (ii) The Executives who received the loans referred to above were Mr A Sutherland and Mr K West. The amounts were advanced by the Company to the Executives in September 2006 and repaid by the Executives on 8 March 2007. These unsecured interest bearing loans were based on commercial terms and conditions.
- (iii) The interest receivable provided against on the above balances relate to loans of Mr H Giddy, Mr P Durham and Mr S Bruce.
- (iv) Prior year comparatives have been reclassified to better reflect outstanding balances.

### (g) Loans to subsidiaries of the IOOF Group

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
The aggregate value of loans to IOOF Investment Holdings Ltd by IOOF Holdings Ltd as at balance date amounted to	–	–	32,698,004	33,392,147
Interest revenue on loans to IOOF Investment Holdings Ltd	–	–	2,060,111	1,856,917
Loans made during the year	–	–	245,746	634,143
Interest repaid during the year	–	–	2,060,111	1,856,917
Loan repaid during the year	–	–	939,889	1,143,083

An amount owing to IOOF Holdings Ltd by a controlled entity (IOOF Investment Holdings Ltd) was issued 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 Ltd 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.

## 37. Related Party Disclosures (continued)

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

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
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	–	–	237,744	217,356

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) Loan advanced to the IOOF Investment Management Group from the ultimate parent entity

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
The value of the loan owed by the IOOF Investment Management Group from IOOF Holdings Ltd as at balance date amounted to	–	–	5,225,113	–
The net value of the above amount, the value of loans advanced to the IOOF Investment Management Group by IOOF Holdings Ltd amounted to	–	–	5,225,113	–
Interest paid or payable for the year	–	–	124,851	–

The Company (IOOF Holdings Ltd, ultimate parent entity of IOOF Group), approved and advanced a loan of \$5,225,113 to a subsidiary (Perennial Investment Partners Limited) on 20 March 2007. The amount was advanced for the specific purpose of assisting Perennial Investment Partners Limited to acquire an additional equity interest in a subsidiary of that Company. The loan is interest bearing payable monthly in arrears at the one year swap rate plus 2% determined quarterly.

### (j) Ultimate parent entity

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

## 38. Controlled Entities

	Note	Country of Incorporation	Company's Equity Holding 2007 %	Company's Equity Holding 2006 %
<b>Parent entity:</b>				
IOOF Holdings Ltd		Australia		
<b>Controlled entities:</b>				
IOOF Life Ltd		Australia	100.0	100.0
IOOF Ltd		Australia	100.0	100.0
IOOF Investment Holdings Ltd		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 (formerly Australian Financial Planning Network Ltd)		Australia	100.0	100.0
Consultum Financial Advisers Pty Ltd (formerly Winchcombe Carson Financial Planning Pty Ltd)		Australia	100.0	100.0
Financial Partnership Pty Ltd		Australia	100.0	100.0
August Management Services Pty Limited		Australia	100.0	100.0
Perennial Investment Partners Limited		Australia	100.0	78.2
Perennial Investment Partners Asia Limited		Australia	94.9	74.2
Perennial Fixed Interest Partners Pty Ltd		Australia	67.3	49.1
Perennial Growth Management Pty Ltd		Australia	60.0	46.9
Perennial International Equities Management Pty Ltd		Australia	100.0	78.2
Perennial Real Estate Investments Pty Ltd		Australia	50.0	78.2
Perennial Investment Partners (UK) Limited		United Kingdom	100.0	78.2
IOOF/Perennial Cash Enhanced Trust (formerly Wholesale Cash & Short Term Securities)	38(l)		65.1	74.6
Wholesale Aust. Growth Shares Trust	38(l)		50.6	55.9
IOOF Socially Responsible Share Trust	38(l)		87.6	84.4
Perennial Value High Yield Shares Trust	38(l)		–	53.3
Perennial Growth High Conviction Shares Trust	38(l)		97.1	-
IOOF Executive Performance Share Plan Trust	38(l)		100.0	100.0

- (a) The investment in IOOF Investment Management Limited, IOOF Ltd (including the benefit funds) and IOOF Investment Holdings Ltd is through IOOF Life Ltd which directly holds a 100% (2006: 100%) shareholding in these entities.
- (b) The Parent directly holds a 100% (2006: 100%) shareholding in OutScope Ltd.
- (c) The investment in Consultum Financial Advisers Pty Ltd (formerly Winchcombe Carson Financial Planning Pty Ltd) is through OutScope Ltd which directly holds a 100% (2006: 100%) shareholding in the entity.
- (d) The investment in August Management Services Pty Limited is through IOOF Investment Holdings Ltd which directly holds a 100% (2006: 100%) shareholding in this entity.
- (e) The investment in Financial Partnership Pty Ltd is through OutScope Ltd which directly holds 100% (2006: 100%) shareholding in the entity.
- (f) The investment in Perennial Investment Partners Limited is through IOOF Investment Management Limited which directly holds 90.6% (2006: 78.2%) shareholding in this entity and through IOOF Holdings Ltd which directly holds 9.4% (2006: Nil).
- (g) The investment in Perennial Investment Partners Asia Limited is through Perennial Investment Partners Limited which directly holds 94.9% (2006: 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 62.8% (2006: 62.8%) shareholding in this entity and through IOOF Holdings Ltd which directly holds 4.5% (2006: Nil) shareholding in this entity. During the year, IOOF Holdings Ltd acquired shares from Executives pursuant to the shareholders agreement.
- (i) The investment in Perennial Growth Management Pty Ltd is through Perennial Investment Partners Limited which directly holds 60.0% (2006: 60.0%) shareholding in this entity.
- (j) The investment in Perennial Real Estate Investments Pty Ltd is through Perennial Investment Partners Limited which directly holds 50% (2006: 100%) shareholding in this entity.
- (k) The investment in Perennial Investment Partners (UK) Limited is through Perennial Investment Partners Limited which directly holds 100% shareholding in the entity. The entity did not trade during the financial year.
- (l) The trusts controlled individually or collectively by the benefit funds and companies in the Group have been consolidated and are noted above.

### 39. Segment Information

Primary reporting – business segments	Wholesale Funds Management	Retail Funds Management and Administration	Inter-segment eliminations/ Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>2007</b>				
Operating revenue	18,184	238,400	10,873	267,457
Other revenue	–	1,897	429	2,326
Benefit fund revenue	–	208,410	–	208,410
Inter-segment sales	29,741	(21,529)	(8,212)	–
Total Revenue	47,925	427,178	3,090	478,193
Share of net profits of associates	7,810	–	–	7,810
Total Segment Revenue	55,735	427,178	3,090	486,003
Operating expenses:				
– Commissions and management expenses	15,885	126,922	(7,954)	134,853
– Depreciation	50	589	634	1,273
– Amortisation of deferred acquisition costs	–	4,839	–	4,839
– Benefit fund expenses	–	205,982	–	205,982
– Other expenses	29,125	29,085	15,296	73,506
Total Segment Expenses	45,060	367,417	7,976	420,453
Profit from ordinary activities before income tax expense	10,675	59,761	(4,886)	65,550
Income tax credit/(expense)	(1,876)	(39,394)	234	(41,036)
<b>Net Profit/(Loss)</b>	<b>8,799</b>	<b>20,367</b>	<b>4,652</b>	<b>24,514</b>
Segment assets	43,196	1,634,585	58,939	1,736,720
Inter-segment assets	110,908	(130,549)	19,641	–
<b>Total assets</b>	<b>154,104</b>	<b>1,504,036</b>	<b>78,580</b>	<b>1,736,720</b>
Segment liabilities	26,365	1,431,288	89,162	1,546,815
Inter-segment liabilities	12,151	(8,076)	(4,075)	–
<b>Total liabilities</b>	<b>38,516</b>	<b>1,423,212</b>	<b>85,087</b>	<b>1,546,815</b>
Investments in associates and joint venture partnerships	8,369	–	–	8,369
Acquisition of plant and equipment, intangibles and other non-current segment assets	3,466	105,318	1,299	110,083

#### Secondary reporting – geographical segments

The Group operates in the one geographical segment of Australia.

### 39. Segment Information (continued)

Primary reporting – business segments	Wholesale Funds Management	Retail Funds Management and Administration	Inter-segment eliminations/ Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>2006</b>				
Operating revenue	9,732	213,889	305	223,926
Other revenue	2	2,507	249	2,758
Benefit fund revenue	–	173,506	–	173,506
Inter-segment sales	22,581	(16,128)	(6,453)	–
Total Revenue	32,315	373,774	(5,899)	400,190
Share of net profits of associates	7,130	–	–	7,130
Total Segment Revenue	39,445	373,774	(5,899)	407,320
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	–	143,588	–	143,588
– Other expenses	16,788	62,520	10,707	90,015
Total Segment Expenses	30,812	312,839	4,926	348,577
Profit from ordinary activities before income tax expense	8,633	60,935	(10,825)	58,743
Income tax expense	(2,387)	(31,215)	(733)	(34,335)
<b>Net Profit/(Loss)</b>	<b>6,246</b>	<b>29,720</b>	<b>(11,558)</b>	<b>24,408</b>
Segment assets	39,177	1,533,570	26,892	1,599,639
Inter-segment assets	(3,393)	(36,542)	39,935	–
<b>Total assets</b>	<b>35,784</b>	<b>1,497,028</b>	<b>66,827</b>	<b>1,599,639</b>
Segment liabilities	25,565	1,399,768	(12,821)	1,412,512
Inter-segment liabilities	700	(563)	(137)	–
<b>Total liabilities</b>	<b>26,265</b>	<b>1,399,205</b>	<b>(12,958)</b>	<b>1,412,512</b>
Investments in associates and joint venture partnerships	2,762	–	–	2,762
Acquisition of plant and equipment, intangibles and other non-current segment assets	14,472	7,534	63	22,069

#### Secondary reporting – geographical segments

The Group operates in the one geographical segment of Australia.

## 39. 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, 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

The Group is organised into the following business segments by product and service type:

- *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.

## 40. Notes to the Cash Flow Statements

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>a. Reconciliation of Cash and Cash Equivalents</b>				
Cash and Cash Equivalents 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:				
Cash	57,682	34,927	1,202	1,748
Deposits on call	–	667	–	667
	57,682	35,594	1,202	2,415
Units in IOOF Sectoral Unit Trusts	451,598	466,791	–	41,575
	<b>509,280</b>	<b>502,385</b>	<b>1,202</b>	<b>43,990</b>

## 40. Notes to the Cash Flow Statements (continued)

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>b. Reconciliation of net cash provided by/(used in) operating activities to profit after income tax</b>				
Profit after income tax	24,514	24,408	20,288	18,391
Net depreciation on plant and equipment	1,273	823	634	403
Net amortisation of intangible assets	1,796	1,332	–	–
(Profit)/loss on disposal of assets	13	47	–	–
Share of profit in associated investment	(382)	(595)	–	–
Non cash expense for issue of shares to executives	3,223	1,826	2,299	1,823
Non cash adjustment for deferred settlement costs	1,306	–	1,280	–
Non cash adjustment to provision for doubtful debts	859	–	1,684	–
Changes in net operating assets and liabilities:				
(Increase)/decrease in cash on consolidation of trusts	–	459,896	–	–
(Increase)/decrease in receivables	(5,956)	(6,277)	1,214	(5,743)
(Increase)/decrease in other assets	3,089	2,045	1,146	(53)
(Increase)/decrease in deferred tax asset	(2,193)	(1,382)	(2,402)	(183)
(Increase)/decrease in income tax receivable	–	541	–	–
(Increase)/decrease in other financial assets	(7,413)	(690,532)	(12)	(412)
Increase/(decrease) in payables	2,539	9,204	(1,978)	1,377
Increase/(decrease) in insurance liabilities	58,330	259,828	–	–
Increase/(decrease) in provisions	1,105	26	614	(1,021)
Increase/(decrease) in income tax payable	(7,728)	7,370	(6,311)	7,417
Increase/(decrease) in deferred tax liability	4,848	(600)	–	–
<b>Net cash provided by/(used in) operating activities</b>	<b>79,223</b>	<b>67,960</b>	<b>18,456</b>	<b>21,999</b>

## 41. Life Insurance Business

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>(a) Components of profit related to movements in:</b>				
<b>(i) Life Insurance liabilities</b>				
Planned margins of revenue over expenses released	34	30	–	–
Difference between actuarial and assumed experience	85	55	–	–
Investment earnings on assets in excess of policy liabilities	40	31	–	–
	159	116	–	–
<b>(ii) Life Investment liabilities</b>	–	–	–	–
<b>(b) Components of net life insurance liabilities:</b>				
Unrecouped Acquisition Expenses	–	–	–	–

## 41. Life Insurance Business (continued)

### (c) 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
<b>2007</b>										
Financial assets	75,473	8	6,891	441,489	–	8,887	–	1	1,079	<b>533,828</b>
Other assets	1,746	24	49	7,027	75	128	–	–	361	<b>9,410</b>
Policy liabilities	77,134	–	6,889	441,189	–	9,006	–	–	338	<b>534,556</b>
Other liabilities	85	32	51	7,327	75	9	–	1	600	<b>8,180</b>
Retained earnings	–	–	–	–	–	–	–	–	502	<b>502</b>
Premium revenue	54	9	17	5,973	–	58	–	–	679	<b>6,790</b>
Investment revenue	4,759	–	462	29,840	4	580	9	–	299	<b>35,953</b>
Claims expense	77	–	14	569	4	16	8	–	284	<b>972</b>
Other operating expenses including movements in policyholder liabilities	4,736	9	410	27,659	–	622	1	–	468	<b>33,905</b>
Operating profit before tax	–	–	55	7,585	–	–	–	–	226	<b>7,866</b>
Operating profit after tax	–	–	–	–	–	–	–	–	159	<b>159</b>
<b>2006</b>										
Financial assets	76,425	9	8,058	491,236	27	9,560	–	108	1,248	<b>586,671</b>
Other assets	1,203	21	143	10,617	44	284	3,296	–	455	<b>16,063</b>
Policy liabilities	77,626	9	8,048	494,425	–	9,691	3,258	108	556	<b>593,721</b>
Other liabilities	2	21	153	7,428	71	153	38	–	804	<b>8,670</b>
Retained earnings	–	–	–	–	–	–	–	–	343	<b>343</b>
Premium revenue	117	20	20	19,186	–	80	49	–	727	<b>20,199</b>
Investment revenue	4,187	100	502	28,422	4	578	185	–	353	<b>34,331</b>
Claims expense	202	101	29	559	–	35	9	–	368	<b>1,303</b>
Other operating expenses including movements in policyholder liabilities	4,102	19	440	39,334	4	623	207	–	546	<b>45,275</b>
Operating profit before tax	–	–	53	7,715	–	–	18	–	166	<b>7,952</b>
Operating profit after tax	–	–	–	–	–	–	–	–	117	<b>117</b>

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
<b>2007</b>										
Financial assets	25,218	256,123	52,349	168,316	24,776	2,428	327	529,537	1,063,365	69,479
Other assets	830	27,380	2,187	7,470	1,403	113	7	39,390	48,800	231,991
Policy liabilities	25,676	250,899	52,461	162,197	25,576	2,502	333	519,644	1,054,200	–
Other liabilities	372	32,604	2,075	13,589	603	39	1	49,283	57,463	100,143
Retained earnings	–	–	–	–	–	–	–	–	502	9,808
Premium revenue	284	20,874	7,548	14,732	210	–	–	43,648	50,438	–
Investment revenue	1,450	66,579	5,758	24,996	3,971	265	21	103,040	138,993	2,342
Claims expense	–	–	–	–	–	–	–	–	972	–
Other operating expenses including movements in policyholder liabilities	1,364	69,876	11,797	33,134	4,009	257	19	120,456	154,361	248,147
Operating profit before tax	370	17,307	1,509	6,594	172	8	2	25,962	33,828	31,716
Operating profit after tax	–	–	–	–	–	–	–	–	159	24,356
<b>2006</b>										
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	6,775
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 including movements in policyholder liabilities	2,375	57,739	8,982	24,907	3,405	264	56	97,728	143,003	204,989
Operating profit before tax	339	11,060	1,118	5,423	302	29	2	18,273	26,225	32,520
Operating profit after tax	–	–	–	–	–	–	–	–	117	24,295

#### (d) Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2007. The actuarial reports for IOOF Ltd and IOOF Life Ltd were prepared by Mr G C Martin, BA, FIAA, ASIA and were dated 22 August 2007 and 10 September 2007 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.

## 41. Life Insurance Business (continued)

### (d) Actuarial assumptions and methods (continued)

#### 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 assumptions.

##### *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.

### (e) 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 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 Group.

## 41. Life Insurance Business (continued)

### (f) Solvency requirements:

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 of the aggregate of all benefit funds and statutory funds in the Life Group over the solvency reserve.

Each benefit fund and statutory fund meets the solvency requirements.

		Consolidated	
		2007 \$'000	2006 \$'000
<b>Solvency Requirement<sup>(1) (3)</sup></b>	<b>"A"</b>	1,113,216	1,105,983
Represented by:			
– Minimum Termination Value <sup>(2)</sup>		1,053,219	1,052,382
– Other Liabilities		56,598	50,766
– Solvency Reserve	<b>"B"</b>	3,039	2,835
		1,112,856	1,105,983
<b>Assets Available for Solvency</b>	<b>"C"</b>	<b>9,090</b>	<b>6,893</b>
Comprised as:			
– Excess of Net Policy Liability over Minimum Termination Value		(1,254)	(1,090)
– Liability for policy owners' retained profits at end of year		2,291	50
– Net Assets		8,053	7,933
		<b>9,090</b>	<b>6,893</b>
Solvency Reserve %	<b>( B / ( A – B )) x 100</b>	<b>0.27%</b>	<b>0.26%</b>
Coverage of Solvency Reserve	<b>C / B</b>	<b>2.99</b>	<b>2.43</b>

(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.

## 42. Events Occurring After the Balance Sheet Date

Prior to year end, the process to raise \$40 million by way of a share placement commenced. In early July 2007, the proceeds of the equity raising were received and are progressively being applied against borrowings as they mature.

The Directors have recommended the payment of a final dividend of 18 cents per ordinary share franked to 100% based on tax at 30%.

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

## In the Directors' opinion:

- (a) the financial statements and notes set out on pages 55 to 119 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 2007 and of their performance 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 38 to 52 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.



**Mr I Blair**  
*Chairman of the Board*



**Mr A D Robinson**  
*Director and Chief Executive Officer*

*Melbourne, 12 September 2007*

## Independent Auditor's Report

to the members of IOOF Holdings Ltd

### Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of IOOF Holdings Ltd (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both IOOF Holdings Ltd and the IOOF Holdings Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report. These remuneration disclosures are identified in the directors' report as being subject to audit. The remuneration report contains information also, for which an auditors' opinion is not required and has not been formed. These disclosures have been identified as such.

#### *Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our web site <http://www.pwc.com/au/financialstatementaudit>.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

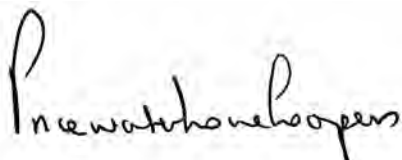
*Auditor's opinion on the financial report*

In our opinion:

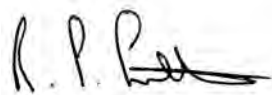
- (a) the financial report of IOOF Holdings Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report*

In our opinion, the remuneration disclosures that are contained in the directors' report and identified as being subject to audit, comply with Accounting Standard AASB 124.



PricewaterhouseCoopers



Russell S Sutton  
Partner

Melbourne, 12 September 2007

IOOF Holdings Ltd  
**Shareholder Information**  
for the year ended 30 June 2007

The number of shares on issue as at Wednesday 12 September 2007 is 68,784,295 ordinary shares. This is the only class of shares currently issued.

### Substantial Shareholders

The shareholdings of each person known by us to be the owner of more than 5% of our voting securities, as at Wednesday 12 September 2007, is shown in the table 'Twenty largest shareholders as at Wednesday 12 September 2007'.

### Distribution of shares

The following table summarises the distribution of our listed shares as at Wednesday 12 September 2007.

Range	Investors	Securities	% Issued Capital
1 – 1,000	17,657	8,216,341	11.95
1,001 – 5,000	10,984	23,336,241	33.92
5,001 – 10,000	1,160	8,239,935	11.98
10,001 – 100,000	437	9,279,854	13.49
100,001 and over	32	19,711,924	28.66
<b>Total</b>	<b>30,270</b>	<b>68,784,295</b>	<b>100.00</b>

The number of investors holding less than a marketable parcel of 52 securities (\$9.750 as at 12 September 2007) is 59 and they hold a total of 1,628 securities.

### Twenty largest shareholders as at Wednesday 12 September 2007

Rank	Investor	Current Balance	% Issued Capital
1	Bendigo Bank Limited	5,348,632	7.78
2	RBC Dexia Investor Services Australia Nominees Pty Limited	2,400,871	3.49
3	HSBC Custody Nominees (Australia) Limited	1,496,915	2.18
4	IOOF Holdings Trustee Pty Ltd ( IOOF Foundation A/C)	977,897	1.42
5	JP Morgan Nominees Australia Ltd	969,029	1.41
6	ANZ Nominees Limited	934,782	1.36
7	Citicorp Nominees Pty Ltd	911,284	1.32
8	IOOF Investment Management Limited	808,869	1.18
9	National Nominees Limited	717,058	1.04
10	Diversified United Investment Limited	700,000	1.02
11	Invia Custodian Pty Limited	641,687	0.93
12	Australian United Investment Company Limited	500,000	0.73
13	Carramar Pty Ltd	400,000	0.58
14	Banos Asset Management Ltd	396,166	0.58
15	Merrill Lynch (Australia) Nominees Pty Limited	356,712	0.52
16	Sandhurst Trustees Ltd	353,174	0.51
17	UBS Wealth Management Australia Nominees Pty Ltd	312,596	0.45
18	Aust Executor Trustees NSW Ltd	305,000	0.44
19	Ravenscourt Pty Ltd	225,000	0.33
20	Cogent Nominees Pty Limited	216,869	0.32

### Voting rights

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

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

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

These voting arrangements are subject to certain minor exceptions.

### Stock Exchange listing

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

### Final dividend

The final dividend of 18 cents per share fully franked will be paid on 11 October 2007 to shareholders entitled to receive dividends and registered on 25 September 2007 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 you many benefits beyond convenience and security. You will receive your dividend quickly, without the processing delay associated with cheque payments. Dividend payments will be deposited and cleared on the date of payment making the funds immediately available for you to use.

You can choose to have your dividends paid to your account or any other Australian bank account, 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.

### Request for annual report mailing

This Annual Report may be viewed in full on the IOOF web site at **[www.ioof.com.au](http://www.ioof.com.au)**. If you are an IOOF shareholder and wish to receive a hard copy version of the Annual Report in future, you can contact the Share Registry (see contact details below) and ask to be included on 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 web site at **[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)**

#### Link Market Services Limited

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Facsimile: +61 3 8614 4888  
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