IOOF Holdings Ltd
ABN 49 100 103 722
Level 6, 161 Collins Street
Melbourne VIC 3000

GPO Box 264
Melbourne VIC 3001
Phone 13 13 69
www.ioof.com.au

28 October 2019

2019 Annual General Meeting

Please find attached:

1. A sample copy of the notice of the Annual General Meeting of IOOF Holdings Ltd to be held on 28 November 2019.

2. The 2019 Annual Report.

-ENDS-

Enquiries:

Paul Vine
Company Secretary
IOOF Holdings Limited
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Rachel Scully
Head of Corporate Affairs
IOOF Holdings Limited
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About IOOF Holdings Ltd

IOOF has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

IOOF provides advisers and their clients with the following services:

- **Financial Advice** services via our extensive network of financial advisers;
- **Portfolio & Estate Administration** for advisers, their clients and hundreds of employers in Australia; and
- **Investment Management** products that are designed to suit any investor's needs

Further information about IOOF can be found at www.ioof.com.au

IOOF Holdings Ltd ABN 49 100 103 722

Notice of Annual General Meeting

Notice is hereby given that the 2019 Annual General Meeting (the **Meeting**) of IOOF Holdings Ltd (the **Company**) will be held at 9:30 am (AEDT) on Thursday 28 November 2019, at the Sheraton Melbourne Hotel, 27 Little Collins Street, Melbourne, Victoria 3000, for the purpose of transacting the business set out in this Notice of Meeting. Registration opens at 8:30 am (AEDT).

The Explanatory Notes to this Notice of Meeting provide additional information on matters to be considered at the Meeting. The Explanatory Notes and the Proxy Form constitute part of this Notice.

Items of business

Ordinary business

1. Receipt of Financial Statements and Reports

To receive and consider the Annual Financial Report, the Directors' Report and the Auditor's Report of the Company and its controlled entities for the year ended 30 June 2019.

2. Re-election and Election of Directors

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

(a) To re-elect Mr Allan Griffiths as a Director.
(b) To elect Mr Andrew Bloore as a Director.
(c) To elect Ms Michelle Somerville as a Director.

3. Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

To adopt the Remuneration Report, as contained in the Directors' Report, for the year ended 30 June 2019.

The vote on the Remuneration Report resolution is advisory only and does not bind the Directors or the Company.

4. Grant of Performance Rights to the Chief Executive Officer and Managing Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That approval be given for the grant of 75,000 performance rights and shares on exercise of those rights to the Chief Executive Officer and Managing Director, Mr Renato Mota, under the Company's Long Term Incentive Plan, as described in the Explanatory Notes.

By Order of the Board of Directors

This Notice of Meeting and the Explanatory Notes are important and should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your professional adviser.

A Paul M Vine
Company Secretary
28 October 2019

Notes to the Notice of Annual General Meeting

1. Explanatory Notes

The Company's shareholders should read the Explanatory Notes accompanying, and forming part of, this Notice of Meeting for more details on the resolutions to be voted on at the Meeting. The information provided is intended to assist shareholders in understanding the reasons for the resolutions and their effect if passed.

2. Voting Entitlements

The Company's Board of Directors, being the convener of the Meeting, has determined that the shareholding of each shareholder for the purposes of ascertaining voting entitlements at the Meeting will be as it appears in the share register of the Company at 7:00 pm (AEDT) on Tuesday 26 November 2019.

This means that if you are not the registered holder of relevant shares in the Company at that time, you will not be entitled to vote in respect of those shares.

3. How to exercise your right to vote

You may vote in person, by proxy or by attorney. For example, you may vote:

- by attending the Meeting and voting in person, or if you are a corporate shareholder, having a corporate representative attend and vote for you; or
- by appointing a proxy to attend and vote for you, by completing the Proxy Form provided with this Notice of Meeting.

Where a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

  - appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with the Corporations Act; and
  - provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

4. Voting by proxy

A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or (if entitled to cast two or more votes) two proxies to attend and vote instead of the shareholder. If you appoint a proxy and also attend the Meeting, the proxy's authority to speak and vote at the Meeting will be suspended while you are present at the Meeting.

If a shareholder appoints two proxies, each proxy may be appointed to represent a specified proportion or number of the shareholder's votes. If a shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each of the proxies may exercise half of those votes.

An additional Proxy Form will be supplied by the Company on request. Subject to any applicable voting restrictions, where an appointment specifies the way the proxy is to vote on a particular resolution:

- the proxy is not required to vote on a show of hands, but if the proxy does so, the proxy must vote as directed;
- if the proxy has two or more appointments that specify different ways to vote on the resolutions, the proxy must not vote on a show of hands;
- if the proxy is not the Chair of the Meeting, the proxy need not vote on a poll but if the proxy does so, the proxy must vote as directed; and
- if the proxy is the Chair of the Meeting, the proxy must vote on a poll and must vote as directed.

A proxy may be an individual or a body corporate, and the proxy need not be a shareholder of the Company. In addition, there are circumstances where the Chair of the Meeting will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chair of the Meeting as their proxy.

This will be the case where:

- the appointment of proxy specifies the way the proxy is to vote on a particular resolution;
- the Chair of the Meeting is not named as the proxy;
- a poll has been called on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the Meeting; or
  - the proxy attends the Meeting but does not vote on the resolution.

Shareholders should consider directing their proxy as to how to vote on each resolution by crossing either a 'for', 'against' or 'abstain' box when lodging their Proxy Form to ensure that their proxy is permitted to vote on their behalf in accordance with their instructions.

Where the Chair of the Meeting is appointed as proxy, unless he is restricted from voting on a resolution, he will vote in accordance with the shareholder's directions as specified on the Proxy Form or, in the absence of a direction, in favour of the resolutions set out in the Notice of Meeting.

A Proxy Form is enclosed with this Notice of Meeting.

If you wish to exercise your right to appoint a proxy or proxies to attend and vote for you at the Meeting, a Proxy Form and the authority (if any) under which it is signed, or a certified copy of that authority, must be either:

- Sent by post to the Company's registry, Boardroom Pty Limited, GPO Box 3993 Sydney NSW 2001.
- Delivered by hand to Boardroom Pty Limited at Level 12, 225 George Street, Sydney NSW 2000.
- Sent by facsimile to the Company C/- Boardroom Pty Limited on facsimile 02 9290 9655.
- Submitted online at Boardroom's website (https://www.votingonline.com.au/ioofagm2019) in accordance with the instructions given (you will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website).

Proxy Forms must be received by Boardroom Pty Limited or the Company no later than 9:30am (AEDT) on Tuesday 26 November 2019 (being no later than 48 hours before the time for the holding of the Meeting).

The Proxy Form must be signed by the shareholder or an attorney duly authorised in writing (if you choose to submit your Proxy Form online, you will be taken to have signed the Proxy Form if you lodge it in accordance with the instructions given on the website).

The power of attorney or other authority (if any) under which the Proxy Form is signed (or a certified copy of that power or authority) must also be received by the Company (or Boardroom Pty Limited on behalf of the Company) no later than 9:30 am (AEDT) on Tuesday 26 November 2019. If the shareholder is a company, the form must be executed in accordance with section 127 of the Corporations Act, or by its duly authorised officer or attorney.

5. Voting Exclusions

Resolution 3

Except to the extent otherwise permitted by law, any member of the key management personnel, whose remuneration details are included in the Remuneration Report (**KMP**), or their closely related parties, may not vote, and the Company will disregard the votes cast by or on behalf of such persons, on resolution 3, unless the vote is cast:

- as proxy for a person entitled to vote in accordance with a direction on the Proxy Form; or
- by the Chair of the Meeting as proxy for a person entitled to vote, and the Chair of the Meeting has received express authority to vote undirected proxies as the Chair of the Meeting sees fit.

If the Chair of the Meeting is your proxy or is appointed your proxy by default, and you do not direct your proxy to vote 'for', 'against' or 'abstain' on resolution 3 on the Proxy Form, you will be expressly authorising the Chair of the Meeting to exercise your proxy by completing and returning the Proxy Form even if that resolution is connected directly or indirectly with the remuneration of a KMP.

The Chair of the Meeting intends to vote undirected proxies in favour of resolution 3.

Resolution 4

The Company will disregard:

- any votes cast in favour of resolution 4 by any Director who is eligible to participate in any employee incentive scheme in relation to the Company and any associate of any such Director; and
- any votes cast on resolution 4 by a member of the KMP or a closely related party of a KMP, acting as proxy if their appointment does not specify the way the proxy is to vote on resolution 4.

However, the Company will not disregard a vote on resolution 4 if:

- it is cast by a person as a proxy for a person who is entitled to vote on resolution 4, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote on resolution 4 in accordance with a direction on the proxy form to vote as the proxy decides, and the appointment of the Chair of the Meeting expressly

authorises the Chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of KMP.

If the Chair of the Meeting is your proxy or is appointed your proxy by default, and you do not direct your proxy to vote 'for', 'against' or 'abstain' on resolution 4 on the Proxy Form, you will be expressly authorising the Chair of the Meeting to exercise your proxy by completing and returning the Proxy Form even if that resolution is connected directly or indirectly with the remuneration of the KMP.

The Chair of the Meeting intends to vote undirected proxies in favour of resolution 4.

Explanatory Notes

These Explanatory Notes have been prepared for the information of shareholders in relation to the business to be conducted at the Annual General Meeting of the Company's shareholders (the **Meeting**) to be held at the Sheraton Melbourne Hotel, 27 Little Collins Street, Melbourne, Victoria 3000, on Thursday 28 November 2019 at 9.30 am (AEDT).

The purpose of these Explanatory Notes is to provide shareholders with more information on the proposed resolutions. Shareholders should read the Notice of Meeting and Explanatory Notes in their entirety before deciding how to vote on each resolution.

Items of business

Resolution 1: Receipt of financial statements and reports

The financial results for the year ended 30 June 2019 are set out in the Company's 2019 Annual Report. In accordance with the Corporations Act, shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on the Annual Financial Report, the Directors' Report and the Auditor's Report of the Company and its controlled entities for the year ended 30 June 2019.

During the discussion on this resolution, the Company's Auditor, KPMG, will be present and will answer questions that are relevant to the content of the Auditor's Report or the conduct of the audit of the Annual Financial Report. Shareholders may submit written questions for the Auditor up to five business days before the date of the Meeting.

Shareholders wishing to do so may send their questions to the Company c/ - Company Secretary, IOOF Holdings Ltd, GPO Box 264, Melbourne VIC 3001. The Company Secretary will pass the questions on to the Auditor.

Resolutions 2(a), 2(b) and 2(c): Re-election and election of Directors

The Australian Securities Exchange (**ASX**) Listing Rules and the Constitution of the Company require the Company to hold an election of Directors each year. Relevantly, the Constitution of the Company requires that at each Annual General Meeting, one third of the Directors (excluding the Managing Director, any Director appointed by the Board to fill a casual vacancy or any Director whose office is terminated) must retire from office and, provided that they are eligible, they may offer themselves for re-election. If their number is not a multiple of three, then the number nearest to but not less than one third must retire. Accordingly, two Directors must retire from office this year and one Director (Allan Griffiths) is offering himself for re-election at this Meeting.

As announced on 24 October 2019, Mr George Venardos has stated that he will retire from office at the AGM and will not be standing for re-election. Accordingly, two Directors are retiring from office this year and one is offering himself for re-election at the Meeting. Mr Andrew Bloore and Ms Michelle Somerville, both having been appointed as a Director since the Company's last Annual General Meeting, hold office under such an appointment only until the Meeting. Being eligible, they both offer themselves for election.

Resolution 2(a) – Re-election of Director

Mr Allan Griffiths
B.Bus, DipLI
(Non-Executive Director)

Experience and expertise

Non-Executive Director of IOOF Holdings Ltd since 2014. Chairman of IOOF Holdings Ltd since April 2019.

Allan Griffiths has over 30 years' experience with a deep understanding of the financial services industry. Mr Griffiths has held a number of executive positions within the industry most notably as Chief Executive Officer Aviva Australia and later, Managing Director South Asia, Aviva Asia Pte Ltd based in Singapore. Prior to joining Aviva Mr Griffiths held executive positions with Colonial Ltd and Norwich Union. Mr Griffiths is Chairman of the Westpac/BT Insurance Boards and the Chairman of Metrics Credit Partners.

The Board has concluded that Mr Griffiths is independent.

Special Responsibilities

- Chair of the Group Nominations Committee.
- Member of the Group Remuneration Committee.
- Member of the Group Audit Committee.

Mr Griffiths last stood for re-election in 2016.

2(a) Recommendation

The Board (other than Mr Griffiths who is the subject of the relevant resolution) recommends that shareholders vote in favour of Mr Griffiths' re-election.

Resolution 2(b) – Election of Director

Mr Andrew Bloore
(Non-Executive Director)

Experience and expertise

Non-Executive Director of IOOF Holdings Ltd since 2 September 2019.

Andrew Bloore is an experienced Non-Executive Director and entrepreneur, having designed, built and sold a number of businesses, including the superannuation administration businesses Smartsuper and SuperIQ and the superannuation software design business Class Super. In these areas and other industries Mr Bloore has focused on the development of key disruptive technologies and distribution services in traditional markets to create business efficiencies.

Mr Bloore is an Independent Non-Executive Director on the Boards of the following IOOF subsidiaries: IOOF Investment Management Limited (29 November 2018 to date) and IOOF Limited (26 November 2018 to date and Chairman until 29 August 2019) and was on the Board of Australian Executor Trustees Limited from 29 November 2018 to 29 August 2019, also chairing that Board.

The Board has concluded that Mr Bloore is independent.

Special Responsibilities

- Member of the Group Audit Committee.
- Member of the Group Risk and Compliance Committee.
- Member of the Group Remuneration Committee.

2(b) Recommendation

The Board (other than Mr Bloore, who is the subject of the relevant resolution) recommends that shareholders vote in favour of Mr Bloore's election.

Resolution 2(c) – Election of Director

Ms Michelle Somerville
BBus (accounting), M App Sc, FCA, GAICD
(Non-Executive Director)

Experience and expertise

Non-Executive Director of IOOF Holdings Ltd since 1 October 2019.

Michelle Somerville is an experienced Non-Executive Director, bringing deep and relevant finance, risk and governance experience to the Board, having worked in the financial services industry in both her executive and non-executive roles. Ms Somerville currently sits on the boards of The GPT Group, Bank Australia and a number of smaller organisations. Previously she was an audit partner with KPMG Australia for nearly 14 years, with a focus on the financial services industry in both Australia and overseas.

The Board has concluded that Ms Somerville is independent.

Special Responsibilities

- Member of the Group Audit Committee.
- Member of the Group Risk and Compliance Committee.

2(c) Recommendation

The Board (other than Ms Somerville, who is the subject of the relevant resolution) recommends that shareholders vote in favour of Ms Somerville's election.

Resolution 3: Remuneration Report

Section 250R(2) of the Corporations Act requires publicly listed companies to put a resolution to shareholders to adopt the company's remuneration report for the financial year.

The Company's Remuneration Report is set out on pages 45 to 62 of the Company's 2019 Annual Report.

The Remuneration Report explains the Board's policies in relation to the objectives and structure of remuneration for the Company and discusses the relationship between the policies and the Company's performance. In addition, the Remuneration Report sets out the remuneration arrangements for the Directors and KMP.

The Chair of the Meeting will give shareholders a reasonable opportunity to ask questions about or comment on the Remuneration Report.

The vote on this resolution is advisory only and does not bind the Directors or the Company.

Recommendation

The Board recommends that shareholders vote in favour of this resolution.

Resolution 4: Grant of Performance Rights to the Chief Executive Officer and Managing Director

The remuneration arrangements for the Chief Executive Officer and Managing Director, Renato Mota, are set out in the Remuneration Report. Under the ASX Listing Rules, the Company must seek shareholder approval to grant equity securities in the Company to Mr Mota as part of the Company's Long Term Incentive (**LTI**) Plan. Accordingly, the Company is seeking shareholder approval to enable it to grant performance rights to Mr Mota under the Company's Executive Performance Rights Plan (**Plan**) and provide shares on exercise of those rights on the terms described below.

The Board has determined that, subject to shareholder approval, Mr Mota will be entitled to participate in the LTI program and receive 75,000 performance rights for the 2019/2020 financial year under the Plan. The number of rights was determined on 1 August 2019 by the Board based on Mr Mota's previous roles as General Manager Wealth Management and Acting Chief Executive Officer. The proposed terms for the performance rights are consistent with those awarded to KMP (other than the former Managing Director) in previous years and explained in the Remuneration Report at section 4. As noted in the Committee Chair's letter in the Remuneration Report, 2020 is a transitional year and performance rights arrangements generally will be considered as part of the overall remuneration framework review flagged in the Remuneration Report, with significant changes expected from 2021 onwards, including the use of a higher proportion of non-financial metrics.

4.1 Performance rights

Subject to shareholder approval being obtained, it is intended that the 2019/2020 grant of performance rights to Mr Mota will be made within 14 days of the Meeting and in any event within 12 months after the Meeting.

Each performance right to be granted to Mr Mota will give Mr Mota the right to acquire one share in the Company subject to the performance right vesting on the satisfaction of tenure and performance hurdles.

The hurdles will be measured over a three year performance period starting on 1 July 2019 and ending on 30 June 2022 (**Performance Period**).

50% of the performance rights will be assessed against a tenure requirement, which requires Mr Mota to be employed by IOOF at the end of the Performance Period. The balance of the rights (50%) will be assessed against a performance hurdle, which tests the Company's total shareholder return (**TSR**) over the Performance Period against the TSR of each company in the S&P/ASX200 as at 1 July 2019 over the same period. Should the Company achieve a median TSR performance or better relative to the comparator companies, the performance rights which are eligible to vest will progressively vest in accordance with the schedule as set out below:

Relative TSR performance	% of performance rights subject to the TSR performance hurdle that may vest
At or above 75th percentile	100%
Between median and 75th percentile	Progressive vesting on a straight line basis, such that 2% of LTI awards vest for each 1% ranking increase from 50th percentile
At median	50%
Below median	No performance rights will vest

Any performance rights that do not vest following assessment of the TSR performance hurdle will lapse and will not be retested.

If a performance right vests it will be exercised automatically and a share will be allocated to Mr Mota. No amount is payable upon the grant or vesting of the performance rights, which are issued for nil consideration, or on the allocation of shares in the Company. The Board has the discretion to either purchase new shares on market or to issue new shares when allocating shares to Mr Mota following the exercise of vested performance rights. Shares issued to Mr Mota will rank equally with all other ordinary shares on issue. Any dealing in shares resulting from performance rights that have been exercised will be subject to the IOOF Group Policy - Personal Trading in IOOF Holdings Limited Securities.

4.2 Change of control and cessation of employment

If the Company is subject to a change of control, any unvested performance rights must vest subject to the approval of the Board. Except where Mr Mota’s employment is terminated for serious misconduct, subject to applicable law, any performance rights that have vested as at the date of termination will be exercised and Mr Mota will receive shares in the Company. On cessation of Mr Mota’s employment, unvested performance rights will lapse (unless the Board determines otherwise, subject to applicable law).

4.3 Other information required by the ASX Listing Rules

No loan has been or will be made to Mr Mota by the Company in relation to the performance rights. No previous shareholder approval has been sought in relation to Mr Mota, given he first became a Director in June 2019. No other Director is eligible to participate in the Plan.

If shareholder approval for the grant of performance rights to Mr Mota is given under ASX Listing Rule 10.14, it will not be required under ASX Listing Rule 7.1.

4.4 Recommendation

Mr Mota, who has a personal interest in the subject of this resolution, has abstained from making a recommendation and will not vote on this resolution. The other Directors recommend that the shareholders vote in favour of Resolution 4.

All Correspondence to:

By Mail Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

By Fax: +61 2 9290 9655

Online: www.boardroomlimited.com.au

By Phone: (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9:30am (AEDT) on Tuesday 26 November 2019**

TO VOTE ONLINE

STEP 1: VISIT https://www.votingonline.com.au/ioofagm2019

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

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BY SMARTPHONE

Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **9:30am (AEDT) on Tuesday, 26 November 2019.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

Online	https://www.votingonline.com.au/ioofagm2019
By Fax	+ 61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

IOOF Holdings Ltd
ABN 49 100 103 722

Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.
Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **IOOF Holdings Ltd** (Company) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Sheraton Melbourne Hotel, 27 Little Collins Street, Melbourne Vic 3000 on Thursday, 28 November 2019 at 9:30am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 3 & 4, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 3 & 4 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 3 & 4). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 2a	Re-election of Mr Allan Griffiths as Director	☐	☐	☐
Resolution 2b	Election of Mr Andrew Bloore as Director	☐	☐	☐
Resolution 2c	Election of Ms Michelle Somerville as Director	☐	☐	☐
Resolution 3	Adoption of the Remuneration Report	☐	☐	☐
Resolution 4	Grant of Performance Rights to the Chief Executive Officer and Managing Director	☐	☐	☐

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name……………………………………………... Contact Daytime Telephone………………………............................ Date / / 2019

annual report 2019

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About IOOF

At IOOF, we have been helping Australians secure their financial independence for over 170 years and have grown to become a leading Australian wealth management organisation.

Today, IOOF is one of the largest financial services groups in Australia. As an ASX top 200 company with $149.5 billion in funds under management, administration and advice, we currently provide quality financial advice, products and services to more than 500,000 clients around Australia*.

Our broad range of services means that our ability to provide tailored solutions to help our clients achieve their financial goals is unparalleled.

What does IOOF do?

IOOF provides a range of wealth management solutions to Australians, including:

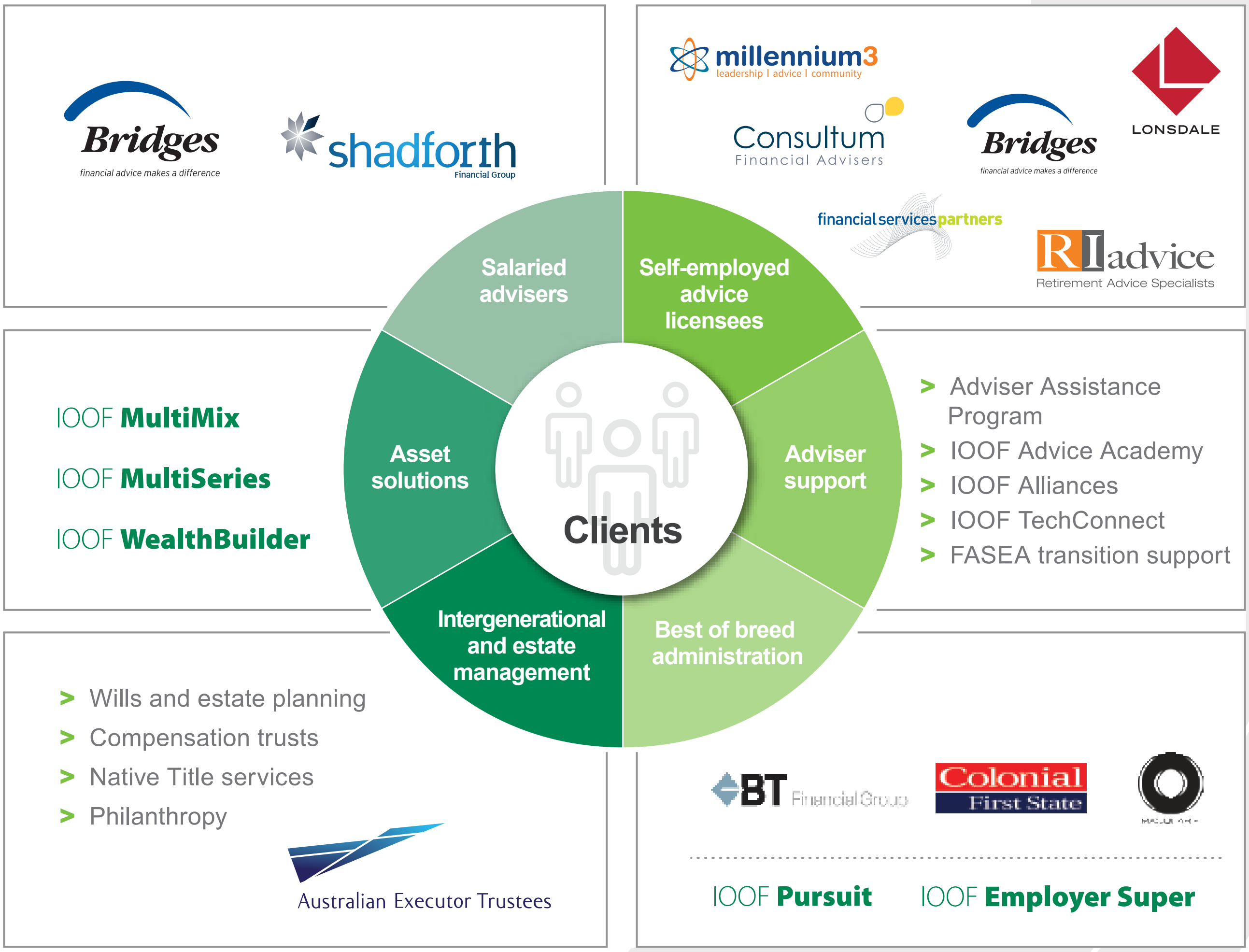
Financial Advice
We believe in the value of financial advice. Whether provided through the organisations we partner with or our own extensive network of financial advisers, our goal is to help clients build, maintain and protect their wealth.

Portfolio and Estate Administration
We offer financial advisers, their clients and thousands of employers around Australia leading superannuation and investment administration platforms. Our unique open architecture model means we not only offer our IOOF platforms but a selection of leading external platforms to ensure advisers and their clients can choose the product and service solutions that best suit their individual needs. Our trustee business includes compensation trusts, estate planning and administration, personal trustee services, philanthropy, Small APRA Funds (SAFs) and self-managed super fund (SMSF) solutions.

Investment Management
Through our investment management expertise, we offer a range of highly rated multi-manager solutions that add value on several fronts; those being our active management of underlying investment managers, our dynamic asset allocation and our robust risk management approach. We also offer a tax-effective alternative to super through our investment bond.

* As at 30 June 2019

Our diversified business model



As at 30 September 2019

Chairman's Commentary

Allan Griffiths

2019 was a challenging year industry-wide and for IOOF. To our shareholders, on behalf of the Board, thank you for your support.

Restoring trust

IOOF and all participants in the wealth management industry have faced significant scrutiny following the Hayne Royal Commission. External commentary has been scathing of the industry generally, giving us the important task of regaining the trust of our stakeholders. We are confident of doing so.

At Board level, a key focus over the past year has been to entrench new governance structures and introduce higher standards. We believe that the work being undertaken will leave us with a governance model that is best practice within the industry. We have taken very positive steps to improve relationships with all stakeholders, particularly with our regulators.

Board and senior management changes

Over the year, we saw a number of changes to the IOOF executive team. In April 2019, our former Managing Director, Christopher Kelaher, departed the company. Chris led the group through periods of transformative growth which brought IOOF to where we are today. I would like to acknowledge his vision and contribution to the Board and to IOOF over the past ten years.

In appointing a successor for Chris, we considered high quality candidates from both within the company and externally. Ultimately, the Board was unanimous in its belief that Renato Mota had the vision and industry experience to lead us on our next phase of transformative growth. Renato brings to the role great energy and ambition for the company and we have no doubt that he is the right person for the job. Renato also joined the IOOF Board upon his appointment as CEO and Managing Director.

Also, at Board level, we appointed Andrew Bloore and Michelle Somerville to the IOOF Board. With respective experience as a technology entrepreneur and as a partner at a Big 4 accounting firm, they will contribute to the diversity of thinking and experience on the Board.

On behalf of the Board, I would like to thank the Executive Team and all IOOF staff for their diligence and dedication over the past year in the midst of significant external pressure. As an indication of their commitment to the company and recognising the significant impact on the share price over the past year, the Executive Team refused to accept short-term incentives for the 2018–19 year.

Reshaping the business

We remain committed to the completion of the acquisition of ANZ's Pensions and Investments business, which will deliver significant benefits for clients of the combined group – and therefore to our shareholders.

We also continue to focus on the core assets that fit with our advice-led strategy. This resulted in the successful sale of our holdings in AET Corporate Trust, Ord Minnett and Perennial Value Management.

Outlook for the year ahead

I am very proud to chair the Board of IOOF and am excited by the opportunities that lie ahead.

The difficulties experienced and the lessons learned will only make us stronger and better in serving the hundreds of thousands of Australians who depend upon us. Our core purpose and our passion – to provide prosperity and security for Australians throughout their life journey – remains unchanged.

On behalf of the Board, once again thank you for your continuing support.

Allan Griffiths

CEO and Managing Director's commentary

Renato Mota

In a year of significant change, our focus has been on stabilising the business and restoring trust with the community. With significant progress already made and work continuing, we are well placed to deliver for our shareholders into the future.

Stabilising our business

As our Chairman has noted, it was a challenging year for IOOF. In very sudden circumstances, I was appointed Acting CEO in December 2018 and permanent CEO in June of this year. I was honoured to take on the role, and well aware of the challenges that lay ahead. My number one focus was to stabilise and restore trust in our business. To do this, we have focused on engaging with all our stakeholders in a transparent and purposeful manner; be it internally with our people or externally with shareholders, investors, advisers, members and our regulators.

Uplifting our Governance standards was a key part of this. We completed a review of the Risk & Compliance function and appointed a new Chief Risk Officer to lead the team. We made significant progress on the licence conditions imposed on us by APRA and have met all required items due by 30 June 2019. We continue to work diligently to progress the remaining conditions. One of the licence conditions involved the establishment of an Office of the Superannuation Trustee (OST). The OST plays an important role in ensuring members best interests are met and that we continue to challenge ourselves to deliver improved outcomes for superannuation members.

Business performance

Despite the challenging operating environment, our business performance remained strong. Underlying net profit after tax was $198.0 million, up 3.4% from 2018 and we saw FUMA grow 18.7% to $149.5 billion – bolstered by the successful addition of the ANZ advice licensees. Importantly, we continued to see positive net flows of $1.4 billion into our proprietary platforms and $520 million via our advice groups. I was also encouraged to see that our adviser net promoter score was +17% vs an industry average of -30%. As an advice-led business, to see our advisers continuing to be positive about IOOF during a particularly difficult time for the advice industry was pleasing.

Advice review

Statutory net profit after tax of $28.6 million was impacted by the advice review that we undertook. The advice review, resulted in a $223 million provision for advice remediation. This was a necessary exercise to identify any exposure that we may have to instances of fees for no service, inadequate documentation or inappropriate advice. Having employed expert industry knowledge in designing and conducting the review, we are confident that the review and resulting outputs are robust and prudent .

Simplifying our core advice-led offerings

We continue to lead the industry in business simplification and cost management. During the year, we made a number of divestments of non-core businesses in order to focus on our core. We sold AET Corporate Trust for $51.6 million, Ord Minnett for $115 million and our associate stake in Perennial Value Management. We announced our intention to reduce the number of platforms that we have from 2 to 1 by 2021. For many years, we have had a mantra of "spend money like its our own" and as CEO, I intend to preserve that discipline, as a key pillar of our financial success.

ANZ Pensions & Investments (ANZ P&I) business acquisition

We continue to work towards completion of the ANZ P&I acquisition. On 17 October 2019, we received "No Objection" notices from One Path Custodians and ANZ Banking Group Limited. We also announced a revised price of $825 million, down $125 million from the original agreed price. APRA approval is the only remaining condition for the acquisition to complete. This will be transformational for IOOF and I am excited by the significant benefits that the combined group will deliver to members and shareholders.

Outlook

At our results briefing in August 2019, I announced a multi-year strategy designed to deliver IOOF to a position of industry leadership. Within this strategy I described three discrete phases – Stabilise, Transform, Prosper. We have made significant progress to stabilise the business over 2019 and work continues. We have started our transformation with platform simplification underway and reinvention of our advice business. The completion of the ANZ P&I acquisition will complement this transformation .

In what has been an unprecedented year for IOOF I am incredibly proud and thankful for the commitment and dedication of our people. All of our people have worked incredibly hard over the past year through intense scrutiny and uncertainty. I want to thank them for their efforts and also thank the Executive Team for their personal support. It gives me great confidence that we have an enthusiastic and committed team to guide us to reach the "Prosper" phase – the creation of an industry leading business guided by a clear sense of purpose.

To our shareholders – I thank you for your continued support in what has been a very trying year. I and the team at IOOF are committed to restoring and transforming the prospects of our business, for the benefit of all stakeholders including its owners – our shareholders.

Renato Mota

2019 results at a glance

UP 3.4%

$198m

Underlying NPAT

$28.6m

Statutory NPAT, including remediation

UP 18.7%

$149.5b

FUMA

Growing the business

embedding ANZ advice licencees with contribution of $16.1b FUMA in nine months

Total fully franked dividends per share

44.5cps

Focusing on core

- Divestment of AET Corporate Trust for the sale price of $51.6m
- Divestment of Ord Minnett for the sale price of $115m

Delivering for clients

Adviser NPS

+17% (vs industry average of -30%)[1]

Attracting net inflows

Platform

$1.4b

Advice

$520m

Advice review undertaken

Remediation cost

$182.7m

Program costs

$40.4m

Resilience and agility in a changing environment

[1] Investment Trends 2019 IOOF Licensee Satisfaction Report: Industry NPS Extract

2019 strategic priorities – transforming with purpose

Stabilise

Stabilise	Progress made
Restoring trust	• Completed review of Risk & Compliance function • New Chief Risk Officer appointed • Reset of engagement with stakeholders
Accelerating governance Advice review	• Implemented all 30 June Australian Prudential Regulation Authority (APRA) licence conditions • All relevant Protecting your Super and Royal Commission recommendations are ready for adoption • Independent advice review undertaken • Provision of $182.7m for remediation and $40.4m in program costs

Transform

Transform	Progress made
Building long-term scale benefits	• Continuing to work towards completion of the ANZ P&I business acquisition • Open dialogue with APRA regarding new APRA approval process for change in control • Integration of ANZ advice licensees (ANZ ALs) • Progressing rationalisation of platform administration systems – end 2021 (Project Evolve)
Build client-centric business model	• Commitment to reinvention of advice • ClientFirst remains a competitive advantage • Delivering choice through open architecture, scale and diversity

Directors


Allan Griffiths


Renato Mota

Qualifications and independence status

Allan Griffiths

- B.Bus, DipLI.
- Independent Non-Executive Director
- Director since 2014
- Acting Chairman effective 10 December 2018
- Chairman effective 4 April 2019

Renato Mota

- BComm(Hons), B.Bus
- Chief Executive Officer and Managing Director
- Chief Executive Officer effective 25 June 2019
- Managing Director effective 25 June 2019
- Acting Chief Executive Officer effective 10 December 2018

Experience, special responsibilities, listed and other significant directorships

Allan Griffiths

More than 30 years' experience with a deep understanding of the financial services industry. Mr Griffiths has held a number of executive positions within the industry most notably as Chief Executive Officer, Aviva Australia and later, Managing Director South Asia, Aviva Asia Pte Ltd based in Singapore.

Prior to joining Aviva, Mr Griffiths held executive positions with Colonial Ltd and Norwich Union. Mr Griffiths is Chairman of the Westpac/BT Insurance Boards and the Chairman of Metrics Credit Partners. Chair of the Group Nominations Committee and member of the Group Audit and Group Remuneration Committees.

Renato Mota

With more than 20 years' experience in financial services prior to being appointed CEO, Mr Mota held a number of senior executive roles within IOOF. In December 2018, Mr Mota was appointed Acting CEO and prior to that was Group General Manager – Wealth Management since January 2016. During this time he was instrumental in leading IOOF through a series of forward-thinking, strategic initiatives including IOOF's advice-led strategy, the group's ClientFirst transformation and establishing the IOOF Advice Academy.

Previously, he held numerous executive roles as General Manager of Distribution, Investor Solutions and Corporate Strategy and Communications. Before joining IOOF in 2003, Mr Mota worked for Rothschild and NAB in corporate finance roles with a focus on mergers and acquisitions where he was involved in wealth management transactions including the demerger of Henderson Group plc from AMP in 2003 and NAB's acquisition of MLC and Deutsche Financial Planning.

Andrew Bloore

- Independent Non-Executive Director since 2 September 2019

Elizabeth Flynn

- LLB, Grad Dip App Corp Gov, FAICD, FFin, FGIA, FCIS
- Independent Non-Executive Director
- Director since 2015

Jane Harvey

- B.Com, MBA, FCA, FAICD
- Independent Non-Executive Director
- Director since 2005

Andrew Bloore is an experienced Non-Executive Director and entrepreneur, having designed, built and sold a number of businesses, including the superannuation administration businesses Smartsuper and SuperIQ and the superannuation software design business Class Super. In these areas and other industries Mr Bloore has focused on the development of key disruptive technologies and distribution services in traditional markets to create business efficiencies.

Mr Bloore is an Independent Non-Executive Director on the Boards of the following IOOF subsidiaries; IOOF Investment Management Limited (29 November 2018 to date) and IOOF Limited (26 November 2018 to date and Chairman until 29 August 2019) and was on the Board of Australian Executor Trustees Limited from 29 November 2018 to 29 August 2019, also chairing that Board.

Mr Bloore is also a member of the IIML and IOOF Limited Audit Committees.

Ms Flynn has more than 30 years' experience in the financial services industry, including roles within law and corporate governance as well as executive responsibilities. From 1998 to 2010, Ms Flynn was the Chief Legal Counsel, Group Compliance Manager and Group Company Secretary of financial services group Aviva Australia, and a director of Aviva Australia's superannuation trustee company. Prior to her time at Aviva, Ms Flynn spent 18 years as a commercial lawyer with Minter Ellison, including eight years as a Partner, specialising in managed funds, banking and securitisation and superannuation.

Ms Flynn was a non-executive director of Bennelong Funds Management from 2010 to 2015 and is a non-executive director of AIA Australia Limited. Ms Flynn is Chair of the Group Risk and Compliance Committee and a member of the IOOF Investment Management Limited (IIML) and IOOF Limited Risk and Compliance Committees and member of the IOOF Ltd Risk and Compliance Committee, and member of the APRA Regulated Entity (ARE) Audit Committee until 28 November 2018. Member of the Group Remuneration and ARE Remuneration and Nominations Committees.

Ms Harvey has more than 30 years' experience in the financial and advisory services industry. Prior positions include as a Partner at PricewaterhouseCoopers, a Director of Dulux Group Limited from 2018 to 2019, a Director of UGL Limited from 2015 to 2017, and as a Director of DUET Finance Limited, a stapled entity within the ASX Listed DUET Group from 2013 to 2017.

Ms Harvey is currently a Director of BUPA A&NZ entities. Ms Harvey is the Chair of the Group Audit and Remuneration Committees and member of the Group Nominations and Group Risk and Compliance Committees.

John Selak

- Dip Acc, FCA, FAICD
- Independent Non-Executive Director
- Director since 2016

Mr Selak has over 40 years' experience in the financial and advisory services industry. From 2000 to 2016 Mr Selak was a Partner in the Corporate Finance Practice of Ernst & Young serving on their Global Corporate Finance Executive. From 2014 to 2017 Mr Selak was an advisory board member of Quest Apartment Hotels.

Mr Selak is currently Chairman of Corsair Capital, a non-executive director of National Tiles, Turosi Food Solutions, and the IOOF Foundation. Chair of the ARE Audit Committee until 28 November 2018 and Chair of the Australian Executor Trustees Limited Audit Committee. Member of the Group Audit, Group Risk and Compliance, and IOOF Ltd Audit Committees. Member of the Group Nominations Committee.

Michelle Somerville

- BBus (accounting), M App Sc, FCA, GAICD
- Independent Non-Executive Director since 1 October 2019

Michelle Somerville is an experienced Non-Executive Director, bringing deep and relevant finance, risk and governance experience to the Board, having worked in the financial services industry in both her executive and non-executive roles.

Ms Somerville currently sits on the boards of The GPT Group, Bank Australia and a number of smaller organisations. Previously she was an audit partner with KPMG Australia for nearly 14 years, with a focus on the financial services industry in both Australia and overseas.

George Venardos

- BComm, FCA, FGIA, FAICD, FCIS
- Independent Non-Executive Director
- Director since 2009
- Leave of absence commenced 10 December 2018
- Chair from 2016 to 2018
- Ceased as Chairman effective 4 April 2019

An experienced Director with broad listed company experience across a range of different industries, including financial services, affordable leisure, oil and gas services and technology development.

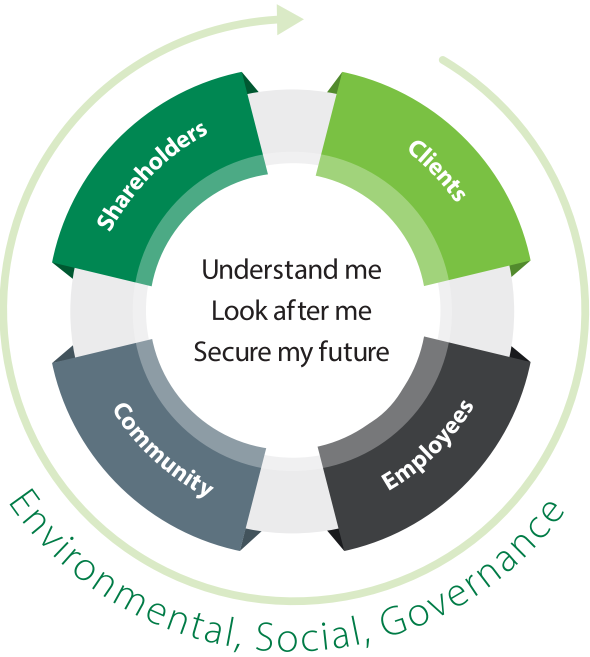
Mr Venardos has 30 years' experience in Executive roles in financial services, insurance and funds management including 10 years as CFO of Insurance Australia Group and Chairman of the Insurance Council of Australia Finance and Accounting Committee. Former Director of Bluglass Ltd from 2008 to 2016 and Ardent Leisure Group from 2009 to 2017.

Mr Venardos was Chair of the Nominations Committee and member of the Group Audit and Remuneration Committees until 10 December 2018.

Environmental, Social and Governance report

Strong ESG practices and performance are critical to our continued success

Maintaining strong Environmental, Social & Governance (ESG) practices enables us to manage risks and opportunities in a way that balances the long-term needs of stakeholders, including clients, employees, shareholders, suppliers, the community and the environment.



Material exposure to Environmental, Social and Governance matters

Our reputation as a leading provider of quality financial services and ability to achieve our strategic aims could be damaged by failing to identify, monitor and report material ESG risk exposures.

In determining our exposure, the Board considers our business model, the industry in which we operate, current areas of focus of our regulators, media and public commentary and the interests of our stakeholders, including industry bodies, investors, clients, members and analysts.

Material ESG matters are outlined below.

	Governance	
Culture	**Stakeholder**	**Material ESG matter**
Culture	Our business	• Accelerating corporate governance • Advice review • Cybersecurity and privacy • Climate change and the environment • Tax transparency
Culture	Our clients and community	• Establishing trusted relationships with advisers • Advocating for quality financial advice for all Australians • Giving back to our communities
Culture	Our people	• Evolving our culture • Leadership and capability • Supporting our people • Diversity and inclusion

Our business

ESG practices are deeply embedded in our day-to-day business operations and to the creation of long-term financial outcomes for our advisers, clients, members and shareholders.

Accelerating corporate governance

In 2019, we have been focused on uplifting and strengthening our governance framework. Central to this has been a full risk and compliance review to help understand what areas we need to improve and invest in as the financial services environment continues to rapidly evolve.

In December 2018, APRA gave notice of additional licence conditions on IOOF's APRA regulated entities. Broadly, these conditions require:

- separation of responsible entity and registrable superannuation entity duties to separate independent corporate entities
- the implementation and effective operation of an independent member outcomes driven function (the Office of the Superannuation Trustee or OST)
- monitoring and reporting on progress via an independent expert.

On 20 August 2019, IOOF announced that it had met all its 30 June 2019 requirements to the satisfaction of the independent expert and was on track to meet all remaining requirements by the relevant deadlines. Further updates will be provided to the ASX at www.asx.com.au, code: IFL.

Progress made on key APRA licence conditions

	Summary description	Due date required by a licence condition
	Split RSE Licence (RSEL) and RE Licence functions into distinct legal entities	
1	• IIML	31 December 2019
2	• AET	Implemented
3	• Hold separate board meetings to consider the interests of RSELs, separate from board meetings held for RE functions	Implemented, to be maintained
4	Implement and maintain a dedicated business function to support the AREs	Implemented, to be maintained
5	Move to majority independent directors and Chair of the AREs	Implemented, to be maintained
6	Appoint an independent expert to prepare an analysis in relation to the possible consolidation of RSEs	Subject to ANZ P&I acquisition
7	Amend the structure and composition of the ARE Board committees to comply with Prudential Standards	Implemented, to be maintained
	Clear action plan arising from the EY Independent Review into conflicts of interest and risk culture	
8	• Complete actions with 31 December 2018 due dates	Implemented
9	• Complete actions with 31 March 2019 due dates	Implemented
10	• Complete actions with 30 June 2019 due dates	Implemented
11	Provide regular reporting to APRA and meet monthly	Ongoing
12	Appoint an Independent Reviewer to report to APRA quarterly	Appointed and ongoing

Separation of Responsible Entity and Registerable Superannuation Entity

As noted above, in 2019, work began to separate IOOF's Responsible Entity (RE) and Registerable Superannuation Entity (RSE) functions into distinct legal entities. Separating these structures will reduce the potential for conflicts of interest between our investment management activities and superannuation services. This work will be completed by the end of calendar 2019.

Three lines of defence

We apply a 'three lines of defence' model to the identification and management of risk and compliance issues. Our first line of defence is the operational areas of the business that are responsible for developing, delivering and supporting products and services for our clients. Our second line of defence develops, maintains and enhances IOOF's risk management framework. Our third line of defence provides assurance on how effectively we have assessed and managed any risk and compliance issues. We have significantly increased the resources dedicated to our three lines of defence and expect to see continued maturation of our risk and compliance culture in 2020.

Risk and compliance function

In 2019, we merged our risk and compliance functions to form the Enterprise Risk and Compliance division, solely focused on our second line of defence. Consisting of over thirty subject matter experts (a majority of whom were recruited externally), this team has made significant progress in uplifting our governance activities as quickly and sustainably as possible.

We are using technology to support this process, by moving from multiple legacy reporting systems to a single integrated system. This will make it easier for our people to effectively manage operational risk and compliance across multiple entity levels. We have also amended our breach reporting and complaint handling policies and procedures to enhance the identification, management and monitoring of breaches and incidents.

In addition, a number of executive and business level forums have been established to improve accountability, transparency and oversight of risk and compliance across the organisation, and with external stakeholders.

APRA Federal Court proceedings

In December 2018 APRA commenced Federal Court proceedings against two IOOF entities, two directors and three employees. The proceedings sought declarations that the corporate entities breached trustee duties and contravened the *Superannuation Industry (Supervision) Act 1993 (Cth)*, and disqualification orders against the five individuals from acting as trustees or a responsible officer of a trustee.

On 20 September 2019, the Federal Court held that IOOF's APRA regulated entities and the five individuals did not contravene the *Superannuation Industry (Supervision) Act 1993 (Cth)*. The Federal Court also declined to make the disqualification orders sought against the five individuals and awarded costs in IOOF's favour.

Corporate governance statement

IOOF has adopted Listing Rule 4.10.3 which allows companies to publish their corporate governance statement on their website rather than in their annual report. The Directors of IOOF have reviewed and approved the statement, which is available at: **www.ioof.com.au/about_us/corporate_governance**

Advice review

We are holding ourselves to higher standards and ensuring that our obligations to clients are met.

In February 2019, we committed to completing an advice review to identify any instances of fees for no service, fees for inadequate documentation and inappropriate advice. An extensive review was undertaken by PwC which resulted in a provision for remediation of $223.2 million (includes interest at RBA + 6% and $40 million in program costs). IOOF had also expensed $12.1 million of product related remediation.

Advice review undertaken

1 Develop Key Risk Indicators

- 17 KRIs identified for:
  - Fees for no service/ inadequate documentation
  - Inappropriate advice
- External sources of information to develop KRIs:
  - ASIC Report 515
  - KRIs utilised in the industry
  - Other industry sources of information relating to adviser conduct and behaviour

2 Identify target advisers

- 67 target advisers identified across advice groups for detailed sample testing
- Advice Groups included in advice review:
  - Bridges
  - Consultum
  - Lonsdale
  - Shadforth
- Total adviser population: 788 advisers

3 Independent review of target advisers

- Over 1,200 client files from 2015–2019 independently reviewed
- Independent review conducted by PwC
  - Sample size determined by independent reviewer as statistically significant

4 Estimate remediation

- Expected provision rate extrapolated across population of all 788 advisers
- Consistent with RG 256, interest on remediation payments has been set at RBA cash rate + 6%

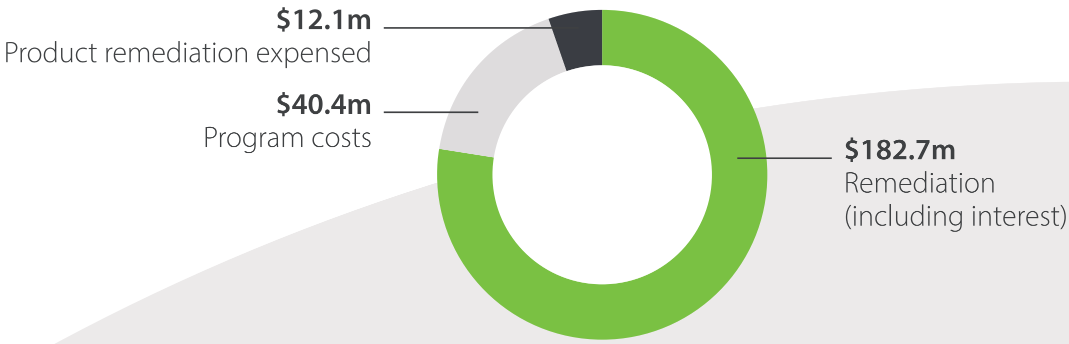
5 Estimate program costs

- Program costs have been calculated on a cost per file review basis for both inadequate documentation and inappropriate advice

6 Assess period to complete remediation payments

- Multi-year program of work

Advice review outcomes



Cybersecurity and privacy

In line with our purpose of understand me, look after me, secure my future, we are committed to keeping our clients and members personal data secure, by ensuring we have robust and evolving cybersecurity and privacy controls in place.

Cybersecurity

Cyber risk is one of the top risks faced by the IOOF Group.

Five years ago, we established a dedicated cybersecurity and technology risk team (Cybersecurity team) to ensure an enhanced focus on cybersecurity controls. Cybersecurity roles and responsibilities are clearly defined and documented. Our cybersecurity strategy, policies, tactical initiatives and operational controls are based on the National Institute of Standards and Technology (NIST) cybersecurity framework and comply with ISO27001 standard – an international standard for information security management.

IOOF has a Cybersecurity Governance Forum that meets regularly to ensure a cross business functional overview of cyber risks and related controls. Our Cybersecurity team reports to the Board every month on cyber incidents, events, readiness and improvement projects. The Cybersecurity team also reports to the Board's Risk & Compliance committee on Key Risk Indicators and the organisation's performance against these.

The aim of our cybersecurity policies and frameworks is to ensure that:

- appropriate controls are implemented
- our cyber risk exposure is minimised
- our risk management processes are effective.

Like all business operations, cybersecurity relies on people, processes and technologies. We understand that the key to a holistic, effective and lasting cybersecurity program is the human element. Our people are our first line of defence and IOOF has a considerable focus on enabling and embedding a 'cybersecurity culture' throughout the business.

Our people undergo various levels of awareness training, including at induction, bi-annual face-to-face training, mandatory annual online training, as well as personal one-on-one training sessions where there is a high cyber risk. Training sessions include awareness of cyber risks and behaviours, privacy fundamentals and principles, fraud detection and reporting and AML/CTF obligations. We use positive reinforcement in our training programs to drive high levels of engagement. Each month we reward employees who have been successful in preventing cyber threats with enterprise-wide recognition of their vigilance as well as an award for their efforts.

Phishing email simulation testing is conducted regularly to test the effectiveness of training sessions. Results from the phishing tests are used to further fine tune training opportunities. Job specific security training is also embedded in our wider teams. The training programs are constantly reviewed to ensure relevance and to ensure latest concepts are covered. Our aim is to ensure that our staff have leading edge knowledge in areas of technology risk and cyber threats.

Third party risk management is of key importance for IOOF. All third party relationships are established only after a rigorous due diligence process governed by our Vendor Management Policy. Security risk assessments are conducted at the initiation of the contract, as well as on a regular basis throughout the contract. This ensures that IOOF has adequate assurance over the conduct and controls that third parties have in place, for protection of information that is in custody of the third party.

IOOF collaborates with both Government bodies and the industry to keep abreast of cyber trends, developing cyber threats and controls, as well as to discuss, collaborate and share new strategies and tactics relating to cyber controls.

IOOF is an active member of Joint Cyber Security Centre (JCSC) and a partner with Australia's national Computer Emergency Response Team (CERT). IOOF is also a founding member of the Australian Chapter of the Global Cybersecurity Alliance which is an international, cross-sector effort designed to confront, address, and prevent malicious cyber activity. The Cybersecurity team at IOOF is also a member of industry groups such as the CISO Lens, ISACA and the Australian Information Security Association (AISA) which ensures that they are updated with relevant knowledge and intelligence into latest trends and threats, impacting the Australian and Global cyber landscape.

Privacy

Our clients trust us to look after them by ensuring that their personal information is safe and secure. Any personal information we collect is handled in accordance with the IOOF Group Privacy Policy, which outlines how we manage personal information. We have a program in place to ensure privacy awareness remains at the forefront of our employees' minds.

Since 2015, IOOF has been an active participant in the Office of the Australian Information Commissioner's annual Privacy Awareness Week (PAW), during which employees engage in initiatives and activities to reinforce the importance of protecting information. In addition, online privacy awareness training is provided to all employees annually and targeted training is delivered several times a year. We support a strong culture of privacy compliance, where reporting and responding to privacy breaches is second nature.

We are continually looking for better ways to enhance our capabilities, to ensure our controls remain effective and to build privacy awareness.

Climate change and the environment

Climate change presents significant challenges for society and generates both risks and opportunities for IOOF's business and stakeholders.

Climate change forms part of our approach to ESG integration and is incorporated into our Responsible Investment Position Statement. Other environmental issues we consider include energy efficiency, pollution, water management, biodiversity and site restoration. We are committed to implementing the following measures specifically to address climate change.

Task Force for Climate-Related Financial Disclosures

In September 2018, IOOF announced its support for the Task Force for Climate-Related Financial Disclosure (TCFD) recommendations. The TCFD recommendations are designed to solicit consistent, decision-useful, forward-looking information on the material financial impacts of climate-related risks and opportunities, including those related to the global transition to a lower-carbon economy.

As a leading provider of wealth management solutions, this will ultimately help us better understand climate-related issues and how they can impact investment decisions.

IOOF has joined a list of over 830 organisations worldwide and over 50 other Australian organisations in its support for the TCFD. Australian organisations which have supported the TCFD include the big four banks, APRA, Industry Super Funds, investment managers and other large ASX listed companies.

Responsible investment

Our multi-manager investment management offering ensures ESG factors are considered by underlying investment managers in their investment decision-making processes in order to protect and manage investments for the long term.

In 2017, an ESG clause was added to all of our Investment Management Agreements with external fund managers to integrate ESG practices into their investment process. These managers must now identify and manage risks and opportunities associated with ESG as part of their investment process.

In 2018, the Investment Management Division developed a Responsible Investing Statement of Principles, with approval and commencement of the implementation of the statement during 2019.

The Responsible Investment Position Statement was developed with reference to current best practice described by the Principles for Responsible Investment. It covers the mainstream equities, property and infrastructure security assets in our managed investment schemes and applies to our external fund managers through our Investment Management Agreements.

We undertook a process to review our approaches to the measurement and scoring of our multi-manager portfolios against the Responsible Investing Statement of Principles and are rolling out an investment database system to capture individual security holdings of our investment managers within our multi-manager funds. Once complete (expected in FY 2020), this will assist us in monitoring exposure to ESG sensitive sectors and ultimately score funds on carbon exposure and other dimensions of Responsible Investing.

A range of processes have been introduced to existing manager due diligence, selection and monitoring practices, to include an evaluation of each fund manager's ESG methodologies and capabilities. In house analysis is supplemented by independent external research provided by our asset consultant (Mercer), which analyse and rate fund managers' ESG processes. The Investment Management Division utilises Mercer to engage with incumbent and prospective managers and to evaluate the extent of integration of ESG criteria in their respective investment process.

Environmental, Social, and Governance factors that form the basis of our statement are wide ranging and may have varying impacts on risk and return on our products. The following table shows some examples of areas covered under ESG:

Environmental (E)	Social (S)	Governance (G)
Climate impact	Human capital management	Board experience, diversity, accountability, tenure and structure
Energy efficiency	Diversity and employee relations	Executive remuneration (short and long term)
Pollution	Working conditions	Bribery and corruption
Water management	Occupational health and safety	Anti-competitive behaviour
Biodiversity and site restoration	Labour standards	Political lobbying and donations

A number of approaches can be taken to include ESG issues including:

- **Integration:** Inclusion of ESG factors in the investment decision making process to improve investment outcomes.
- **Active ownership:** Engage with companies (including via proxy voting) to improve investment outcomes.
- **Themed:** Impact investing targeting areas which generate attractive returns with sustainability social improvement themes.
- **Exclusions:** Screen out companies or industries assessed to represent a long-term risk to returns due to negative ESG factors that cannot be mitigated via Integration, Active Ownership, or Themed Investing.

Integration is considered the most appropriate approach to responsible investing given our objectives. All four approaches may be deployed as deemed appropriate. Exclusion is reserved for companies or industries where other approaches cannot reasonably be expected to achieve our objectives.

This year we modified Investment Management Agreements to exclude Tobacco Manufacturers from portfolios, with a plan to the end of September 2019 for managers to transition tobacco manufacturing companies out of our portfolios. Our Responsible Investing Statement of Principles allows for the exclusion of individual companies or sectors where the principle of engagement is unlikely to be successful in achieving Responsible Investing objectives.

In the case of tobacco, the engagement with management of tobacco manufacturers was viewed as unlikely to result in reducing long term investment risks specific to this sector that may reasonably be expected to emerge, due to the high proportion of total revenue generated by tobacco companies through the sale of tobacco products.

Long-term investment risks associated with Tobacco Manufacturers are:

- **Regulatory risk:** Unprecedented global cooperation to reduce tobacco use
- **Litigation risk:** Challenging the business model of externalising costs. Major class actions against tobacco companies to pose considerable financial risk to the tobacco industry and challenge the business model.
- **Supply chain risk:** Tobacco industry use of child labour is under the spotlight as supply chains are analysed.

In addition, IOOF has an 18% shareholding in Australian Ethical (ASX: AEF); Australia's largest dedicated ESG investment manager. This represents a long-standing commitment to responsible investing with our initial investment dating back to 2005.

Our environmental impact

As a diversified financial services company, we seek to minimise our impact on the environment through a range of waste, energy and emission-reduction activities.

During 2017 we commenced a significant project to consolidate our property footprint, which will better enable us to monitor and manage our environmental impact. In November 2018 we moved all of our Hobart based staff to 59 Liverpool Street.

In September 2017, we moved all Melbourne based staff to work in one energy efficient office building. A Four Star NABERS Energy Rating and Three Star NABERS Water Rating are targeted by the Building managers. In addition, there is a fully digitised Building Management System which will monitor air temperature and quality, 24/7, to maximise efficiency across the building, and utilise outside air to supplement the in-house system when suitable. Combined, this will make the building one of the most environmentally responsible commercial addresses in Melbourne CBD.

In Sydney, we moved all of our people to 30 The Bond in December 2017; a 5.5 Star NABERS rated building. Environmental sustainability and enablement of our people were significant factors in choosing this building. It has a three and a half Star NABERS water rating and a Five Green Star rating, meaning it is currently one of the most environmentally sustainable buildings in Sydney.

We also continue to seek better ways to minimise our environmental impact, including working with contractors, landlords and service providers to increase waste recycling.

Outside of our major office movements, we continue to work with our landlords in all locations to ensure we are limiting our waste emissions and will look to report on total overall improvements as part of our annual ESG reporting process.

- Reducing non-essential air travel. We changed our corporate air travel arrangements to a single provider for all domestic and international travel.
- Upgraded our internal communications system to better facilitate video conferencing in all of our office locations.
- Encouraging employee work practices that reduce environmental impacts.
- To encourage a move to a paperless environment, we implemented 'Follow Me' printing to reduce unnecessary printing of documents and paper wastage.

Tax transparency

The IOOF Group is committed to tax transparency and integrity. It has been a signatory to the Board of Taxation's Voluntary Tax Transparency Code (the Code), since January 2017.

The Code is a set of principles and 'minimum standards' to guide disclosure of tax information by businesses, encourage those businesses to avoid aggressive tax planning, and to help educate the public about their compliance with Australia's tax laws.

The IOOF Group provides a reconciliation of accounting profit to tax expense, and to income tax paid/payable including identification of material temporary and non-temporary differences and accounting effective company tax rates for the IOOF Group's Australian and global operations.

Information about international related party dealings

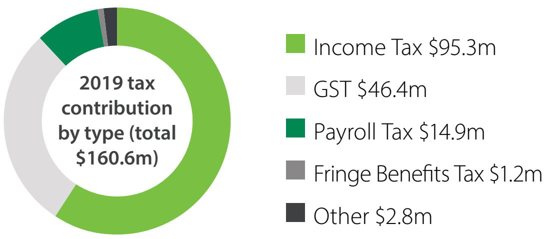
The IOOF Group conducts foreign activities in New Zealand, via IOOF New Zealand, and in Hong Kong, via share broking business, Ord Minnett (now a discontinued operation). Each of those entities is subject to the local tax regime and effective tax rates are disclosed with the IOOF Group's effective tax rate. Related party dealings between the IOOF Group's Australian and foreign jurisdictions are supported by transfer pricing documentation.

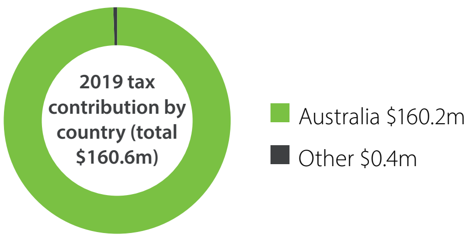
Approach to tax strategy and governance.

Tax governance is part of the IOOF Group's overall risk management framework, as well as being part of an overall tax strategy. The overall tax strategy drives the IOOF Group's approach to tax risk management and is aimed at good corporate tax compliance and reporting, ability to meet and be prepared for regulatory changes, and in ensuring shareholder value. Tax governance is continuously monitored and in line with the IOOF Group's strategy. The IOOF Group regards its relationship with the ATO as effective and open thereby maintaining transparency and collaboration.

Tax contribution analysis

The IOOF Group contributed a total of $160.6m in taxes to Australian, New Zealand and Hong Kong governments (state and federal) in the 2019 tax year. $160.2m or 99.75% of this amount was attributable to the Australian Government. The below graphs provide an analysis of the types of taxes the IOOF Group is liable for and those payable in Australia versus those in foreign jurisdictions. Further taxes paid by the IOOF Group on behalf of others, including employees and members, are not directly borne by the Group. These include income tax, GST, pay-as-you-earn withholding taxes, and local duties, which total a further $133m.





Fiduciary oversight of superannuation

IOOF received the latest ATO Large Fund Diagnostic Report for the superannuation funds which IOOF Investment Management Limited administers. The ATO uses the outcome of these reports to categorise the risk of incorrect ATO reporting and direct compliance activity. The ATO has noted in past years that "very few funds met more than eight of the 13 benchmarks".

IOOF has met, or exceeded all 13 benchmark tests for its flagship product, continuing the excellent results received in each of the last four years. It continues to be ranked as one of the best performing funds in Australia in respect of ATO reporting.

The super funds administered by IOOF Investment Management Limited were the first funds in Australia to successfully implement the newly introduced Member Account Attribute Service (MAAS) and Member Account Transaction Service (MATS). These initiatives ensure real time reporting, and aid in excellent member outcomes.

Further detail on tax paid by the IOOF Group can be found in note 2–6 to the financial statements within this Annual Report.

Our clients and community

In today's complex and ever-changing financial world, it has never been more important for people to seek qualified and experienced guidance to secure their financial future. One of our major goals is to make it easier for all Australians to access and benefit from receiving the right advice for their individual needs and objectives.

Establishing trusted relationships with advisers

At IOOF, we believe in the value of financial advice.

We currently employ or licence approximately 1,500 advisers and also have trusted relationships with financial advisers who operate independently.

We also believe in setting the highest standards in advice. Advisers joining one of IOOF's advice groups are subject to meeting minimum adviser education standards and undergo rigorous compliance and on-boarding processes, to ensure that the quality of financial advice IOOF is offering our clients is uncompromised.

The true value of advice

IOOF undertook a survey of 521 advised and non-advised clients and discovered that those who receive ongoing financial planning advice experience[1]:

- 13% greater levels of overall personal happiness.
- 21% overall increase in peace of mind.
- 19% less likelihood to have arguments with loved ones.

Meanwhile those who don't receive financial advice were:

- 22% more likely to have their sleep disrupted due to money concerns.
- 15% more likely to feel stress and anxiety.
- 11% more likely to feel concerned about their finances.

In addition, 83% of clients surveyed endorsed the value of financial advice by saying it's also important for their loved ones to have good financial advice.

A financial adviser provides the peace of mind of a well thought out plan which ensures better preparation for the future. Advice also extends beyond measurable financial gains, to improved physical health, stronger relationships and personal happiness.

Advocating for quality financial advice for all Australians

Our unique advice-led wealth management strategy is differentiating us from our peers and is focused on delivering quality financial advice to all Australians.

As one of Australia's leading financial services businesses, we are pleased to be investing in the continued improvement in the quality of advice for the benefit of all Australians.

In July 2016, we launched the IOOF Advice Academy, which aims to be the pre-eminent training and coaching resource for the financial planning industry. Our vision for the IOOF Advice Academy is to create an environment where ongoing financial planning relationships deliver continued mutual value and enable our clients to live their ideal lives and be free of financial concern.

Three years on from its inception, our IOOF Advice Academy continues to lead the way in specialist coaching for financial advice businesses. Through bespoke workshops, in-practice specialist coaching and implementation, we address the challenges of providing quality advice through ever-changing technology, regulation and consumer expectations.

The IOOF Advice Academy supports advice businesses and their clients to achieve what's important to them. Our ultimate aim is to empower clients to live their ideal lives by achieving their financial and lifestyle goals.

[1] IOOF: The true value of advice (2015)

Our Advice Academy

Enabling advice businesses and their clients to achieve their ultimate measure of success.

Objectives and outcome-based advice framework

Developing industry talent

Practice support and team member training

Integrated advice philosophies

Coaching focused on client progression

Tools, templates and education

Acting in the best interests of our clients

Supported by robust corporate governance foundations, IOOF is committed to our ClientFirst strategy. In an environment where product has become a commodity, and technology can be easily replicated, client experience is fast becoming a sustainable competitive advantage.

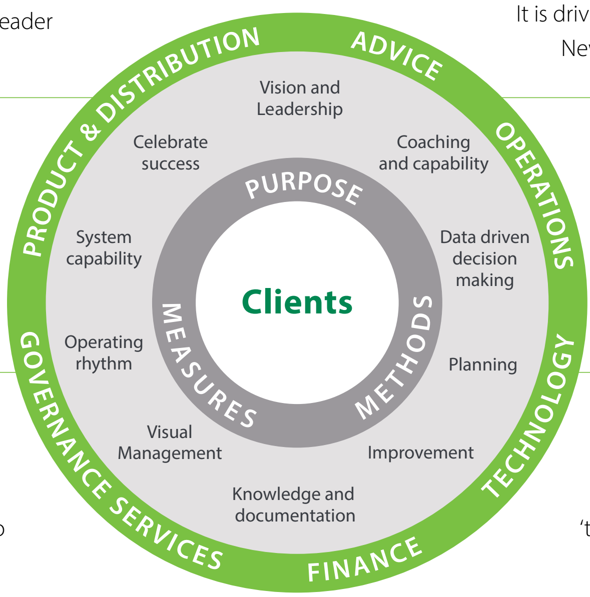
ClientFirst is much more than changing a process or a technology system. It's about completely changing the way we work. It requires us to systematically understand client demand types, variation and the roles all people through the organisation play in delivering demand. ClientFirst is about revealing unmet client needs, reframing client problems, and helping us to rethink the entire client experience.

Deep alignment on culture and new operating model around our clients

Trusted by clients and partners as a leader in advice and financial services.

Our people

Are embracing our ClientFirst strategy. It is driving empowerment and enablement. New methods and measures emerging.



Leadership development

Investing in our leaders to help them better support our people. Our leaders meet quarterly to discuss progress.

Date driven decision making

Capturing new data that reveals what really matters to clients. Building new capability to utilise the data to deliver more value for clients.

Knowledge and documentation

We have documented processes from a client perspective. This is revealing significant opportunities to innovate and redesign the way our clients interact with us.

Improvement

Empowering our people and leaders to solve client problems in 'the moment'. New support tools and techniques to identify and address the root cause of client issues.

Giving back to our communities

IOOF Foundation

Since its formal establishment in 2001, the IOOF Foundation has donated more than $14 million to community groups across Australia. Our IOOF Foundation develops strong partnerships with non-profit organisations that are bringing opportunities to those less fortunate and are helping communities to grow and thrive.

The IOOF Foundation offers long-term grants (up to three years) in areas important to the history of IOOF and the wider Australian community.

Further information on the programs that have been supported by the IOOF Foundation, can be found on page 25 of this report.

Reconciliation Action Plan

We believe that all Australians can contribute to the reconciliation of the nation. We remain committed to the Reconciliation Action Plan (RAP) that was put in place across two of our businesses, AET and Shadforth Financial Group (SFG). We continue to take steps forward to leverage our combined expertise, past experience and networks to engage with Traditional Owners and to raise awareness of their issues in order to address inequality within our society.

Our RAP helps to increase the cultural awareness of Aboriginal and Torres Strait Islander peoples – for all IOOF employees at a national level. Our vision is to create a workplace culture that is respectful towards Aboriginal and Torres Strait Islander peoples and their unique place in society.

Our RAP seeks to:

- break down stereotypes and discrimination
- show respect and appreciation for Aboriginal and Torres Strait peoples' strengths, values and traditions
- engage actively with Aboriginal and Torres Strait Islander peoples to gain a deeper understanding
- offer our expertise and influence to assist Aboriginal and Torres Strait Islander peoples to understand their rights
- create opportunity for Aboriginal and Torres Strait Islander peoples.

Some of our key achievements under the RAP for the past year include:

- extending national reconciliation week activities across the business and creating awareness by providing a company-wide webinar and guest speaker to promote National Reconciliation week.
- recognising NAIDOC week
- increasing the number of employees completing online cultural competency training
- staff attending the Madallah ball (organisation that provides Aboriginal scholarships for private education)
- continuing to partner with local indigenous suppliers
- attending national native title conference
- continuing to provide opportunity to partner with local ATSI group by holding an official acknowledgment to country.

Our people

At IOOF, our people are critical to our success and we want them to be engaged, motivated and empowered to succeed. Living our purpose of understand me, look after me and secure my future, is key to our success and we challenge each other to bring this to life in our everyday interactions.

Evolving our culture

The wellbeing of our clients is paramount to us at IOOF. Embedding a ClientFirst way of thinking, where we put the client at the centre of all we do, will help strengthen our culture.

Our culture is underpinned by four core values

- **Commitment** – We do what we say we will do. We persevere in the face of challenges.
- **Excellence** – We search for ways to improve. We strive to exceed expectations.
- **Empathy** – We listen, we feel and we care. We treat each other with respect.
- **Trust** – We act honestly, openly and reliably. We nurture positive working relationships.

Employee engagement and alignment

In 2019, we again undertook a survey to assess our employee engagement and alignment and our key indicators have remained stable since last years' survey. The transformation of our industry and the challenges that we have worked through over the past 12 months, has reaffirmed the resilience of our teams as we remained focused on our clients, advice-led strategy and purpose. Our biggest areas of strength were in perceptions of senior leadership and team leadership.

Our recent initiatives to improve employee engagement include:

- fortnightly CEO webinars
- improved parental leave policy including 12 weeks' paid parental leave, a $4,000 childcare bonus and super paid for the duration of parental leave
- focused on health and wellbeing through a number of educational webinars and wellbeing initiatives
- launched My IOOF, our integrated people platform
- introduced formal recognition programs across the business
- strong focus on strengthening risk and compliance culture.

Leadership and capability

Strong and inspiring leadership is critical to achieving our strategic and cultural objectives. Developing, aligning and empowering leaders has been a key focus of the last 12 months. IOOF is committed to developing our existing and future leaders and our Leading@IOOF and Leadership Foundation programs continued to strengthen our leadership capability.

Our Senior Leader Forum also brings together key leaders from across the business regularly to ensure they are aligned on key issues and focus areas.

We're keenly aware that our reputation is built on the specialist knowledge and the expertise of our people, so we go to great lengths to maintain the quality of the people we employ and to ensure our IOOF values underpin everything we do.

We aim to create an environment where our people have the tools and support to own and drive their professional development. We adopt the 3E Framework - Experience, Education and Exposure, and encourage managers and employees to have conversations about career development on an ongoing basis. We offer study and study leave and professional membership support.

As we continue to grow, we want to make sure our systems provide a positive experience for our people. In April 2019, we launched 'My IOOF', a user-friendly platform replacing multiple HR systems and forms, driving better capability in areas like performance, talent management, recruitment and development.

Supporting our people

We offer some of the best benefits in the industry for our people. We also understand that everyone is different, so the benefits we offer meet a range of diverse needs, including:

- service awards
- recruitment referral bonus
- IOOF Staff Super Plan
- regular connection and recognition events
- social clubs
- IOOF Staff Super
- IOOF Day
- discounted public transport tickets (Victoria).
- salary packaging
- IOOF benefits program - exclusive access to discounted gift cards, e-gift cards and discounts at large retailers and leisure outlets.

Flexibility

We know that life is busy and want to help our people to manage life commitments, stay healthy and recharge. We are respectful that people have different commitments and lifestyle circumstances and therefore fully support workplace flexibility. We also appreciate that one size doesn't fit all and understand individuals and teams have diverse needs, so offer a range of formal and informal work arrangements including:

- part-time work
- working remotely
- flexible start and finish times
- purchased leave
- time off in lieu
- job sharing.

Wellbeing

We believe in promoting a healthy work life balance and support our people to achieve this through a number of initiatives. Access to a confidential Employee Assistance Program (EAP) and wellbeing offerings include flu vaccinations, gymnasium discounts and preferred health insurance rates with select insurers.

We also support our advisers and their businesses and as an example of the support we offer, financial advisers who are licensed with IOOF can now access confidential support and advice, 24 hours per day, 365 days a year through our EAP. We have also been running wellbeing workshops at licensee professional development days. We will continue to introduce more wellbeing support, which will include practical tools and resources.

Diversity and inclusion

IOOF understands that diversity and inclusion are core components of embracing the different talents and backgrounds of our employees. We view our diversity of skills and experience as qualities which strengthen us to support our purpose and achieve the best outcome for our team and customers.

IOOF 2019/2020 Diversity and Inclusion Action Plan aims to embrace our differences and ensure employees can operate at their potential by reducing barriers and adopting Equal Employment Opportunity principles. In this context, diversity and inclusion covers gender, age, ethnicity, race, sexual orientation, physical abilities, religious beliefs and other beliefs. It also extends to differences surrounding socio-economic or educational background, marital status, mental health, family responsibilities and addressing matters of domestic violence.

We have a Diversity and Inclusion Committee in place, chaired by the CEO, which reviews and proposes initiatives through a consultation process, to help drive our Diversity and Inclusion agenda.

Whilst we embrace difference in all forms, we have a keen focus on supporting more women into senior leadership roles in our organisation. We continue to take steps to address issues of gender pay equality and offering opportunities for networking inside the organisation and more broadly. We also offer 12 weeks paid parental leave, 10 'keeping in touch' days, a child care bonus and superannuation continues to be paid during parental leave.

The table below sets out female representation at board, senior management and all staff levels:

Group	Sept 2018	Oct 2019
Women in executive/board positions	4	6
Women in senior management	29	29
Women on the IOOF Holdings Limited Board	33% 2 of 6	38% 3 of 8

Volunteering and giving

For the last decade, we have supported employees who are interested in volunteering through the use of paid volunteer leave. This equates to more than 16,000 hours of volunteer time available for our people.

Activities have ranged from cooking at homeless shelters, supporting Christmas giving programs, looking after neglected/ maltreated animals, to supporting local school programs and providing gardening support. Organisations assisted include Hobart City Mission, RSCPA, Wesley Mission, The Salvation Army and Easy Gardens.

Our people actively support a number of key community initiatives in our offices throughout the year.

Our Workplace Giving program encourages our people to make a tax-effective donation that IOOF matches dollar for dollar. This is a simple and effective way for our people to make small regular donations. We have committed to invest further in this program, moving to a new online platform and expanding the number of organisations we will support. We have listened to our employees and understand that it is important to give them a choice in where they give their time and money, which encourages greater participation.

IOOF Foundation

Established as a not-for-profit organisation in June 2002, at the time of IOOF's demutualisation, the IOOF Foundation recognises the historical origins of IOOF and the important role it has played in the Australian community since 1846.

Since its formal establishment in 2002 the IOOF Foundation has donated more than $14 million to community groups across Australia. The IOOF Foundation is funded by the income from a $20 million plus corpus provided by IOOF. IOOF also funds our running costs, ensuring that all of our investment income goes to the community programs we support.

Our grants program offers long-term grants (up to three years) in areas important to the history of IOOF and the wider Australian community aligned to our focus areas. To date these have been in the areas of:

- **Aged care** – The IOOF Foundation gives priority to programs that are committed to providing the quality of life for individuals and their families with progressive neurological and physical diseases.
- **Families** – Our basic needs program, supports community groups that are assisting families that are struggling to be self-sufficient and support long-term solutions that help families move out of poverty or avoid a crisis.
- **Children and youth** – The IOOF Foundation supports education projects that help break the cycle of disadvantage and empower young Australians to reach their potential. Priority is given to programs addressing prevention and early intervention and education, employment and training for young people.
- **Mental health** – All people, regardless of where they live or economic status should have access to quality mental health care. We have seen that impacts of mental health may have flow on effects with many experiencing poverty, homelessness and unemployment as a result. To make inroads in to these issues, we need to address this. Integrated within our core programs is access to resources that focus on early intervention and prevention.

2019 Community Partners

The grants that are approved are innovative, yet sustainable, and are those that will provide value to the community. This helps ensure that grants provided make a real impact on the community and achieve a meaningful result.

- Aboriginal Literacy Foundation
- Ardoch Youth Foundation
- Central Australian Youth Link Up Service
- Colman Foundation
- Giant Steps Australia
- Girls from Oz
- Mama Lanas Community Foundation
- Menzies Institute for Medical Research
- MND & Me Foundation
- Parkinsons Australia
- Reach Foundation
- Spinal Research Institute
- The Smith Family
- Very Special Kids
- Youth Focus WA
- Zephyr Foundation
- Wintringham

Very Special Kids (VSK)

VSK is an organisation with a passion for supporting families throughout the entire journey of caring for children with life-threatening conditions, from diagnosis to adulthood or bereavement. VSK has been providing hope, support, respite and specialised care to families with terminally ill children for over 24 years. VSK runs Victoria's only children's Hospice (located in Malvern), where families and children with life-threatening conditions can go for respite and end-of-life care. It helps families see beyond their worst fears providing comfort through a very difficult experience. The IOOF Foundation supports their regional program contributing more than $85,000 over the last two years. Our staff supported this partnership with their own fundraising efforts as part of the VSK Treadmill Challenge. The team ran (and walked) for 24 hours throughout the day and night fundraising for VSK an inspiring charity and the terminally ill children they support. The team raised more than $60,000.

The Reach Foundation

This year we commenced a new partnership with The Reach Foundation (Reach). Reach is a not-for-profit organisation that works with young people to improve their emotional intelligence, self-awareness and resilience through workshops designed and delivered by their peers – fellow young people. The initial two-year partnership will see IOOF supporting Reach's grassroots programs.

As a major focus of this partnership, we will be supporting Heroes Day. Heroes Days are a crucial part of the Reach calendar, run in Vic and NSW. At each Heroes Day, Reach brings together up to 500 Year nine students to a workshop that is designed to build their social and emotional skills, develop their resilience, and motivate them to make more positive life choices.

Heroes Day are designed and delivered by a dynamic team of Reach crew, ensuring a relevant, challenging and captivating day for students. This highly experiential workshop uses the powerful metaphor of the 'Heroes Journey' to help young people explore their own lives and reframe challenges they may be facing.

Ardoch Youth Foundation

Ardoch is a children's education charity focused on improving educational outcomes for children and young people in disadvantaged communities. Our Brisbane and Perth offices are involved in the Ardoch's 'Literacy Buddies' – a program that matches primary school students and corporate volunteers to improve literacy and inspire their learning through the art of letter writing.

A team of Big Buddies and classes of up to 25 Little Buddies (primary school students) exchange letters throughout the school year. The program is welcomed by schools and teachers not only for the positive impact on students' literacy but for the social and aspirational outcomes that result from the connection between the Buddies. The goal of the program is to connect children from disadvantaged backgrounds with positive working role models. Throughout the course of the school year, the Big Buddy encourages and supports their Little Buddy's individual academic achievement. These experiences can motivate educational engagement and boost self-esteem for children at critical stages of their lives. The IOOF Foundation is looking to continue supporting this program in Brisbane, Perth and Sydney in 2020.

Girls From Oz

The IOOF Foundation has funded the Girls from Oz (g-oz) program for the last two years. G-oz provides high-quality performing arts education to engage girls and young women in remote and regional Australia. The vision is to foster a sense of belonging and connectedness between participants and their community, giving students the self-assurance to speak and perform in front of their peers and families and to feel proud of their achievements as empowered, resilient and confident young women. This year, the girls travelled from rural Australia for the opportunity to perform at the Arts Centre Melbourne with the Australian Girls Choir. We are delighted to partner with the team at g-oz and look forward to hosting the choir in our Sydney office this year.

The Smith Family

At IOOF, we recognise that financial competency is not only an essential life skill, but also important in building strong communities. One of our core programs provides grants to community groups that are committed to educating and promoting the development of money management skills amongst those considered least financially literate.

A large component of our program is done in partnership with the Smith Family. Together each year we educate 4,000 disadvantaged young people across Australia by financially supporting them to obtain a Certificate 1 in Financial Services.

"A big thank you to The Smith Family! Before this course I spent my money willy nilly and didn't think saving was important. The lady that ran the course was lovely and I would definitely recommend to others."
NSW Certificate 1 in Financial Services participant

Menzies Institute for Medical Research

The Menzies Research Institute Tasmania exists to improve human health and well-being by performing excellent basic, clinical and population health research that focuses on major diseases.

MS currently has no cure, and the symptoms can include fatigue, bladder and bowel changes, difficulty concentrating, difficulties with walking and balance, and a sensitivity to heat and cold. In a report for MS Research Australia released in 2018 Menzies researchers calculated that the number of people living with MS in Australia increased by just over 20 per cent from 2010 to 2017, from 21,283 to 25,607. The report found an economic cost of MS to the Australian community of $1.75 billion.

The IOOF Foundation supports the research led by Professor Ingrid van der Mei, the MS WorkSmart Program. The program is focused on developing a Cognitive Behavioural Intervention for people with MS in the workforce.

Aboriginal Literacy Foundation

One out of five people in the world cannot read or write. At IOOF, we are part of the journey to change that. We support the beliefs of the Aboriginal Literacy Foundation – that positive and practical change to closing the gap between Indigenous and non-Indigenous young people starts with literacy and numeracy.

The IOOF Foundation is committed to supporting the Literacy and Employment Readiness Program aimed at preparing potential employees and members of the wider community for employment by improving their literacy and numeracy competency. This program has the potential to effect real change in society, and especially in the lives of many Indigenous men and women, and consequently their families and communities.

The Aboriginal Literacy Foundation is an independent, not-for-profit, charitable organisation that relies on the generous support of the community to achieve its work.

We're committed to providing quality financial advice to all Australians.

financial report
for the year ended 30 June 2019

Contents

Directors' report

The Directors present their report together with the financial report of IOOF Holdings Ltd (the "Company" or "Parent") and of the IOOF Group, being the Company and its subsidiaries and the consolidated Group's interest in associates for the financial year ended 30 June 2019 and the auditor's report thereon.

Directors

The Directors of the Company during or since the end of the financial year were:

Name, qualifications and independence status	Experience, special responsibilities, listed and other significant directorships
Mr Allan Griffiths B.Bus, DipLI. Independent Non-Executive Director Director since 2014 Acting Chairman effective 10 December 2018 Chairman effective 4 April 2019	More than 30 years' experience with a deep understanding of the financial services industry. Mr Griffiths has held a number of executive positions within the industry most notably as Chief Executive Officer Aviva Australia and later, Managing Director South Asia, Aviva Asia Pte Ltd based in Singapore. Prior to joining Aviva Mr Griffiths held executive positions with Colonial Ltd and Norwich Union. Mr Griffiths is Chairman of the Westpac/BT Insurance Boards and the Chairman of Metrics Credit Partners. Chair of the Group Nominations Committee and member of the Group Audit and Group Remuneration Committees.
Mr Renato Mota BComm(Hons), B.Bus Chief Executive Officer and Managing Director Chief Executive Officer effective 25 June 2019 Managing Director effective 25 June 2019 Acting Chief Executive Officer effective 10 December 2018	With more than 20 years' experience in financial services, prior to being appointed CEO, Mr Mota held a number of senior executive roles within IOOF. In December 2018, Mr Mota was appointed Acting CEO and prior to that was Group General Manager – Wealth Management since January 2016. During this time he was instrumental in leading IOOF through a series of forward-thinking, strategic initiatives including IOOF's advice-led strategy, the group's ClientFirst transformation and establishing the IOOF Advice Academy. Previously, he held numerous executive roles as General Manager of Distribution, Investor Solutions and Corporate Strategy and Communications. Before joining IOOF in 2003, Mr Mota worked for Rothschild and NAB in corporate finance roles with a focus on mergers and acquisitions where he was involved in wealth management transactions including the demerger of Henderson Group plc from AMP in 2003 and NAB's acquisition of MLC and Deutsche Financial Planning.
Mr George Venardos BComm, FCA, FGIA, FAICD, FCIS. Independent Non-Executive Director Director since 2009 Leave of absence commenced 10 December 2018 Chair from 2016 to 2018 Resigned as Chairman effective 4 April 2019	An experienced Director with broad listed company experience across a range of different industries, including financial services, affordable leisure, oil and gas services and technology development. Over 30 years' experience in executive roles in financial services, insurance and funds management including 10 years as CFO of Insurance Australia Group and Chairman of the Insurance Council of Australia Finance and Accounting Committee. Former Director of Bluglass Ltd from 2008 to 2016 and Ardent Leisure Group from 2009 to 2017. Chair of the Nominations Committee and member of the Group Audit and Remuneration Committees until 10 December 2018.
Mr Christopher Kelaher B.Ec, LL.B, F Fin. Managing Director Director from 2009 to 2019 Leave of absence commenced 10 December 2018 Resigned from Board effective 4 April 2019 Resigned from Company effective 2 July 2019	In 2009, Mr Kelaher became the Managing Director of the IOOF Group after its merger with Australian Wealth Management Limited (AWM), a company he had led since 2006. Prior to AWM, Mr Kelaher was the CEO of Select Managed Funds Limited for nine years, a private company which was brought to market in 2005 and in turn ultimately merged with AWM in 2006. In the following periods, he has been instrumental in executing multiple mergers and acquisitions that have added materially to the IOOF Group and its antecedent businesses. Mr Kelaher has extensive capital markets experience from his time during the late 1980s with Citicorp where he oversaw the establishment of Citicorp Investment Management and Global Asset Management businesses in Australia and New Zealand.
Ms Jane Harvey B.Com, MBA, FCAANZ, FAICD Independent Non-Executive Director Director since 2005	Ms Harvey has more than 30 years' experience in the financial and advisory services industry. Prior positions include as a Partner at PricewaterhouseCoopers, a Director of Dulux Group Limited from 2018 to 2019, a Director of UGL Limited from 2015 to 2017, and as a Director of DUET Finance Limited, a stapled entity within the ASX Listed DUET Group from 2013 to 2017. Ms Harvey is currently a Director of BUPA A&NZ entities. Ms Harvey is the Chair of the Group Audit and Remuneration Committees and member of the Group Nominations and Group Risk and Compliance Committees.

Name, qualifications and independence status	Experience, special responsibilities, listed and other significant directorships
Ms Elizabeth Flynn LLB, Grad Dip App Corp Gov, FAICD, FFin, FGIA, FCIS. Independent Non-Executive Director Director since 2015	Ms Flynn has more than 30 years' experience in the financial services industry, including roles within law and corporate governance as well as executive responsibilities. From 1998 to 2010, Ms Flynn was the Chief Legal Counsel, Group Compliance Manager and Group Company Secretary of financial services group Aviva Australia, and a director of Aviva Australia's superannuation trustee company. Prior to her time at Aviva, Ms Flynn spent 18 years as a commercial lawyer with Minter Ellison, including eight years as a Partner, specialising in managed funds, banking and securitisation and superannuation. Ms Flynn was a non-executive director of Bennelong Funds Management from 2010 to 2015 and is a non-executive director of AIA Australia Limited. Ms Flynn is Chair of the Group, IOOF Investment Management Limited (IIML) and Australian Executor Trustees Limited (AET) Risk and Compliance Committees, member of the IOOF Ltd Risk and Compliance Committee, and member of the APRA Regulated Entity (ARE) Audit Committee until 28 November 2018. Member of the Group Remuneration and ARE Remuneration and Nominations Committees.
Mr John Selak Dip Acc, FCA, FAICD Independent Non-Executive Director Director since 2016	Mr Selak has over 40 years' experience in the financial and advisory services industry. From 2000 to 2016 Mr Selak was a Partner in the Corporate Finance Practice of Ernst & Young serving on their Global Corporate Finance Executive. From 2014 to 2017 Mr Selak was an advisory board member of Quest Apartment Hotels. Mr Selak is currently Chairman of Corsair Capital, a non-executive director of National Tiles, Turosi Food Solutions, and the IOOF Foundation. Chair of the ARE Audit Committee until 28 November 2018, and member of the IIML and AET Audit Committees thereafter. Member of the Group Audit, Group Risk and Compliance, and IOOF Ltd Audit Committees. Member of the Group Nominations Committee.

All Directors held office during and since the end of the financial year, unless otherwise noted.

The Group Remuneration and Nominations Committees review the balance of skills, experience, independence, knowledge and diversity of Directors. This involves the creation of a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

During the year each Board member completed a skills matrix. The Board was satisfied that the skills matrix results demonstrate that the Board has the appropriate skills and experience necessary to oversee the operations and governance of the IOOF Group. The Board Skills Matrix is available as part of our Corporate Governance Statement which is available on the IOOF website.

Principal activities

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

- financial advice and distribution;
- portfolio and estate administration;
- investment management; and
- ex-ANZ wealth management.

Operating and financial review

In accordance with current Australian Accounting Standards, the audited financial results of the benefit funds of IOOF Ltd are included in the consolidated results of the IOOF Group. The inclusion of the benefit funds has no impact on the profit after tax for the year (2018: $nil), but results in offsetting pre-tax profit and income tax amounts not available to shareholders.

The following table, which has not been audited, provides a reconciliation between the reported results of the IOOF Group and underlying net profit after tax pre-amortisation (UNPAT), with the results of the benefit funds excluded. In calculating its UNPAT, the IOOF Group reverses the impact on profit of certain, predominantly non-cash, items to enable a better understanding of its operational result. It is the UNPAT result which will be analysed in detail in this section of the Directors' Report. The items reversed, and the rationale for that reversal, is also addressed in detail.

Shareholders can review the more detailed results presentation by visiting the Company website at www.ioof.com.au

Directors' report (cont'd)

Operating and financial review (cont'd)

	Note	2019	2018
		$'000	$'000
Profit attributable to Owners of the Company		28,560	88,301
(Profit)/Loss from discontinued operations	2-2	(70,682)	17,106
Profit/(Loss) from continuing operations attributable to Owners of the Company		(42,122)	105,407
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Reverse the impact of:			
Amortisation of intangible assets	2-4	37,651	37,378
Acquisition costs – Acquisition advisory	2-4	2,488	5,367
Acquisition costs – Integration preparation	2-4	20,766	4,973
Acquisition costs – Finance costs	2-4	416	6,725
Onerous contracts	2-4	–	2,345
Termination payments	2-4	2,043	2,033
Profit on divestment of assets	2-3	(368)	(2,786)
Non-recurring professional fees (recovered)/paid	2-4	2,027	(902)
Impairment of goodwill and related investment	2-4	13,920	28,339
Unwind of deferred tax liability recorded on intangible assets		(10,200)	(10,195)
IOOF ADG remediation costs	2-4	235,278	–
Other	2-4	875	1,244
Income tax attributable		(77,829)	(4,181)
UNPAT from continuing operations		184,944	175,747
UNPAT from discontinued operations		13,045	15,670
UNPAT		197,989	191,417

UNPAT Adjustments:

Amortisation of intangible assets: Non-cash entry reflective of declining intangible asset values over their useful lives. Intangible assets are continuously generated within the IOOF Group, but are only able to be recognised when acquired. The absence of a corresponding entry for intangible asset creation results in a conservative one sided decrement to profit only. It is reversed to ensure the operational result is not impacted. The reversal of amortisation of intangibles is routinely employed when performing company valuations. However, the amortisation of software development costs is not reversed in this manner.

Acquisition costs – Acquisition advisory: Payments to external advisers for corporate transactions, such as the acquisition of the ANZ Aligned Dealer Groups (ANZ ADGs) (prior comparative period (pcp): AET Services (AETS)) and planned acquisition of the ANZ OnePath Pensions and Investments (ANZ P&I) business, which were not reflective of conventional recurring operations.

Acquisition costs – Integration preparation: Staff and specialist contractor costs related to integration preparation for the planned acquisition of the ANZ ADGs and planned acquisition of the ANZ P&I business.

Acquisition costs – Finance costs: Costs of securing finance for the acquisition of the ANZ ADGs and substantial economic completion of the ANZ P&I business.

Onerous contracts: A pcp non cash entry to record the estimated present value of expected costs of meeting the obligations under contracts where the costs exceed the economic benefits expected to be received pursuant to the contracts.

Termination payments: Facilitation of restructuring to ensure long term efficiency gains which are not reflective of conventional recurring operations.

Profit on divestment of assets: Divestments of non-core businesses, client lists and associates.

Non-recurring professional fees (recovered)/paid: Payment of certain legal costs that are not reflective of conventional recurring operations.

Impairment of goodwill and related investment: A non-cash impairment of $9.5m has been recognised in relation to goodwill allocated to Perennial Investment Partners Limited (pcp: $28.4m). Additionally, an impairment of $4.4m has been recognised in relation to the Group's equity accounted investment in Perennial Value Management Limited. Reduced profitability from lower revenue led to its expected fair value less costs to sell declining to below the carrying value of the aggregate goodwill and investment balances. Revenue decline has arisen due to institutional outflows. These outflows reflect below benchmark performance in certain core products and changing market dynamics, where larger institutions now weight a greater proportion of funds to indexed products.

Unwind of deferred tax liability recorded on intangible assets: Acquired intangible asset valuations for AASB 3 Business Combinations accounting are higher than the required cost base as set under tax consolidation rules implemented during 2012. A deferred tax liability (DTL) is required to be recognised as there is an embedded capital gain should the assets be divested at their accounting values. This DTL reduces in future years at 30% of the amortisation applicable to those assets which have different accounting values and tax cost bases. The recognition of DTL and subsequent reductions are not reflective of conventional recurring operations and are regarded as highly unlikely to be realised due to the IOOF Group's intention to hold these assets long term.

IOOF ADG remediation costs: Remediation costs identified as significant due to being large and one-off in nature, largely longstanding historic structural issues identified in the current year.

Other: Deferred consideration devaluation relating to prior periods' divestment of Perennial and other businesses.

Income tax attributable: This represents the income tax applicable to certain adjustment items outlined above.

Review of Strategy

The IOOF Group has developed an advice-led strategy as a means of creating and delivering differentiated and competitive services to meet the need of its clients and the community at large. This is delivered through a range of different, complementary offerings, operated through a series of licensed and regulated entities. These include, financial advice through Australian Financial Services licenses, superannuation services, through Registrable Superannuation Entity and investment services through Responsible Entity and trustee related entities.

IOOF's strategy is centred around the value of financial advice in helping empower Australians by improving their financial decision making. IOOF believes this has direct benefits in terms of people's financial wellbeing and indirect benefits in terms of minimising other forms of mental and physical distress.

IOOF is one of Australia's largest providers of financial advice, through its 12 licenses, which account for 1,495 advisers nationally. In exchange for these licensing services, IOOF generates revenue from self employed advisers for the provision of licensing, governance and broader business support. IOOF also operated financial advice businesses through salaried financial advisers.

Through relationships associated with Financial advice, or employer sponsored superannuation plans, IOOF attracts investable funds from clients (or intermediaries) from which it then charges fees in exchange for administration or management services. The pool of investable funds emanates predominantly from superannuation which has been supported by Australia's mandatory contributions regime since the early 1990s. Competition for service offerings to superannuants and investors (fund members) in the Australian market place is currently drawn from five main fund types with the following differentiating features:

Retail – privately operated trusts and other schemes. The majority of funds are channelled to administration services and investment management products through financial advisers. However, technological development is enabling an increasing range of offerings direct to fund members.

Industry Funds – superannuation entities which historically have provided for employees working in the same union, industry or group of related industries. Many industry funds now offer membership to members of the public. Industry funds generally administer these funds, but may outsource the management of investments.

Self-Managed – the fund member acts as Trustee for his or her pool of funds, which may include funds from a limited number of other family members and associates. These funds are predominantly utilised where the Trustee perceives they have the requisite time and expertise to manage their own investment strategy and a sufficient scale of funds to make the fixed administration costs economically justifiable.

Corporate – funds established for the benefit of employees of a particular entity or a group of related entities, with joint member and employer control.

Public Sector – funds which provide benefits largely for government employees or employees of statutory authorities, or are schemes established by a Commonwealth, State or Territory law.

Self Managed Funds are regulated by the Australian Taxation Office (ATO) whereas all others above are regulated by the Australian Prudential Regulation Authority (APRA).

The IOOF Group administers and manages Retail funds. Australian Superannuation assets totalled $2.8 trillion as at 31 March 2019. Over the 12 months to March 2019 there was a 6.7% increase in total superannuation assets and retail providers had a market share of approximately 22%. The IOOF Group's market share of that sub-set was just under 5% when measured by platform management and administration (platform) segment Funds Under Administration (FUAdmin). There is a high degree of competition between the five fund types and fragmentation and competition among the participants within each fund type.

Directors' report (cont'd)

Operating and financial review (cont'd)

As published in APRA's March 2019 Quarterly Superannuation Performance Statistics, the following were the asset allocation metrics for funds with greater than four members: 50.5% of investments were invested in equities; with 22.1% in Australian listed equities, 24.4% in international listed equities and 4.0% in unlisted equities; Fixed income and cash investments accounted for 31.4% of investments; 21.2% in fixed income and 10.1% in cash; Property and infrastructure accounted for 14.2% of investments and 3.9% were invested in other assets, including hedge funds and commodities.

IOOF's strategy has been designed to deliver growth, through servicing and meeting a range of needs of investors, supported by the expected continued growth in the Australian savings pool. The attraction of the sector is further enhanced by high regulatory and technological barriers to entry from new competitors. As an incumbent participant, we seek to grow our Funds Under Management, Administration, Advice and Supervision (FUMAS) faster than our competitors. In doing so, the portion of our revenue net of direct costs (gross margin) which is levied on asset balances may reasonably be expected to rise proportionately with FUMAS. This proportionate rise may be affected by the impact of differentiated product pricing and competitive pressure on management fee rates. In conjunction, we seek to leverage a cost base which is largely fixed relative to the scale of our FUMAS.

The IOOF Group's future FUMAS growth will be underpinned by asset revaluation, flows of funds from new and existing clients and acquisition initiatives. Funds flow will be advanced through:

- ensuring that our culture, governance and people initiatives underpin and promote an organisational capability that builds and protects a highly regarded and trusted reputation;
- responding to market dynamics, including client and adviser feedback, to ensure products and services are priced appropriately for the service and functionality offered;
- enhancing the adviser and fund client experience through continued technology development and experienced knowledgeable support staff;
- operating an open architecture environment which allows our advisers and clients to utilise the administration service which best meets their objectives irrespective of whether it is an IOOF Group proprietary service or a competitor's service. All options, however, generate a favourable economic return for the IOOF Group;
- enhanced training initiatives and leading minimum qualification standards to give our staff and advisers every opportunity to optimise the experience of our clients;
- establishing skilled teams and robust analytical processes to enhance the prospect of achieving above benchmark performance in investment management; and
- continuous improvement in process efficiency to minimise operating costs.

Governance uplift

On 7 December 2018 APRA gave notice of additional licence conditions on IOOF's APRA regulated entities. These conditions require, inter-alia:

- separation of responsible entity and registrable superannuation entity duties to separate independent corporate entities;
- the implementation and effective operation of an independent member outcomes driven function (the Office of the Superannuation Trustee or OST); and
- monitoring and reporting on progress via an independent expert.

On 20 August 2019, IOOF announced that it had met all its 30 June 2019 requirements to the satisfaction of the independent expert and was on track to meet all remaining requirements by the relevant deadlines.

In addition to the licence conditions discussed above, APRA commenced Federal Court proceedings against two IOOF entities, two directors and three employees on 7 December 2018. The proceedings seek declarations that the corporate entities breached trustee duties and contravened the Superannuation Industry (Supervision) Act 1993 (Cth) and disqualification orders against the five individuals from acting as trustees or a responsible officer of a trustee. At that time, IOOF announced that the allegations were misconceived and that it would vigorously defend the entities and individuals concerned. The matter was heard before the Honourable Justice Jayne Jagot from 1 to 17 July 2019. As the matter has been adjourned pending judgment by her honour, IOOF will not comment further.

The Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was presented to the Governor-General on Friday 1 February 2019. On Monday 4 February 2019 the Hon Josh Frydenberg released the Government's Response to the Royal Commission. The report itself runs to 496 pages, not including case studies and appendices. Findings and matters specific to IOOF were before the Federal Court, as noted above, hence the report was limited to republishing APRA's original allegations. Some of these allegations were amended in subsequent amendments to the Statement of Claim by APRA filed in the Federal Court.

The Federal Government has committed to adopting all recommendations of the Royal Commission. IOOF is highly supportive of these changes. The most financially significant is the cessation of grandfathering conflicted remuneration to financial advisers effective from 1 January 2021. Remuneration under these arrangements represented $7.2m revenue to IOOF in the year to 30 June 2019.

Lastly, the Royal Commission outcome in respect of vertical integration, IOOF's business model, was favourable. The Commissioner concluded he was not persuaded that it was necessary to mandate structural separation between product and advice. The final report at p196 stated, "Enforced separation of product and advice would be a very large step to take. It would be both costly and disruptive. I cannot say that the benefits of requiring separation would outweigh the costs", and the Productivity Commission concluded that 'forced structural separation is not likely to prove an effective regulatory response to competition concerns in the financial system'.

Subsequent to these events, the Treasurer announced an "implementation road map" for the 54 recommendations from the Royal Commission which called for Government action. The implementation road map will see 50 recommendations implemented or before Parliament by mid-2020, with the remaining four recommendations needing legislation introduced to Parliament by the end of 2020. IOOF will assess the impact of this legislation when it is released for public scrutiny and inform stakeholders of that assessment as required.

Acquisitions and divestments

The IOOF Group has a long-term strategy of pursuing growth through acquisitions and has completed several acquisitions in previous years. The IOOF Group will continue to pursue acquisitions within the Wealth Management sector on an opportunistic basis. However acquisitions will only be considered where they present a logical strategic fit with existing operations and are priced reasonably for the expected value accretion to shareholders. The funding of acquisitions will be considered on a case by case basis taking into account the relative cost of available funding sources and the impact on balance sheet structure overall.

On 2 July 2018, IOOF completed the acquisition of 100% of the shares of Ability One (WA/SA) Pty Ltd, a specialist financial and life planning advisory business, based in Western Australia and South Australia.

On 2 October 2018, IOOF and Australia and New Zealand Banking Group Limited (ANZ) finalised legally binding arrangements to give effect to the following:

- Full legal ownership of the ANZ ADGs transferred to IOOF effective 1 October 2018.
- Substantial 'economic' completion of the ANZ P&I business effective 2 October 2018 through:
  - an initial payment by IOOF of $800m to ANZ to subscribe for a debt note;
  - payment by ANZ to IOOF of a coupon rate of 14.4%, which is broadly equivalent to 82% of the economic interests in the ANZ P&I business, from 2 October 2018 until 11 May 2019. From this date, the rate reduced to 2.0% until the debt note is redeemed (expected to be at completion of the acquisition of the ANZ P&I business).

Final completion of the P&I Acquisition remains conditional on the receipt of notices from OnePath Custodians (OPC) and ANZ that each have no objection to the P&I Acquisition proceeding. IOOF continues to work co-operatively with OPC and ANZ to provide the information and resources necessary to facilitate those notices being given. From 5 July 2019, recent amendments to the Superannuation Industry (Supervision) Act 1993 (Cth) came into force, giving APRA an approval power in respect of the acquisition of controlling stakes in Registrable Superannuation Entity licensees (such as OPC). As such, receipt of such an approval from APRA is now also a condition to completion of the P&I Acquisition. IOOF is well advanced in preparation and submission of material to APRA for due consideration of the matter.

Assuming stable economic conditions more generally, the accelerated completion date for the ADGs and the substantial 'economic' completion is expected to deliver Earnings Per Share accretion as per the forecasts previously disclosed in the initial announcement of the transaction. The accelerated completion date for the ADGs and the substantial 'economic' completion of the ANZ P&I business have contributed an additional $26.6m UNPAT net of related financing costs.

On 1 November 2018, IOOF completed the divestment of the AET Corporate Trust business to Sargon Capital Pty Ltd (Sargon) for a total purchase consideration of $51.6m. AET Corporate Trust's post-tax contribution to IOOF's underlying net profit after tax for the year to 30 June 2018 was $1.1m.

Directors' report (cont'd)

Operating and financial review (cont'd)

$41.3m, or 80% of the purchase price, was received upon completion, however the full consideration amount was used to determine an overall pre-tax gain on sale of discontinued operation of $49.0m. $10.3m in deferred consideration has since been deemed as unlikely to be received, and therefore written back in the current financial year. The write back arises from an inability to novate certain residual contract revenue to the business entities being acquired by Sargon. The results of the AET Corporate Trust business have been disclosed as discontinued operations in the financial statements.

IOOF has retained its AET Private Trust business; a core part of IOOF's diversified business model which focuses on private client trustee services, estate planning and compensation trusts.

On 27 June 2019, IOOF announced the divestment of its 70% holding in Ord Minnett Holdings Pty Ltd (Ord Minnett) to a consortium of private investors led by current Ord Minnett management (Consortium). Concurrently, the Consortium will also acquire JP Morgan's 30% stake in Ord Minnett, enabling it to take full ownership. Completion of the sale is expected to occur on or around 24 September 2019. The sale consideration for IOOF's 70% stake is $115.0m, which is expected to result in a post-tax profit of approximately $83m.

Analysis of financial results – IOOF Group

On a continuing operations basis, the IOOF Group's UNPAT of $184.9m represented a $9.2m (5.2%) increase on prior year. Inclusive of discontinued operations – Ord Minnett and AET Corporate Trust – UNPAT increased $6.6m (3%) to $198.0m. The variances below compare only the continuing operations of the IOOF Group.

Gross margin increased by $2.7m

Excluding the $12.5m gross margin contribution from the ex-ANZ ADGs, gross margin declined by $9.8m. The following analysis discusses gross margin ex-ANZ ADGs.

During the current year, average Funds Under Management, Administration and Advice (FUMA) were $115.4b, an increase of 3.6% on prior year. This increase was derived largely from equity market performance in the current year augmented by organic growth in advice and platform funds. Platform flows of $1.4b were broadly equivalent to $1.6b in the prior year. This segment benefited from enhanced capture of funds from other IOOF Group segments, principally trustee and Shadforth, and better penetration of the IOOF Group's existing client base. Financial advice flows of $0.5b were down significantly on prior year. IOOF has a significant third party administration arrangement with BT. BT reduced its fees on an equivalent offering which left IOOF out of market on price, and therefore exposed to outflow to BT, temporarily. There was also an outsize low-margin inflow from a single client in the prior year. Investment management outflows of $0.6b were largely derived from pension payment based redemptions.

The higher level of average funds boosted gross margin by $18.4m, but was partly offset by the more rapid growth in products with lower earning rates or margins (impact of -$28.1m on prior year). Within platform, the lower rates for the current year principally reflected the continuing trend for a higher proportion of funds to be directed towards more contemporary platforms with lower fees, but commensurately lower attributable overheads. In addition, contributions from relatively high balance clients in compensation trust and Shadforth relationships generally attract much lower fees per dollar of FUA. Investment management margins were relatively stable which is reflective of the steady state maturity and complementary nature of that segment. In financial advice, price competition from BT and the need to re-set fees in response, was dilutive on segment margin overall.

Other revenue increased by $5.8m

There was no significant uplift absent the ANZ ADG contribution.

Operating expenditure increased by $44.1m

ANZ ADGs contributed an additional $41.7m in operating expenditure. Outside the ANZ ADG impact, operating expenditure increased $2.4m or 1% on prior year.
Labour costs are the IOOF group's most material at 68% of operating expenditure overall. These costs, ex-ANZ ADG, have declined by $0.6m chiefly due to lower numbers of staff employed on underlying recurring activity given significant diversion of effort to preparing for the integration of ANZ and on one-off APRA licence condition related activity.
Administration costs increased $2.5m principally due to increased non-recoverable debts and professional indemnity insurance premiums. Computer related expenditure increased $1.9m due largely to an increased number of efficiency enhancing collaboration applications being deployed.
Occupancy related expenses decreased $1.5m in the wake of significant prior year reconfiguration of the property footprint which resulted in certain one-off service fees and short term duplication in that period.

Net interest income increased by $57.7m

For the first four months of the year, financing costs were eliminated by applying approximately $557m of newly issued capital and surplus cash to extinguish $207m in borrowings. The residual was initially applied to certificates of deposit.
On 2 October 2018, the Group entered into the substantial economic completion arrangements described in acquisitions and divestments above. This resulted in significant interest income partly offset by financing costs on borrowings drawn to ensure $800m in funds were available to ANZ.

Other impacts decreased UNPAT by $5.1m

Share of associates' profits declined $1.5m relative to prior year as a result of mandate outflows within the Perennial Value Management Group (PVM). Share-based payments expense was $2.0m higher due to a new opt-in plan allowing employees to receive performance rights in lieu of cash for short-term incentives. Depreciation and amortisation increased in line with additional, largely ANZ integration and new office fit-out related, capital expenditure.

Income tax expense increased by $7.9m

Income tax expense relative to prior year principally reflected the IOOF Group's improved profitability and decreased research and development (R&D) tax offsets. This was partly offset by a $5m higher spend on treasury shares to fulfil employee share plans ($3.5m positive tax impact), most particularly a new opt-in plan allowing employees to receive performance rights in lieu of cash for short-term incentives.

Analysis of financial results – Segments (excl Ex-ANZ wealth management and discontinued operations)

Financial advice and distribution	2019	2018	Movement	
	$'000	$'000	$'000	%
Net operating revenue	191,898	199,607	(7,709)	(3.9%)
Other revenue (incl share of profits of associates)	4,007	3,847	160	4.2%
Operating expenditure	(108,185)	(109,175)	990	0.9%
Net financing	128	108	20	18.5%
Net non-cash items	(4,363)	(3,570)	(793)	(22.2%)
Income tax expense and non-controlling interest	(25,343)	(27,311)	1,968	7.2%
Underlying Profit after Tax	58,149	63,499	(5,350)	(8.4%)

- Average funds' growth through the addition of advisers has been more than offset by the impact of repricing downwards on third party administered advice funds. The repricing was a necessary response to halt fund outflows to an equivalent service with the same administrator.
- Operating expenditure has decreased slightly in line with labour expenditure constraint.
- Net non-cash items increased in line with group share based payment and depreciation impacts noted above.

Portfolio and estate administration	2019	2018	Movement	
	$'000	$'000	$'000	%
Net operating revenue	233,991	237,177	(3,186)	(1.3%)
Other revenue (incl share of profits of associates)	–	75	(75)	(100.0%)
Operating expenditure	(108,932)	(104,935)	(3,997)	(3.8%)
Net financing	5	3	2	66.7%
Net non-cash items	(7,702)	(5,079)	(2,623)	(51.6%)
Income tax expense and non-controlling interest	(35,885)	(38,450)	2,565	6.7%
Underlying Profit after Tax	81,479	88,791	(7,312)	(8.2%)

- Net operating revenue decreased as a result of net funds diminution in high priced legacy and transition platforms, partly offset by high growth in platforms priced at contemporary competitive fee scales.
- Increased operating expenditure resulted primarily from technology support enhancements and higher corporate recharges given efficiencies realised in other segments.
- Net non-cash items increased in line with group share based payment and depreciation impacts noted above.

Directors' report (cont'd)

Operating and financial review (cont'd)

Investment management	2019	2018	Movement	
	$'000	$'000	$'000	%
Net operating revenue	63,144	61,881	1,263	2.0%
Other revenue (incl share of profits of associates)	956	1,811	(855)	(47.2%)
Operating expenditure	(10,698)	(11,376)	678	6.0%
Net financing	–	–	–	n/a
Net non-cash items	(1,799)	(621)	(1,178)	(189.7%)
Income tax expense and non-controlling interest	(15,538)	(14,993)	(545)	(3.6%)
Underlying Profit after Tax	36,065	36,702	(637)	(1.7%)

- Net operating revenue improved in line with market based growth in average funds flowing largely from improved platform FUAdmin. Other revenue was affected by PVM performance.
- Decreased operating expenditure resulted from lower IT investment given deployment to platform segment.
- Net non-cash items increased in line with group share based payment and depreciation impacts noted above.

Financial Position

The IOOF Group held cash and cash equivalents of $97.4m at 30 June 2019 (30 June 2018: $125.6m). Cash is held to satisfy regulatory net asset requirements and also to ensure adequate liquidity given management fee receipts are less frequent than payroll and service fee cash outflows. This includes $5.8m cash held by the Group's statutory benefit funds at 30 June 2019 (30 June 2018: $4.2m) which is not available to shareholders.

The overall debt to equity ratio stood at 21% at 30 June 2019 (30 June 2018: 0%) following the issue of a debt note to ANZ, partly debt funded, as described in detail above.

Cash flow forecasting and monitoring of lending covenants is conducted monthly. This is principally to ensure sufficient liquidity for future needs and to monitor adherence to licence conditions.

Risks

The IOOF Group manages a number of risks in conducting its operations and implementing its strategy. An in depth discussion of risks and sensitivities is outlined in Section 1 of the financial statements. Material risks faced by the IOOF Group include, but may not be limited to, the following:

(i) Changes in investment markets

The IOOF Group derives a significant proportion of its earnings from fees and charges based on the level of FUMAS. The level of FUMAS will reflect (in addition to other factors such as the funds flowing into and out of FUMAS) the investment performance of those funds. Therefore, changes in domestic and/or global investment market conditions could lead to a decline in FUMAS, adversely impacting the amount the IOOF Group earn in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest in the IOOF Group's financial products and services. The principal response to this risk has been to establish comprehensive investment governance committees, policies and procedures which are subject to continuous monitoring and oversight.

(ii) Competition

There is substantial competition for the provision of financial services in the markets in which the IOOF Group operates. A variety of market participants in specialised investment fund management, wealth advice and corporate trustee services compete vigorously for customer investments and the provision of wealth management services. These competitive market conditions may adversely impact earnings and assets. The IOOF Group manages this risk by continuously investing in product design, stakeholder relationships and continuous improvement initiatives.

(iii) Information technology

The IOOF Group relies heavily on information technology. Therefore, any significant or sustained failure in the IOOF Group's core technology systems could have a materially adverse effect on operations in the short term, which in turn could undermine longer term confidence and impact the future profitability and financial position of the IOOF Group. The IOOF Group has implemented a next-generation firewall, pursues continuous improvements to protect user devices and imposes segregation of duties between technology environments. More broadly, the IOOF Group uses policies and procedures which are subject to continuous monitoring and oversight, maintains a significant complement of experienced staff and employs specialist advisers. Information technology controls are highly complementary to those employed to minimise cyber security risks.

(iv) Cyber security

There is a risk of significant failure in the IOOF Group's operations and/or material financial loss as a result of cyber attacks. To manage this risk, the IOOF Group has followed the recommendation of ASIC and adopted the United

States government's National Institute of Standards and Technology cybersecurity framework. In doing so, the IOOF Group has implemented measures and controls that cover identification, detection, monitoring and response in relation to cyber threats. More broadly, the IOOF Group has developed and tested its disaster recovery capability and procedures, implemented high availability infrastructure and architectures, conducted mandatory staff training which is focused on cyber risk and continually monitor systems for signs of poor performance, intrusion or interruption. Cyber security controls are highly complementary to those employed to minimise information technology risks.

(v) Brands and reputation

The IOOF Group's capacity to attract and retain financial advisers, employees, clients and FUMAS depends to a certain extent upon the brands and reputation of its businesses. A significant and prolonged decline in key brand value or IOOF Group reputation could contribute to lower new business sales, reduced inflows of investment funds and assets, damage to client strategies and may impact adversely upon the IOOF Group's future profitability and financial position. The IOOF Group actively monitors media and other public domain commentary on its affairs as well as proactively promoting the value of its services, products and community initiatives and building a customer centric culture.

(vi) Provision of investment advice

The IOOF Group's financial advisers and authorised representatives provide advice to clients and may be exposed to litigation if this advice is judged to be incorrect or if the authorised representative otherwise becomes liable for client losses. This risk is managed by having high educational, compliance and training standards for the IOOF Group's advisers whilst its potential financial impact is generally mitigated by taking out appropriate insurance cover.

(vii) Operational risks

Operational risk is the risk arising from the daily functioning of the IOOF Group's businesses. The IOOF Group has specific operational exposures relevant to the industry in which we operate including exposures in connection with product disclosure statements, investment management, tax and financial advice, legal and regulatory compliance, product commitments, process error, fraud, system failure, failure of security and physical protection systems and unit pricing errors. This risk is minimised via policies and procedures which are subject to continuous monitoring and oversight. The IOOF Group maintains a significant complement of experienced staff, builds a positive culture and utilises specialist advisers to carry out such monitoring.

(viii) Conduct risk

Conduct risk is the risk of failure of the IOOF Group's frameworks, product design or practices to prevent inappropriate, unethical or unlawful conduct (either by negligence or deliberate actions) on the part of the IOOF Group's management, employees, contractors or representatives. The IOOF Group's culture of honest and ethical behaviour is supported by the IOOF Code of Conduct and its Compliance Manual for Authorised Representatives, which set out the tenets of professional and personal conduct with which directors, employees, contractors, Authorised Representatives, agents and consultants are required to comply. These include promoting a healthy and safe environment, protecting private and confidential information, acting at all times within the law and acting in the best interests of the IOOF Group, its shareholders, clients and investors. As an additional safeguard, the IOOF Group's Whistleblower Policy protects employees from detrimental action where employees disclose, in good faith and with reasonable grounds, any unethical, illegal, fraudulent or undesirable conduct.

(ix) Credit risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss that arises from receivables, loans and other receivables. The IOOF Group's counterparties generally do not have an independent credit rating. The IOOF Group assesses the credit quality of the debtor taking into account its financial position, past experience with the debtor, and other available credit risk information.

(x) Cash flow and interest rate risk

Interest rate risk is the risk to the IOOF Group's earnings and capital arising from changes in market interest rates. The financial instruments held that will be impacted by interest rate risk consist of cash and cash equivalents, certificates of deposit, loans, and borrowings. Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements. Interest rates (both charged and received) are based on market rates, and are closely monitored by management. They are primarily at variable rates of interest, and will expose the IOOF Group to cash flow interest rate risk. The IOOF Group intends to apply partial hedge cover to manage its interest rate risk exposure arising from its expected future borrowings to fund the ANZ Wealth Management acquisition.

Directors' report (cont'd)

Operating and financial review (cont'd)

(xi) Liquidity risk

Liquidity risk relates to the IOOF Group having insufficient liquid assets to cover current liabilities and unforeseen expenses. The IOOF Group manages liquidity risk exposure by maintaining sufficient liquid assets and an ability to access a committed line of credit. The liquidity requirements for licensed entities in the IOOF Group are also regularly reviewed and carefully monitored in accordance with those licence requirements.

(xii) Reliance on Australian Financial Services Licence, Registrable Superannuation Entity and other licences

In order to provide the majority of its services in Australia, a number of the IOOF Group's controlled entities are required to hold a number of licences, most notably Australian Financial Services (AFS) or Registrable Superannuation Entity (RSE) licences. If any of those entities fails to comply with the general obligations and conditions of its licence, this could result in the suspension or cancellation of the licence. A breach or loss of licences could have a material adverse effect on business and financial performance. AFS and RSE licences also require the licence holder to maintain certain levels of capital. These capital requirements may change from time to time. Earnings dilution may occur where a higher capital base is required to be held.

(xiii) Insurance

The IOOF Group holds insurance policies, including errors and omissions (professional indemnity) and directors' and officers' insurance, which are commensurate with industry standards, and adequate having regard to our business activities. These policies provide a degree of protection for the IOOF Group's assets, liabilities, officers and employees. However, no assurance can be given that any insurance that the IOOF Group currently maintains will:

- be available in the future on a commercially reasonable basis; or
- provide adequate cover against claims made against or by the IOOF Group, noting that there are some risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake, flood, fire).

The IOOF Group also faces risks associated with the financial strength of its insurers to meet indemnity obligations when called upon which could have an adverse effect on earnings. If the IOOF Group incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected.

(xiv) Unit pricing errors

Systems failures or errors in unit pricing of investments are issues affecting the broader funds management industry that may result in significant financial losses and brand damage to a number of financial services organisations. A unit pricing error made by the IOOF Group or its service providers could cause financial or reputation loss. This risk is minimised via policies, procedures and contractual enforcement which are subject to continuous monitoring and oversight. The IOOF Group maintains a significant complement of experienced staff and utilises specialist service providers to maintain robust systems and accurate inputs.

(xv) Dependence on key personnel

The IOOF Group's performance is dependent on the talents and efforts of key personnel. The IOOF Group's continued ability to compete effectively depends on our capacity to retain and motivate existing employees as well as attract new employees. The loss of key executives or advisers could cause material disruption to operations in the short to medium term. While equity incentives of key personnel align their interests with the IOOF Group's future performance, they do not provide a guarantee of their continued employment. The IOOF Group utilises succession planning to manage this risk.

(xvi) Dependence on financial advisers

The success of the IOOF Group's advice and platform business is highly dependent on the quality of the relationships with its financial advisers and the quality of their relationships with their clients. The IOOF Group's ability to retain productive advisers is managed by monitoring and, where necessary, improving service levels, technological capability, suitability of product offerings and the quality and relevance of professional training.

(xvii) Acquisitions

Acquisition transactions involve inherent risks, including:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquired businesses;
- integration risks including the risk that integration could take longer or cost more than expected or that the anticipated benefits and synergies of the integration may be less than estimated;
- diversion of management attention from existing business;
- potential loss of key personnel and key clients;
- unanticipated changes in the industry or general economic conditions that affect the assumptions underlying the acquisition;
- decline in the value of, and unanticipated costs, problems or liabilities associated with, the acquired business; and
- potential for regulators to deny approval of acquisitions.

Any of these risks could result in a failure to realise the benefits anticipated to result from any acquisition of new business and could have a material adverse impact on the IOOF Group's financial position. The IOOF Group maintains a significant complement of experienced staff and holds relationships with specialist advisers to assess acquisition opportunities. This is designed to ensure the Board is fully informed of the risks and opportunities associated with any potential individual acquisition.

(xviii) Dilution

The IOOF Group's need to raise additional capital in the future in order to meet its operating or financing requirements, including by way of additional borrowings or increases in the equity of any of the consolidated entity's companies, may change over time. Future capital raisings or equity funded acquisitions may dilute the holdings of particular shareholders to the extent that such shareholders do not subscribe to additional equity, or are otherwise not invited to subscribe in additional equity. This risk will be managed by examination of relevant factors and circumstances prevailing at that time.

(xix) Regulatory and legislative risk and reform

The financial services sectors in which the IOOF Group operates are subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions. The regulatory regimes governing the IOOF Group's business activities are complex and subject to change. The impact of future regulatory and legislative change upon the IOOF Group cannot be predicted. In addition, if the amount and complexity of new regulation increases, so too may the cost of compliance and the risk of non-compliance. The IOOF Group maintains an appropriately skilled and experienced staff and holds relationships with specialist advisers to minimise this risk.

(xx) Sustainability risk

A sustainability risk is an uncertain environmental or social event or condition that, if it occurs, can cause a significant negative impact on the IOOF Group. The IOOF Group focuses on the environmental effects of its premises, investment manager policies and business processes in order to implement ways to minimise those effects. The IOOF Group also maintains a number of policies dedicated to diversity, inclusion and engagement to ensure that its interactions with clients, staff and other key external parties are conducted in a compliant manner which also meets community expectations.

(xxi) Financing risk

Financing risk refers to the IOOF Group's inability to refinance debt facilities or to secure new financing on satisfactory terms which could adversely affect the IOOF Group's financial performance and prospects. To the extent that additional equity or debt funding is not available from time to time on acceptable terms, or at all, the IOOF Group may not be able to take advantage of acquisition and other growth opportunities, develop new ideas or respond to competitive pressures. If at any time the IOOF Group requires an extension to a facility but is unable to obtain it and is unable to repay the relevant facility, this will constitute a default under the other existing facilities and enable the financiers to demand immediate repayment and cancel the facilities. Cancellation of the debt financing arrangements would have an adverse impact on the IOOF Group's financial position and performance. This risk is minimised via a dedicated Treasury function with established policies and procedures which are subject to continuous monitoring and oversight.

Shareholder returns

The IOOF Group dividend is calibrated to provide shareholders with a benefit which reflects performance and offers an attractive yield when assessed against a range of other external economic factors and investment options. The Board also understands that dividend payments should not hinder future organisational plans. The Board has therefore determined that a pay-out ratio range of 60% – 90% of UNPAT is generally appropriate, but not binding. The Board has determined that a dividend of 12.0 cents per share, and an additional special dividend of 7.0 cents; totalling 19.0 cents per share and resulting in a total payout ratio of 68%, is appropriate. Current year profits and additional funding capacity from divestment profits support the payout, more than offsetting cash outflow on one-off ANZ integration and governance uplift costs. Also, advice remediation costs are expected to have a multiple future years cash outflow profile. This will be factored into payout capacity in in each of those years.

Total Shareholder Return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. The IOOF Group's TSR for the 12 months to 30 June 2019 was -38.3% with a dividend yield of 5.7% (based on the financial year volume weighted average price) more than offset by share price decline of 42.4%. The market valuation of the IOOF Group remains reflective of uncertainty over the long term effects of adoption of Royal Commission recommendations on wealth management, the acceleration of margin compression in administration and the yet to be realised potential for institutions to unlock a profitable business model in non-salaried advice businesses. TSR in the 5 year period from 1 July 2014 was -1.8% on a compounding annualised basis. The IOOF Group is in a strong financial position with borrowings within covenants, a low interest rate environment which reduces borrowing costs and significant free cash. All TSR figures quoted above include the final 2019 dividend but no other dividends that have been declared to be paid.

Directors' report (cont'd)

Operating and financial review (cont'd)

	2019	2018	2017	2016	2015
Profit attributable to owners of the Company ($'000s)[1]	28,560	88,301	115,990	196,846	138,371
Profit for the year for continuing operations ($'000s)	(42,301)	105,358	119,851	140,542	140,527
Basic EPS (cents per share)	8.1	26.4	38.7	65.7	47.7
Diluted EPS (cents per share)	8.1	26.4	38.6	65.4	47.4
Basic EPS (continuing operations) (cents per share)	(12.0)	31.6	38.7	46.0	45.8
UNPAT ($'000s)	197,989	191,417	169,357	173,367	173,758
UNPAT EPS (cents per share)	56.5	57.3	56.5	57.8	59.9
UNPAT EPS (continuing operations) (cents per share)	52.8	52.6	56.5	57.1	58.6
Dividends declared ($'000s)	131,653	189,582	159,071	163,573	159,070
Dividends per share (cents per share)	37.5	54.0	53.0	54.5	53.0
Opening share price	$8.99	$9.80	$7.83	$8.99	$8.40
Closing share price at 30 June	$5.17	$8.99	$9.80	$7.83	$8.99
Return on equity (non-statutory measure)[2]	10.9%	11.3%	12.1%	12.3%	13.4%

1 Profit attributable to owners of the Company has been calculated in accordance with Australian Accounting Standards.

2 Return on equity is calculated by dividing UNPAT by average equity during the year.

Returns to shareholders increase/decrease through both dividends and capital growth/decline. Dividends for 2019 and prior years were fully franked.

Dividends

In respect of the financial year ended 30 June 2019, the Directors declared the payment of a final dividend of 12.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 27 September 2019. This dividend will be paid to all shareholders recorded on the Register of Members on 13 September 2019.

In respect of the financial year ending 30 June 2020, the Directors declared the payment of a special dividend of 7.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 27 September 2019. This dividend will be paid to all shareholders recorded on the Register of Members on 13 September 2019.

The Directors declared the payment of an interim dividend of 25.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares paid on 15 March 2019.

In respect of the financial year ended 30 June 2018, a final dividend of 27.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 4 September 2018.

Environmental regulation

The IOOF Group is not subject to significant environmental regulation.

Events occurring after balance date

The Directors have declared the payment of a final dividend of 12.0 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 27 September 2019.

The Directors have declared the payment of a special 2020 dividend of 7.0 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 27 September 2019.

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 2019 that has significantly affected, or may significantly affect:

- the IOOF Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the IOOF Group's state of affairs in future financial years.

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 64 of the annual financial report and forms part of the Directors' Report for the year ended 30 June 2019.

Company secretary

The Company Secretary is Mr A Paul M Vine LLB FGIA FCIS GAICD. Mr Vine was appointed to the position in December 2015, with over 25 years' experience in legal and governance roles in public companies and leading law firms.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Directors' Meetings		
	Status	Meetings attended	Meetings held
G Venardos[1]	Chair to 10 Dec 2018	12	12
A Griffiths	Acting Chair/ Chair from 10 Dec 2018	25	25
C Kelaher[2]	Managing Director	11	12
R Mota[3]	Managing Director	–	–
J Harvey	Director	25	25
E Flynn	Director	25	25
J Selak	Director	24	25

Director	Committee Meetings		
	Nominations Committee		
	Status	Meetings attended	Meetings held
G Venardos[1]	Chair to 10 Dec 2018	2	2
A Griffiths	Chair from 10 Dec 2018	6	6
J Harvey	Member	6	6
C Kelaher	Member to 10 Dec 2018	2	2
J Selak	Member from 11 Feb 2019	4	4
J Selak	In attendance	2	2
E Flynn	In attendance	5	6

Director	Committee Meetings		
	Group Audit Committee		
	Status	Meetings attended	Meetings held
J Harvey	Chair	7	7
G Venardos[1]	Member	5	5
A Griffiths	Member	7	7
J Selak	Member	7	7

Director	Committee Meetings		
	Remuneration Committee		
	Status	Meetings attended	Meetings held
A Griffiths	Chair to 11 Feb 2019	5	5
J Harvey	Chair from 11 Feb 2019	3	3
G Venardos[1]	Member	2	2
E Flynn	Member	4	5
J Selak	In attendance	2	2

Director	Committee Meetings		
	Risk and Compliance Committee[4]		
	Status	Meetings attended	Meetings held
E Flynn	Chair	5	6
J Selak	Member	6	6
D Oldham	Member to 21 Aug 2018	1	1
M Walsh	Member 20 Sep 2018 only	1	1
J Harvey	Member from 11 Sep 2018	2	2
G Venardos[1]	In attendance	4	4
A Griffiths	In attendance	6	6
M Walsh	In attendance	3	3
J Harvey	In attendance	3	3

Meetings held represents the number of meetings held during the time the Director held office.

The Directors meetings are those held for IOOF Holdings Ltd. This does not include the meetings held and attended by Directors for the various subsidiary companies. Major subsidiaries averaged a further 8 meetings each during the year.

In addition to the meetings attended during the year, a number of matters were considered and addressed separately via circular resolution.

Shares issued on exercise of options

During the financial year, the IOOF Group did not issue any ordinary shares of the Company as a result of the exercise of options. All plans were satisfied from the purchase of shares.

1 Leave of absence commenced 10 December 2018.
2 Leave of absence commenced 10 December 2018. Resigned as of 4 April 2019.
3 Appointed Managing Director effective 25 June 2019.
4 Committee included, for a period, additional members who are not Directors of IOOF Holdings Ltd but are Directors of APRA regulated subsidiaries.

Directors' report (cont'd)

Unexercised options over shares, performance rights and deferred shares

At the date of this report, performance rights on issue are:

Performance rights	
Vesting date	**Number of rights**
31 Dec 19	30,000
30 Jun 20	170,891
30 Jun 21	458,461
	659,352

Deferred shares	
Vesting date	**Number of shares**
31 Jul 18	35,420
31 Jul 19	93,746
31 Jul 20	93,746
	222,912

Upon his resignation on 4 April 2019, 383,285 performance rights granted to Christopher Kelaher lapsed.

The 'look back' relating to deferred shares that were due to vest on 31 Jul 18 has been postponed. Refer to the Remuneration Report for further details.

Shares allocated on vesting will rank equally with all other ordinary shares on issue.

These performance rights do not entitle the holder to participate in any share issue or receive dividends of the Company.

Indemnification and insurance

Rule 84 of the IOOF Holdings Ltd Constitution requires the Company to indemnify to the extent permitted by law, each Director and Secretary against liability incurred in, or arising out of the conduct of the business of the Company or the discharge of the duties of the Director or Secretary. The Directors and Secretary named in this Directors' Report have the benefit of this requirement, as do individuals who formerly held one of those positions.

In accordance with this requirement the Company has entered into Deeds of Access, Indemnity and Insurance (Deeds of Indemnity) with each Director and Secretary. During the financial year, the IOOF Group paid insurance premiums to insure against amounts that the IOOF Group may be liable to pay the Directors and Secretary pursuant to Rule 84. The insurance policy also insures the Directors and Secretary of the Company and its controlled entities, and the general officers of each of the companies in the IOOF Group. Details of the amount of the premium paid in respect of the insurance contract have not been disclosed as such disclosure is prohibited under the terms of the contract.

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 IOOF 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.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument amounts in the financial report are rounded off to the nearest thousand dollars, narrative disclosures are expressed in whole dollars or as otherwise indicated.

Non-audit services

The Directors are satisfied that the provision of non-audit services during the year of $678,780 by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Non-audit services are managed as follows:

- fees earned from non-audit work undertaken by KPMG are capped at 1.0 times the total audit fee;
- services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- services do not undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the IOOF Group, acting as advocate for the IOOF Group or jointly sharing economic risks and rewards.

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

Letter from the Remuneration Committee Chair

Dear Shareholder

I am pleased to present our Remuneration Report for 2019.

The IOOF Group's aim is to continue to ensure that our remuneration framework and outcomes drive the right behaviours whilst motivating, rewarding and retaining our key people across the business.

Our remuneration philosophy remained consistent with the approach described in last year's Remuneration Report, which provides consistency, transparency and comparability in the presentation of remuneration outcomes for the year to 30 June 2019.

2019 was a year of significant change at the KMP level for IOOF.

On 4 April 2019, the Company announced that Christopher Kelaher, Managing Director would leave by mutual agreement. A termination payment was made during the year, in accordance with the terms of his employment contract. All of Christopher's unvested long-term incentive performance rights lapsed as a result of his cessation of employment. His short-term incentive deferred shares remain subject to 'look-back'.

On 25 June 2019, the Company announced the appointment of Renato Mota as the Group's Chief Executive Officer, and that Renato also joined the Board as Managing Director. Renato was Acting Chief Executive Officer from December 2018, and prior to that was the Group's General Manager Wealth Management. His remuneration arrangements are described in detail in this report. A key feature of the remuneration arrangements of his CEO role is the removal of a discretionary short-term incentive component.

On 10 December 2018, George Venardos took a leave of absence from the IOOF Board. As he stepped aside as Chairman, Allan Griffiths was appointed Acting Chairman on this date and was appointed Chairman on 4 April 2019.

In addition, on 10 December 2018, Frank Lombardo, Group General Manager, Client & Process was appointed KMP.

Outcomes for the year ended 30 June 2019

As described in our Directors' Report, 2019 was a year of solid financial performance from an UNPAT perspective for the Group. However, our shareholders were adversely affected by share price underperformance experienced at IOOF and across the financial services sector during the year. As a result, there have been no discretionary short term incentives awarded to any KMP or certain other senior management personnel for the 2019 year.

The share price underperformance is also reflected in the long term incentives which were tested during the year, with the outcome of the Total Shareholder Return (TSR) hurdles being well below target performance levels. Accordingly, the executive performance rights subject to a TSR performance hurdle did not vest.

Looking ahead to 2020

Following a review of the current remuneration framework by the Group Remuneration Committee, with independent input provided by KPMG 3dc (executive remuneration and performance advisory), there will be significant changes to remuneration framework, policies and practices in future years. 2020 will be a transitional year in which we will finalise our longer term remuneration framework, reflecting both regulatory and market expectations from 2021.

The Group Remuneration Committee is currently considering removing short term incentives for all KMP. Long term incentives are also expected to change to a minimum four year vesting period with a range of financial and non-financial performance measures to be included in vesting conditions when awarding these. However, we intend to increase the focus on non-financial performance metrics. This is to encourage long-term decision making in the interest of the Group's clients, shareholders and other stakeholders.

We will continue to review our remuneration framework to ensure that it supports our direction, culture, behaviours and expectations of our various internal and external stakeholders.

Yours sincerely

Jane Harvey
Remuneration Committee Chair

26 August 2019

Remuneration report (cont'd)

Contents

1. Year to 30 June 2019 remuneration key features

Changes In Key Management Personnel (KMP)

New Chief Executive Officer and Managing Director	
R Mota	Chief Executive Officer and Managing Director (CEO) 25 Jun 2019 – present

Renato Mota was appointed CEO on 25 June 2019. Key features of Renato's remuneration package as CEO are $1.2 million total fixed remuneration (TFR), no short-term incentive component and a maximum long-term incentive from the 2020 financial year of 100% of TFR to vest after four years.

Full details of R Mota's remuneration arrangements are included in section 3 of this report.

Former Managing Director	
C Kelaher	Employment ceased 2 Jul 2019

As Christopher Kelaher ceased employment effective 2 July 2019, his remuneration arrangements are included in this report for the full year.

Christopher received a termination payment of $1,273,379 in lieu of his contractual notice period, along with accrued leave entitlements. He was not awarded any STI or LTI for the 2019 financial year.

All of his unvested LTI performance rights lapsed as a result of his cessation of employment. His deferred STIs granted in the 2017 and 2018 financial years remain subject to 'look-back' provisions.

Full details of C Kelaher's remuneration arrangements are included in section 9 of this report.

Additions to KMP during 2019

There has been 1 addition to KMP during the year:

F Lombardo	Group General Manager Client & Process Appointed as KMP 10 Dec 2018

Full details of KMP remuneration arrangements are included in section 4 of this report.

Key features of the year to 30 June 2019 KMP remuneration

Short term incentive (STI)

As noted in the Committee Chair's introduction to the Remuneration Report on page 45, it was determined that no discretionary STIs were to be awarded to KMP or certain other senior management personnel for the 2019 financial year due to share price underperformance during the year.

Full details of STIs are included in section 4 of this report.

Long term incentive (LTI)

The 2017 LTI performance rights hurdles were tested during the year. 50% did not vest and lapsed for all KMP due to the TSR hurdle relative to the ASX 200 not being met. 50% vested based on the three year tenure hurdle being met for all KMP.

Full details of LTIs vested during the year are included in section 4 of this report.

Non-Executive Director (NED) remuneration

For the second year in a row, the Board has determined that no increases in NED fees would be applied for the 2020 year.

Full details of NED remuneration arrangements are included in section 8 of this report.

Changes to remuneration framework

Following a review of the current remuneration framework by the Group Remuneration Committee, with independent input provided by KPMG 3dc (executive remuneration and performance advisory), there will be significant changes to remuneration framework, policies and practices in future years. 2020 will be a transitional year in which we will finalise our longer term remuneration framework, reflecting both regulatory and market expectations from 2021.

The Group Remuneration Committee is currently considering removing short term incentives for all KMP. Long term incentives are also expected to change to a minimum four year vesting period with a range of financial and non-financial performance measures to be included in vesting conditions when awarding these. This is to encourage long-term decision making in the interest of the Group's clients, shareholders and other stakeholders.

Further details of remuneration framework changes are included in section 7 of this report.

Remuneration report (cont'd)

1. Year to 30 June 2019 remuneration key features (continued)

Summary of KMP remuneration received in 2019

Taking into account the above changes to KMP and remuneration arrangements, this table shows a summarised year-on-year comparison of the value of remuneration received by KMP.

	Financial year	Fixed	Variable		Total value of remuneration received
Name		**TFR**	**STI[1]**	**LTI[2]**	
R Mota	2019	788,644	–	68,475	857,119
	2018	525,363	225,000	222,025	972,388
D Coulter	2019	474,868	–	68,475	543,343
	2018	467,249	225,000	222,025	914,274
G Riordan	2019	485,958	–	68,475	554,433
	2018	475,960	142,841	222,025	840,826
D Farmer[3]	2019	341,668	142,713	–	484,381
	2018	335,526	116,025	–	451,551
KMP appointed during 2019					
F Lombardo[4]	2019	295,192	–	–	295,192
Former KMP					
C Kelaher	2019	1,330,403	–	–	1,330,403
	2018	1,275,480	628,604	977,927	2,882,011

1 Cash STI awarded during the year.

2 Tenure-based LTI value calculated using closing share price at date of issue of shares. 08/08/2017 – $10.70. 01/08/2018 – $9.13.

3 50% of D Farmer's STI is determined based on investment performance relative to relevant composite benchmark. 50% is discretionary and as with other KMP, it has been determined that no discretionary STIs are to be awarded.

4 Appointed as KMP from 10 December 2018.

This table supplements, and is different to, the Statutory Remuneration table which presents the accounting expense for both vested and unvested awards in accordance with the Australian Accounting Standards.

2. Key Management Personnel covered by this report

The KMP whose remuneration is disclosed in this year's report are:

Name	Role	Term as KMP
R Mota	Group General Manager – Wealth Management 1 July 2018 – 9 December 2018 Acting Chief Executive Officer 10 Dec 2018 – 24 June 2019 Chief Executive Officer and Managing Director (CEO) 25 Jun 2019 – present	Full year
D Coulter	Chief Financial Officer	Full year
G Riordan	Group General Counsel	Full year
D Farmer	Chief Investment Officer	Full year
F Lombardo	Group General Manager Client & Process	Appointed as KMP 10 Dec 2018
NEDs		
A Griffiths	Independent Non-Executive Director 1 July 2018 – 9 December 2018 Acting Chairman 10 Dec 2018 – 3 April 2019 Chairman 4 April 2019 – present	Full year
J Harvey	Independent Non-Executive Director	Full year
E Flynn	Independent Non-Executive Director	Full year
J Selak	Independent Non-Executive Director	Full year
G Venardos	Independent Non-Executive Director & Chairman 1 July 2018 – 9 December 2018 Leave of absence 10 December 2018 – present Resigned as Chairman 4 April 2019	Full year

Andrew Bloore will be appointed a Non-Executive Director (NED) from 2 September 2019 as disclosed to the ASX on 25 June 2019. Michelle Somerville will be appointed a NED from 1 October 2019 as disclosed to the ASX on 20 August 2019.

Former KMP

Managing Director		
C Kelaher	Managing Director 1 July 2018 – 9 December 2018 Leave of absence 10 December 2018 – 2 July 2019 Resigned as Managing Director 4 April 2019 Employment ceased 2 July 2019	Full year

The Remuneration Report is prepared, and audited, in accordance with the requirements of the Corporations Act 2001. It forms part of the Directors' Report.

The Remuneration Report is designed to provide shareholders with an understanding of the Group's remuneration principles, policies, and programs, and their link with the Group's strategy and financial performance.

Remuneration report (cont'd)

3. New CEO remuneration

Renato Mota was appointed as the CEO of the Group effective 25 June 2019.

CEO remuneration arrangements

R Mota is on a contract with no fixed term. His remuneration package includes a fixed remuneration element, with an LTI including financial and non-financial hurdles, with no STI.

Component of remuneration	Value
Fixed remuneration	
Salary (including superannuation)	$1.2 million
Variable remuneration	
STI	$nil
LTI	100% of total fixed remuneration maximum

Subject to approval at the 2019 AGM, the Board has approved a grant of 75,000 LTI performance rights to Mr Mota based on his previous roles as described in section 2, and on the terms set out in section 4.

Termination

Either IOOF or Renato may terminate the contract on 12 months' notice.

The Group may immediately terminate the contract for cause in a number of specified circumstances, including material breach of contract, serious or persistent misconduct or wilful neglect of duty.

Entitlements to any LTI on cessation of employment will be determined in accordance with the relevant plan rules.

Restraint

For 12 months from the date of termination of employment, Renato must not work for a competitor or solicit clients, prospective clients, suppliers, staff or contractors.

4. Year to 30 June 2019 Key Management Personnel remuneration summary

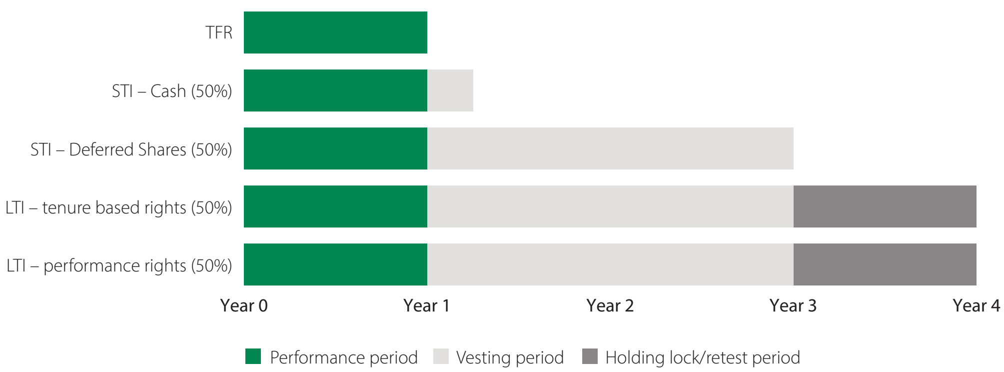
2019 remuneration comprises both "fixed" and "variable" components. The remuneration arrangements for KMP comprise three key components:

Component	Performance Conditions	Remuneration Principle
Fixed		
TFR		
Base salary, employer superannuation contributions and other fringe benefits.	TFR is determined by taking into consideration expertise, responsibility, knowledge, experience and market competitiveness.	Attract, motivate and retain ambitious and motivated executives. Reflect employee's contribution, skills and qualifications. Reflect market benchmarks and remuneration environment.

Component	Performance Conditions	Remuneration Principle
Variable		
STI		
50% cash. 50% deferred shares, vesting over 2 years, subject to 'look back'. Maximum is 100% of TFR.	STIs are discretionary and determined for each individual KMP based on a balanced scorecard which includes: **Customer**: Net Promoter Score, Wealth Insights rankings **Financial**: Total Shareholder Return (TSR), Return on Equity (RoE), underlying profitability **Business Excellence:** Balance sheet and liquidity initiatives, expense management **Strategy:** Regulatory adherence, acquisitions, divestment of non-core assets **Governance:** Risk management, regulatory compliance **People and Culture:** Action plans from employee Engagement and Alignment survey. **Chief Investment Officer – D Farmer only** 50% determined based on investment performance relative to relevant composite benchmarks 50% discretionary based on balanced scorecard	Support the financial and strategic direction of the Group, and in turn, translate to shareholder return. Targets for each measure are set by the Board to provide a challenging but purposeful incentive. Individual performance measures are specific to the KMP's role.
LTI		
100% share-based arrangements. Maximum is 100% of TFR.	50% performance rights – relative TSR against ASX 200 – 3 year vesting period subject to retesting if some or all of the rights do not vest 50% tenure-based – 3 year vesting period subject to an additional 1 year holding lock	TSR focuses on the delivery of shareholder value. The tenure based LTI element assists the Group to attract and retain quality people and aligns future performance with shareholders' expectations. Incentives to remain with the Group to enhance sustainable performance over the long term.

As noted in the Committee Chair's letter on page 45, 2020 will be a transitional year in which the above arrangements will be considered as part of our overall remuneration framework review with significant changes expected from 2021 onwards.

Year to 30 June 2019 remuneration framework performance periods



Remuneration report (cont'd)

5. Year to 30 June 2019 Key Management Personnel variable remuneration targets and outcomes

Remuneration of KMP (excluding the CEO) is determined by the CEO, recommended by the Committee and approved by the Board.

STIs

STI: targets and outcomes

At the end of the year, STIs were considered and assessed by the Board. As discussed in the Committee Chair's letter on page 45, it was determined that no discretionary STIs were to be awarded to any KMP or certain other senior management personnel .

'Look back' events

In 2018, the Board implemented a two year 'look back' on a portion of STIs to ensure events that are found to have occurred after determination of incentives are appropriately factored into the allocation of those awards.

'Look back' events:

- the KMP engages or has engaged in fraud, dishonesty or gross misconduct;
- the financial results that led to the KMP's reward being provided are subsequently shown to be materially misstated;
- the KMP behaves or has behaved in a manner which brings the IOOF Group into disrepute; or
- the Board determines, in its absolute discretion, that the KMP's reward is an inappropriate benefit.

The 'look back' on STI deferred shares granted in 2018 was performed, and a summary of deferred shares allocated to KMP is included in section 12 of this report. Consideration of 'look back' events in relation to the two current KMP involved in the current APRA litigation was postponed until after judgement in that case is known.

LTIs

LTI: targets and outcomes

The Board considers a long-term performance-related incentive component to be an important element of the KMP reward framework.

Year ended 30 June 2019

Vesting of 50% of performance rights is subject to serving a three year employment period commencing on the date of grant.

50% of the grant is then subject to a TSR progressive vesting scale over three years. TSR was chosen as the most appropriate comparative measure as it focuses on the delivery of shareholder value. TSR represents the change in the value of a share plus the value of dividends paid.

The tenure based element for KMP assists the IOOF Group to attract and retain quality people and aligns future performance with shareholders' expectations.

Early vesting may occur in certain circumstances, subject to the performance hurdle being achieved and Board approval:

- on a person/entity acquiring more than 20% of the voting shares in the Company pursuant to a takeover bid that has become unconditional;
- on the termination of employment due to death or permanent disability; or
- in other exceptional circumstances where the Board determines appropriate.

The Committee engaged the services of an independent external organisation (Deloitte) to calculate the IOOF Group's performance against the TSR performance hurdles.

Subject to further Board consideration, the above terms will apply to any LTI grants for the year ended 30 June 2020.

The below LTI performance rights are in place at the date of this report:

Year	Performance period	Grant date	IOOF TSR for the period %	Ranking relative to ASX200	Vesting status at 30 Jun 2019	Vesting date
2019 LTI performance rights	2019-2021	17 Aug 18	Performance period not complete			30 Jun 21
2018 LTI performance rights	2018-2020	21 Aug 17	Performance period not complete			30 Jun 20
2017 LTI performance rights – D Farmer	2018-2020	01 Mar 17	Performance period not complete			31 Dec 19
2017 LTI performance rights	2017-2019	9 Sep 16	-21.64%	149th	0% vested	30 Jun 19

Refer to section 7 for discussion on 2020 LTI performance rights.

The performance period for the 2017 LTI performance rights was completed in 2019. With a TSR ranking of 149th relative to the ASX 200, no performance rights vested under the TSR performance hurdle for any KMP. All KMP remained employed during the three year period.

Accordingly, the following shares vested for KMP under the 2017 LTI performance rights:

Name	Type of instrument	Employment condition – 50%	TSR performance hurdle – 50%	% vested in year	% forfeited in year
		Number of shares vested			
R Mota	2017 LTI performance rights	15,000	–	50.0%	50.0%
D Coulter	2017 LTI performance rights	15,000	–	50.0%	50.0%
G Riordan	2017 LTI performance rights	15,000	–	50.0%	50.0%

Change of control and cessation of employment

The Board has determined that, if there is a change of control, any unvested LTIs may vest subject to the approval of the Board. If the Board so determines, any unvested performance rights may become exercisable. On cessation of employment, unvested LTIs will be dealt with as follows:

Reason for termination	Treatment of unvested LTIs
Termination of employment by IOOF by notice	The Board has discretion to waive the performance hurdles or determine that the proportion (if any) of unvested LTIs that will vest
Termination of employment by IOOF for cause	Unvested performance rights and share options are forfeited
Dismissal for serious misconduct (eg fraud)	Unvested performance rights and share options are forfeited

Hedging of unvested securities

The IOOF Group Policy – Personal Trading in IOOF Holdings Limited Securities contains a restriction on KMP and other employees entering into a hedging transaction to remove the 'at risk' aspect of securities that have been granted to them as part of their remuneration package and which have not vested subject to performance conditions and/or which are still subject to forfeiture conditions. Employees are provided with a copy of this policy and are required to provide annual certification that they have complied with the policy. Failure to comply with the policy may result in disciplinary action, including forfeiture of the securities, suspension or termination of employment.

Remuneration report (cont'd)

6. Remuneration governance

Remuneration Framework

The Board oversees the IOOF Group's remuneration policies on recommendation from the Committee. The Committee reviews the remuneration policies of the IOOF Group annually to ensure that they support the IOOF Group's objectives.

The IOOF Group's Remuneration Framework, established by the Committee, considers the adequacy of remuneration policies and practices within the IOOF Group on an annual basis, including:

- ensuring remuneration practices enable realisation of IOOF's purpose;
- determination of CEO and other KMP remuneration arrangements;
- ensuring that succession planning and development plans are in place for KMP and their potential successors;
- on-going review and monitoring of STI and LTI schemes;
- setting key performance indicators and assessment of the CEO and the IOOF Group's performance against those key performance indicators;
- overall compensation arrangements of the IOOF Group;
- ensuring remuneration policies are appropriate for NEDs;
- ongoing review of the composition, skill base and performance of NEDs;
- compliance with regulatory requirements including the ASX Listing Rules and the associated ASX Corporate Governance Principles and meeting both ASIC and APRA requirements; and
- ensuring remuneration practices support the sound management of financial as well as non-financial risk.

The Group Remuneration Committee

The Committee reviews and makes recommendations to the Board on the remuneration structure and policies applicable to the KMP and NEDs of the IOOF Group, as well as the wider IOOF employee population.

The Committee's charter is available on the Corporate Governance page of the Company's website at www.ioof.com.au

The Committee is comprised solely of NEDs, all of whom are independent. The members of the Committee for the year ended 30 June 2019 were A Griffiths (Chair) from 1 July 2018 to 10 December 2018 and member from 11 December to present, J Harvey (Chair) from 10 December 2018 to present, G Venardos (leave of absence commenced 10 December 2018) and E Flynn (full year).

The Board considers that the members of the Committee provide an appropriate mix of skills to undertake its terms of reference, having regard to their qualifications, knowledge of the financial services industry and experience in business management.

IOOF Holdings Ltd Board

Group Remuneration Committee

Reviews and makes recommendations to the Board on remuneration policies, to ensure that they support the Group's objectives and comply with regulatory requirements.	Establishment and maintenance of the IOOF Group's Remuneration Framework, including determination of KMP remuneration arrangements, ongoing review of STI and LTI schemes, and assessment of performance against key performance indicators.	Ensuring remuneration policies are appropriate for NEDs, and the ongoing review of the composition, skill base and performance of NEDs.

In order to ensure that it is fully informed when making remuneration decisions, the Committee receives regular reports and updates from the Company Secretary, Chief Risk Officer, and Group General Manager, People and Culture and other members of management invited by the Committee to attend meetings when appropriate. The Committee can also draw on services from a range of external sources, including access to benchmarking material and remuneration consultants. This enables the IOOF Group to remain competitive with relevant competitors in the financial services sector and the broader spectrum of public companies of similar size, revenue and profitability.

The Committee seeks and considers advice from independent, external remuneration consultants where appropriate. KPMG 3dc was engaged during the year to provide remuneration-related advice in respect of senior executives. The advice did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001.

The Committee's charter is available on the Corporate Governance page of the Company's website at www.ioof.com.au

7. Year to June 2020 remuneration arrangements

Key objectives for the 2020 KMP reward framework are:

Attraction and retention of the best talent	Attract, motivate and retain world-class talent to drive the performance of the Company for our shareholders
Strategy-led	Support our advice-led approach to delivering customer outcomes Emphasis on delivering quality advice rather than selling financial products Support IOOF's ClientFirst philosophy to deliver a sustainable competitive advantage
Promote a sound risk management culture	Sound management of non-financial and financial risk and individual and collective accountability Meet the expectations of stakeholders in a post Royal Commission world
Shareholder alignment	Align outcomes with the shareholder experience through allocation of equity and delivery of shareholder returns Facilitate an 'ownership mindset' and long-term focus among participants
Anticipate regulatory developments and impacts on remuneration	Consider potential BEAR requirements and changes to APRA standards and their impact on remuneration

Performance rights – 2020 LTI performance rights

The Board will consider 2020 LTI rights later in 2019 following the Senior Management review which was announced to the ASX on 25 June 2019.

As 2020 is a transitional year, the 2020 LTI performance rights performance hurdle will be 50% tenure based and 50% relate to the IOOF Group's TSR over a three year period from 1 July 2019 to 30 June 2022 measured against the TSR of a group of companies comprising the S&P ASX 200 as at 1 July 2019. The performance rights will be subject to a TSR hurdle whereby the IOOF Group's TSR must be greater than the median TSR of S&P/ASX200.

The TSR hurdle has progressive vesting on a straight line basis, such that 2% of LTI awards vest for each 1% ranking increase from 50th percentile. All vest if 75th percentile is achieved.

Remuneration report (cont'd)

8. Non Executive Director remuneration

NEDs receive a fixed fee including superannuation for being a Director of the Board, with an additional fee for the Chairman of the Board. No additional fees are paid for service on Board Committees or subsidiary company Boards.

In setting fees, the Board considers general industry practice; best principles of corporate governance; the responsibilities and risks attached to the NED role; the time commitment expected of NEDs on Group and Company matters; and fees paid to NEDs of comparable companies.

In order to ensure NED independence and impartiality, fees are not linked to Company performance and NEDs are not eligible to participate in any of the Group's incentive arrangements.

The Board has reviewed NED fees for 2020 and, for the second year, has determined not to increase their fees.

NED fees

Elements	Details	
NED fees (no change to 2018)	**2018/19 Fees per annum were:**	
	IOOF Holdings Board Chair fee	$285,000
	IOOF Holdings Board NED fee	$170,000
Post-employment benefits	Superannuation contributions are made at a rate of 9.5% (up to the Government's prescribed maximum contributions limit) and are included in the NED fee.	

The current aggregate fee pool for NEDs of $1.25 million was approved by shareholders at the 2013 Annual General Meeting. The annual total of NEDs' fees, including superannuation contributions, is within this agreed limit.

Andrew Bloore will be appointed a NED from 2 September 2019 as disclosed to the ASX on 25 June 2019. Michelle Somerville will be appointed a NED from 1 October 2019 as disclosed to the ASX on 20 August 2019.

2019 Statutory Remuneration – NEDs

NED		Short-term benefits	Post-employment	
		Directors' fees[2] $	Superannuation $	Total $
A Griffiths[1]	**2019**	**216,272**	**17,863**	**234,135**
	2018	155,251	14,749	170,000
G Venardos[1]	**2019**	**239,265**	**20,531**	**259,796**
	2018	264,951	20,049	285,000
J Harvey	**2019**	**155,251**	**14,749**	**170,000**
	2018	155,251	14,749	170,000
E Flynn	**2019**	**155,251**	**14,749**	**170,000**
	2018	155,251	14,749	170,000
J Selak	**2019**	**155,251**	**14,749**	**170,000**
	2018	155,251	14,749	170,000
Total	**2019**	**921,290**	**82,641**	**1,003,931**
	2018	885,955	79,045	965,000

1 A Griffiths was appointed Acting Chairman on 10 December 2018 and Chairman on 4 April 2019. G Venardos has been on leave from the Board since 10 December. He resigned as Chairman effective 4 April 2019 and remains a Non-Executive Director. The variation in fees year-on-year reflects these changes.

2 Directors' fees includes any fees sacrificed into superannuation funds.

Equity holdings of NEDs

The relevant interest of each NED in the shares issued by the Company is as follows:

Name	Balance as at 1 Jul 2018	Changes during the year	Balance as at 30 Jun 2019[1]	Balance as at report sign-off date
A Griffiths	41,428	–	41,428	41,428
G Venardos	74,244	17,185	91,429	91,429
J Harvey	29,856	5,400	35,256	35,256
E Flynn	26,428	–	26,428	26,428
J Selak	55,000	–	55,000	55,000

Terms of appointment

All NEDs 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 Constitution, one-third of Directors must retire from office each year and may seek re-election by shareholders at the Annual General Meeting of the Company.

9. Former Managing Director remuneration arrangements

C Kelaher's resignation was announced on 4 April 2019. The resignation was effective 2 July 2019. C Kelaher received a termination payment of $1,273,379 in lieu of his contractual notice period, along with accrued leave entitlements. C Kelaher's unvested LTI performance rights lapsed as a result of his cessation of employment. His STI deferred shares remain subject to 'look-back'.

LTI performance rights lapsed

A summary of the LTI performance rights that lapsed is as follows:

Year	Performance Hurdle	Grant date	Performance period	Rights lapsed	Lapse date
2019	TSR greater than median TSR of the S&P/ASX200	28 Nov 18	2019-2021	140,785	4 Apr 19
2018	TSR greater than median TSR of the S&P/ASX200	23 Nov 17	2018-2020	122,500	4 Apr 19
2017	TSR greater than median TSR of the S&P/ASX200	24 Nov 16	2017-2019	120,000	4 Apr 19

STI deferred shares subject to 'look back'

A summary of the STI deferred shares which remain subject to 'look back' is as follows:

Instrument	Grant date	Number granted[1]	Balance at 1 Jul 18	Granted as compen-sation	Exercised/ Vested	Forfeited/ Lapsed	Balance at 30 Jun 19	Financial year of vesting
2018 deferred shares	30-Jun-18	18,316	18,316	–	–	–	18,316	2021
2018 deferred shares	30-Jun-18	18,316	18,316	–	–	–	18,316	2020
2017 deferred shares	30-Jun-17	35,420	35,420	–	–	–	35,420	2019
			72,052	–	–	–	72,052	

As was the case in the prior year, the 'look back' relating to deferred shares of C Kelaher, that were due to vest in July 2019 has been postponed. The Board took into account the external events that have been ongoing throughout the 2019 financial year and the share price performance and determined it appropriate to reserve its decision in connection with the 'look back'.

Remuneration report (cont'd)

Equity holdings

The relevant interest of C Kelaher in the shares issued by the Company, is as follows:

Ordinary shares		Balance at 1 July No.	Received on vesting of performance rights No.	Net other change No.	Balance at 30 June[1] No.
Former KMP					
C Kelaher	2019	3,566,381	–	–	3,566,381
	2018	3,443,449	91,395	31,537	3,566,381

1 The equity holding for the above individuals is inclusive of both direct and indirect shareholdings.

C Kelaher's final Directors interest notice was lodged with the ASX on 4 April 2019 with 3,566,381 shares.

10. Company performance and remuneration impacts

In considering the IOOF Group's financial performance and impacts on shareholder wealth for STI and LTI determination, the Committee has regard to the following metrics in respect of the current financial year and the previous four financial years.

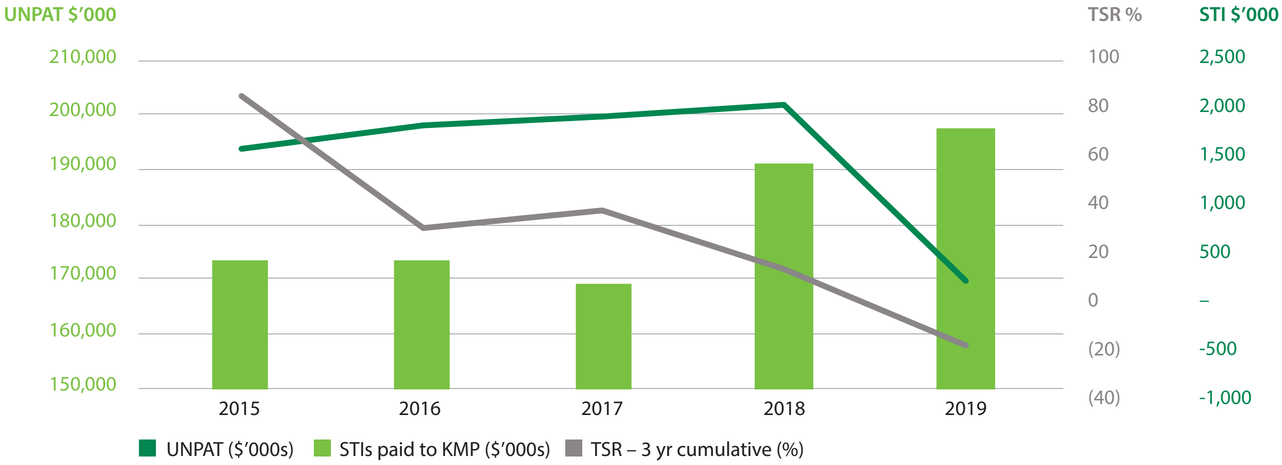
5 year Group performance

	2019	2018	2017	2016	2015
Profitability measures					
Profit attributable to owners of the Company ($'000s)	28,560	88,301	115,990	196,846	138,371
UNPAT ($'000s)[1]	197,989	191,417	169,357	173,367	173,758
UNPAT EPS (cents per share)	56.5	57.3	56.5	57.8	59.9
Share information					
Basic EPS (cents per share)	8.1	26.4	38.7	65.7	47.7
Basic EPS (continuing operations) (cents per share)	(12.0)	31.6	38.7	46.0	45.8
Share price at start of year	8.99	9.80	7.83	8.99	8.40
Share price at end of year	5.17	8.99	9.80	7.83	8.99
Change in share price	(3.82)	(0.81)	1.97	(1.16)	0.59
Dividends per share (cents per share)	37.5	54.0	53.0	54.5	53.0
Ratios					
Return on equity (non-statutory measure)(2)	10.9%	11.3%	12.1%	12.3%	13.4%
Total shareholder return	(36.8)%	(2.8)%	31.9%	(6.8)%	20.6%
Total shareholder return – three year cumulative	(21.6)%	11.8%	36.9%	29.3%	85.3%
STIs paid to KMP					
Total STIs paid to KMP ($'000s)	143	2,046	1,900	1,813	1,573

1 UNPAT is reconciled to profit attributable to owners of the Company in the Operating and Financial Review on page 32 within the Directors' Report.

2 RoE is calculated by dividing UNPAT by average capital on issue during the year.

UNPAT vs STI vs TSR (cumulative)



Impact of Group performance on STIs

As discussed in section 4, no discretionary STIs were paid to KMP in 2019.

Impact of Group performance on LTIs

As discussed in section 5, TSR performance over the three years to 30 June 2019 was -21.6%, placing it at the 149th relative to the ASX 200. As a result, none of the TSR hurdle based 2017 performance rights vested in July 2019.

Remuneration report (cont'd)

11. Key Management Personnel remuneration – Additional statutory disclosure

Additional statutory disclosure

The following table sets out the remuneration received by KMP for the year ended 30 June 2019. The share-based payments shown below are not amounts actually received by KMP during the year, as they include accounting values for unvested share awards. Actual share-based payment amounts received are shown as cash remuneration.

		Short-term benefits			Post-employment	Share-based payments[3]					
Element of Remuneration		Salary	Bonus - cash[1]	Non-monetary[2]	Superannuation	Performance rights	Bonus - deferred shares	Termination benefits	Total	Component as a % of total remuneration	
Component of Remuneration		Fixed $	Variable $	Fixed $	Fixed $	Variable $	Variable $	Fixed $	$	Fixed %	Variable[4] %
R Mota[1]	2019	762,065	–	6,048	20,531	446,166	–	–	1,234,810	64	36
	2018	499,951	225,000	5,363	20,049	169,039	225,000	–	1,144,402	46	54
D Coulter[1]	2019	451,119	–	3,218	20,531	446,166	–	–	921,034	52	48
	2018	439,951	225,000	7,249	20,049	169,039	225,000	–	1,086,288	43	57
G Riordan[1]	2019	465,426	–	–	20,531	307,499	–	–	793,456	61	39
	2018	455,911	142,841	–	20,049	144,710	142,841	–	906,352	53	47
D Farmer[1]	2019	317,919	142,713	3,218	20,531	179,479	–	–	663,860	51	49
	2018	311,451	116,025	4,026	20,049	29,584	116,025	–	597,160	56	44
F Lombardo[1,5]	2019	283,347	–	–	11,845	104,331	–	–	399,523	74	26
Former Managing Director											
C Kelaher[6]	2019	1,303,163	–	3,467	23,774	(204,460)	–	1,268,129	2,394,073	109	(9)
	2018	1,236,286	314,302	19,145	20,049	893,487	314,302	–	2,797,571	46	54
Total	2019	3,583,039	142,713	15,951	117,743	1,279,181	–	1,268,129	6,406,756		
	2018	2,943,550	1,023,168	35,783	100,245	1,405,859	1,023,168	–	6,531,773		

1 The 2018 bonus reflects amounts provided under the STI program in relation to the 2018 financial year. One half of the bonuses awarded to KMP is paid in cash and one half is deferred into shares, of which 50% will vest in July 2019 and 50% in July 2020 subject to a 'look back'. The deferred shares component of the STI are included as a share-based payment in this table. The expected payment value of the bonuses is the amount shown and includes any amounts that may be sacrificed into superannuation.

2 Non-monetary benefits include company funded benefits and fringe benefits tax payable on those benefits, typically car parking.

3 Share-based payments include accruals in relation to the Executive Performance Share Plan and accruals in relation to other grants of performance rights over shares in the Company. The value of the number of shares and options expected to vest has been apportioned over the term from grant date to vesting date. STIs awarded in deferred shares are also shown here.

4 As payment of the variable component is at the discretion of the Board, the minimum value is nil and the maximum is the total amount paid.

5 Amounts represent payments relating to the period during which the individuals were identified as KMP.

6 Total termination payment of $1,273,379 as disclosed to the ASX includes $5,250 of annual leave and long service leave entitlements which are included in salary for accounting purposes. The remaining termination payment as disclosed above being $1,268,129.

12. Other information

Equity holdings

The table below sets out details of deferred shares and rights that were granted to KMP:

- during the 2019 financial year; or
- in prior years and that then vested, were exercised/sold or which lapsed/were forfeited during the 2019 financial year.

F Lombardo was appointed KMP after the grant of 2019 LTI performance rights. Therefore, he is not included in the below table.

Name	Type of instrument	Grant date	Number granted[1]	Balance at 1 Jul 18	Granted as compen-sation	Exercised /Vested	Forfeited/ Lapsed	Balance at 30 Jun 19	Financial year of vesting
R Mota	2018 deferred shares[2]	30-Jun-18	13,112	13,112	–	–	–	13,112	2021
	2018 deferred shares[2]	30-Jun-18	13,112	13,112	–	–	–	13,112	2020
	2019 LTI performance rights	26-Sep-18	50,000	–	50,000	–	–	50,000	2021
	2018 LTI performance rights	1-Sep-17	30,000	30,000	–	–	–	30,000	2020
	2017 LTI performance rights	9-Sep-16	30,000	30,000	–	(15,000)	(15,000)	–	2019
Total R Mota				86,224	50,000	(15,000)	(15,000)	106,224	
D Coulter	2018 deferred shares[3]	30-Jun-18	13,112	13,112	–	–	–	13,112	2021
	2018 deferred shares[3]	30-Jun-18	13,112	13,112	–	–	–	13,112	2020
	2019 LTI performance rights	26-Sep-18	50,000	–	50,000	–	–	50,000	2021
	2018 LTI performance rights	1-Sep-17	30,000	30,000	–	–	–	30,000	2020
	2017 LTI performance rights	9-Sep-16	30,000	30,000	–	(15,000)	(15,000)	–	2019
Total D Coulter				86,224	50,000	(15,000)	(15,000)	106,224	
G Riordan	2018 deferred shares[3]	30-Jun-18	8,324	8,324	–	–	–	8,324	2021
	2018 deferred shares[3]	30-Jun-18	8,324	8,324	–	–	–	8,324	2020
	2019 LTI performance rights	26-Sep-18	30,000	–	30,000	–	–	30,000	2021
	2018 LTI performance rights	1-Sep-17	20,000	20,000	–	–	–	20,000	2020
	2017 LTI performance rights	9-Sep-16	30,000	30,000	–	(15,000)	(15,000)	–	2019
Total G Riordan				66,648	30,000	(15,000)	(15,000)	66,648	
D Farmer	2018 deferred shares[3]	30-Jun-18	6,761	6,761	–	–	–	6,761	2021
	2018 deferred shares[3]	30-Jun-18	6,761	6,761	–	–	–	6,761	2020
	2019 LTI performance rights	26-Sep-18	25,000	–	25,000	–	–	25,000	2021
	2017 LTI performance rights	1-Mar-17	15,000	15,000	–	–	–	15,000	2020
Total D Farmer				28,522	25,000	–	–	53,522	
Total KMP				267,618	155,000	(45,000)	(45,000)	332,618	

1 Exercise price at grant date is $nil.

2 In August 2018, KMP were awarded STIs for the 2018 financial year, of which one half was settled in cash and the remaining half in the form of deferred shares. Half of the deferred shares vested in July 2019 with the remaining half in July 2020 subject to Board 'look back' provisions.

3 Consideration of 'look back' has been postponed until after judgement in the current APRA litigation is known.

Remuneration report (cont'd)

12. Other information (continued)

The relevant interest of KMP in the shares issued by the Company, is as follows:

Ordinary shares		Balance at 1 July 2018 No.	Received on vesting of performance rights No.	Net other change No.	Balance at 30 June 2019[1] No.
R Mota	**2019**	**108,115**	**7,500**	**6,500**	**122,115**
	2018	103,009	20,750	(15,644)	108,115
D Coulter	**2019**	**293,471**	**7,500**	**–**	**300,971**
	2018	271,293	20,750	1,428	293,471
G Riordan	**2019**	**65,000**	**7,500**	**–**	**72,500**
	2018	44,250	20,750	–	65,000
D Farmer	**2019**	**–**	**–**	**–**	**–**
	2018	–	–	–	–
F Lombardo[2]	**2019**	**–**	**–**	**–**	**–**

1 The equity holding for the above individuals is inclusive of both direct and indirect shareholdings.

2 Opening balance is number of shares held at the time of appointment as KMP.

Contract terms

The term of each KMP's contract is ongoing. Either IOOF or the individual KMP (excluding the CEO) can terminate their contract on 6 months notice.

In the case of termination of employment, the IOOF Group may elect to make a payment in lieu of part or all of the notice periods, incorporating unpaid leave entitlements and pro-rated entitlement to STI (if applicable). The Board has discretion regarding treatment of unvested short and long-term incentives.

Payments to persons before taking office

No Director or member of senior management appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

This Directors' report is signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

Jane Harvey
Remuneration Committee Chair

26 August 2019

Directors' declaration

For the year ended 30 June 2019

1 In the opinion of the Directors of the Company:
   a the consolidated financial statements and notes set out on pages 69 to 130, and the Remuneration Report, set out on pages 45 to 62 in the Directors' Report, are in accordance with the Corporations Act 2001 including:
      i giving a true and fair view of the IOOF Group's financial position as at 30 June 2019 and its performance for the financial year ended on that date; and
      ii complying with Australian Accounting Standards and the Corporations Regulations 2001; 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.
2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2019.
3 The Directors draw attention to section 7–2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Mr Allan Griffiths
Chairman

Melbourne
26 August 2019

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of IOOF Holdings Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of IOOF Holdings Ltd for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Chris Wooden
Partner
Melbourne
26 August 2019

KPMG

KPMG

Rachel Milum
Partner
Melbourne
26 August 2019

KPMG

Independent Auditor's Report

To the shareholders of IOOF Holdings Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of IOOF Holdings Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of Goodwill and Intangible Assets.
- Provisions for client remediation and related costs.
- Information technology related controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Goodwill and Intangible Assets - $936.9m and $364.7m
Refer to Note 4-3 Goodwill and 4-2 Intangible Assets to the Financial Report

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The key audit matter	How the matter was addressed in our audit
A key audit matter was whether the Group's recoverable amount for goodwill and intangible assets, including key assumptions were appropriate having regard to accounting standards. Specific intangible assets we focused on related to customer relationships and brand names. The size of the goodwill and intangible assets relative to the total assets of the Group (being 25% and 10% of total assets respectively) and the level of judgment required by the Group, contributed to this being a key audit matter. The models and forecast assumptions incorporated significant judgment in respect of key factors such as: discount rates, revenue growth, and forecast funds under management, as well as economic assumptions such as inflation rates. Changes in the underlying assumptions can significantly impact the recoverable amount of the relevant assets and can therefore give rise to impairment. The Group recorded an impairment charge of $9.5m against goodwill. This related to the Perennial Cash Generating Unit ("CGU") as a result of reduced profitability from lower revenues. Revenue decline for this CGU has arisen due to institutional outflows. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • Testing of key controls, such as the assessment and approval of internal forecasts, to evaluate the Group's process for assessing the recoverable amount of goodwill and intangible assets. • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill and intangibles for impairment against the requirements of the accounting standards. • For goodwill, we challenged the Group's key assumptions, in particular those relating to discount rates, revenue growth and forecast funds under management by analysing historical data and taking into consideration expected future events, and verifying the key market related assumptions to external data, through the following procedures: o We compared relevant data in the models to the latest Board approved forecasts. o We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. o We independently developed a discount rate range using publicly available data for comparable entities, adjusted by risk factors specific to the Group's CGUs and the industry they operate in. o We assessed the integrity of the value in use models used, including the accuracy of the underlying formulas in the calculations. o We considered the sensitivity of the models by varying key assumptions such as revenue growth and discount rates, within a reasonably possible range, to identify those CGUs at higher risk of impairment and to further focus our procedures. o We assessed the key assumptions for consistent application across the Group. • We recalculated the impairment charge from the Perennial CGU against the recoverable amount and reconciled it to the amount disclosed. • We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Provisions for client remediation and related costs - $392.0m

Refer to Note 4-4 Provisions and 3-4 Capital Commitments and Contingencies to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group has assessed the need to recognise provisions in relation to certain client remediation activities arising from both internal and external reviews. The provisions for client remediation activities is a Key Audit Matter due to the judgments required by us in assessing the Group's determination of: • The existence of a present legal or constructive obligation arising from a past event using the conditions of the event against the criteria in the accounting standards.	Working with our Regulatory Specialists, our procedures included: • Obtaining an understanding of the Group's process for identifying and assessing the potential impact of the review into client remediation activities. • Enquiring with the Group regarding ongoing reviews into other remediation activities. • Reading the minutes and other relevant documentation of the Company's Board of Directors, Board Committees, various management committees, and attending the Company's Audit and Risk Committee meetings. • Inspecting any correspondence with regulatory bodies and reading reports provided to the Group. • Challenging reports provided and management's basis for recognition of a provision and associated costs against the requirements of the accounting standards. We did this by understanding and challenging the provisioning methodologies and underlying assumptions.

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• Reliable estimates of amounts which may be paid arising from the present obligation, including estimates of related costs. • The potential for legal proceedings and reviews leading to a wider range of estimation outcomes for us to consider. We involved Regulatory Specialists to supplement our senior audit team members in assessing this key audit matter.	• Testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Group's documentation and the current regulatory environment. We also checked these features against the criteria defining a provision or a contingency in the accounting standards • Assessing the appropriateness of the Group's conclusions against the requirements of the accounting standards where estimates were unable to be reliably made for a provision to be recognised. • Assessing the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Information Technology related controls

The key audit matter	How the matter was addressed in our audit
The Group's key financial accounting and reporting processes are highly dependent on the automated controls over the Group's IT systems. There is a risk that gaps in the change management, segregation of duties or user access management controls (in relation to key financial accounting and reporting systems) may undermine our ability to place some reliance thereon in our audit. We involved IT specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our IT specialists, our procedures included: • *General IT controls design, observations and operation*: Sample testing of key controls operating over the information (in relation to financial accounting and reporting systems), including change management, segregation of duties and user access management controls. • *Change management control operation*: Obtained and inspected the change management policies and, for a sample of system changes during the year (in relation to financial accounting and reporting systems), checked that changes had been performed in line with policy. • *Segregation of duties control operation*: Sample testing of key automated controls (in relation to financial accounting and reporting systems) that are designed to enforce appropriate segregation of duties. • *User access management controls operation*: We obtained the Group's evaluation of the access rights, including privileged access rights, granted to applications relevant to financial accounting and reporting systems and tested the resolution of a sample of exceptions. We also assessed the operating effectiveness of controls over granting, removal and appropriateness of access rights, including privileged access rights.

Other Information

Other Information is financial and non-financial information in IOOF Holding Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and the Remuneration Report. The remaining other information is expected to include: About IOOF, Our Major Brands, Chairman and Managing Director's Commentary, Our Financial Performance, Environmental, Social & Governance Report, IOOF Foundation and Shareholder Information and is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of IOOF Holdings Ltd for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 45 to 62 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Chris Wooden
Partner

Melbourne
26 August 2019

KPMG

KPMG

Rachel Milum
Partner

Melbourne
26 August 2019

Consolidated statement of comprehensive income

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	2-3	1,063,257	758,080
Expenses	2-4	(1,109,007)	(602,734)
Share of profits of associates accounted for using the equity method	4-1	986	2,524
Finance costs		(12,884)	(2,103)
Profit/(Loss) before tax		(57,648)	155,767
Income tax (benefit)/expense	2-6	15,347	(50,409)
Statutory fund			
Statutory fund revenue*	5-1	62,269	61,798
Statutory fund expenses*	5-1	(52,110)	(44,401)
Income tax (expense)/benefit – statutory*	5-1	(10,159)	(17,397)
Statutory fund contribution to profit, net of tax		–	–
Profit/(Loss) for the year from continuing operations		**(42,301)**	**105,358**
Discontinued operations			
Profit/(Loss) for the year from discontinued operations	2-2	75,708	(11,732)
Profit for the year		**33,407**	**93,626**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of financial assets through other comprehensive income		7,888	8,185
Exchange differences on translating foreign operations		(6)	(89)
Income tax on other comprehensive income		(2,374)	(2,444)
Other comprehensive income for the year, net of income tax		5,508	5,652
Total comprehensive income for the year		**38,915**	**99,278**
Profit attributable to:			
Owners of the Company		28,560	88,301
Non-controlling interest		4,847	5,325
Profit for the year		33,407	93,626
Total comprehensive income attributable to:			
Owners of the Company		34,068	93,953
Non-controlling interest		4,847	5,325
Total comprehensive income for the year		**38,915**	**99,278**
Earnings per share – continuing and discontinued operations:			
Basic earnings per share (cents per share)	2-8	8.1	26.4
Diluted earnings per share (cents per share)	2-8	8.1	26.4
Earnings per share – continuing operations:			
Basic earnings per share (cents per share)	2-8	(12.0)	31.6
Diluted earnings per share (cents per share)	2-8	(12.0)	31.5

Notes to the consolidated financial statements are included on pages 74 to 130.

* A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the Life Insurance Act 1995. The funds operated by IOOF Ltd, and any trusts controlled by those funds, are treated as statutory funds in accordance with the Life Insurance Act 1995. These statutory funds are required to be consolidated in accordance with accounting standards.

Consolidated statement of financial position

As at 30 June 2019

	Note	30-Jun 2019 $'000	30-Jun 2018** $'000	1-Jul 2017 $'000
Assets				
Cash	1-1(d)	97,442	125,619	211,881
Certificates of deposit	1-1(d)	–	407,443	–
Receivables	1-1(d)	328,691	154,353	141,248
Debt note	1-1(d)	800,000	–	–
Other financial assets	1-1(d)	1,047,137	1,025,551	943,038
Current tax assets		3,897	–	–
Prepayments		15,307	17,307	14,403
Deferred acquisition costs		1,182	1,552	1,913
Associates	4-1	21,509	24,002	21,081
Property and equipment		36,010	19,339	21,480
Intangible assets	4-2	364,707	408,310	441,079
Goodwill	4-3	936,891	940,226	954,867
		3,652,773	3,123,702	2,750,990
Assets classified as held for sale	2-2	52,474	–	–
Total assets		**3,705,247**	**3,123,702**	**2,750,990**
Liabilities				
Payables	1-1(d)	90,235	75,094	73,519
Other financial liabilities	1-1(d)	1,038,118	1,015,273	920,138
Borrowings	3-2	426,503	–	206,948
Current tax liabilities		–	25,615	25,813
Provisions	4-4	453,332	116,335	64,639
Deferred tax liabilities	2-6	5,895	73,755	95,256
Deferred revenue liability		1,121	1,413	1,800
Lease incentives		5,752	3,530	2,429
		2,020,956	1,311,015	1,390,542
Liabilities directly associated with assets classified as held for sale	2-2	27,434	–	–
Total liabilities		2,048,390	1,311,015	1,390,542
Net assets		**1,656,857**	**1,812,687**	**1,360,448**
Equity				
Share capital	3-3	1,963,109	1,967,023	1,434,459
Reserves	3-5	25,225	19,413	13,349
Accumulated losses		(339,140)	(184,169)	(97,048)
Total equity attributable to equity holders of the Company		1,649,194	1,802,267	1,350,760
Non-controlling interest		7,663	10,420	9,688
Total equity		**1,656,857**	**1,812,687**	**1,360,448**

Notes to the consolidated financial statements are included on pages 74 to 130.

* A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the Life Insurance Act 1995. The funds operated by IOOF Ltd, and any trusts controlled by those funds, are treated as statutory funds in accordance with the Life Insurance Act 1995. These statutory funds are required to be consolidated in accordance with accounting standards.

** Restated – refer to note 7-3.

Consolidated statement of changes in equity

For the year ended 30 June 2019

For the year ended 30 June 2019	Ordinary shares	Treasury shares	Reserves	Accu–mulated losses	Total	Non–controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018**	1,971,648	(4,625)	19,413	(184,169)	1,802,267	10,420	1,812,687
Total comprehensive income for the year							
Profit for the year attributable to owners of the Company	–	–	–	28,560	28,560	4,847	33,407
Other comprehensive income for the year, net of income tax	–	–	5,508	–	5,508	–	5,508
Total comprehensive income for the year	**–**	**–**	**5,508**	**28,560**	**34,068**	**4,847**	**38,915**
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends paid	–	–	–	(184,055)	(184,055)	(6,947)	(191,002)
Return of capital to non–controlling interest	–	–	–	–	–	(1,201)	(1,201)
Share–based payments expense	–	–	4,828	–	4,828	–	4,828
Transfer from employee equity–settled benefits reserve on exercise of performance rights	4,000	–	(4,000)	–	–	–	–
Treasury shares transferred to recipients during the year	(4,649)	4,649	–	–	–	–	–
Transfer of lapsed performance rights to retained earnings	–	–	(524)	524	–	–	–
Purchase of treasury shares	–	(7,914)	–	–	(7,914)	–	(7,914)
Additional non–controlling interest arising upon acquisition	–	–	–	–	–	544	544
Total transactions with owners	(649)	(3,265)	304	(183,531)	(187,141)	(7,604)	(194,745)
Balance at 30 June 2019	1,970,999	(7,890)	25,225	(339,140)	1,649,194	7,663	1,656,857

Notes to the consolidated financial statements are included on pages 74 to 130.

Consolidated statement of changes in equity

For the year ended 30 June 2019

For the year ended 30 June 2018**	Ordinary shares	Treasury shares	Reserves	Accumulated losses	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	1,438,601	(4,142)	13,349	(97,048)	1,350,760	9,688	1,360,448
Total comprehensive income for the year							
Profit for the year attributable to owners of the Company	–	–	–	88,301	88,301	5,325	93,626
Other comprehensive income for the year, net of income tax	–	–	5,652	–	5,652	–	5,652
Total comprehensive income for the year	–	–	5,652	88,301	93,953	5,325	99,278
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends paid	–	–	–	(175,645)	(175,645)	(4,593)	(180,238)
Share-based payments expense	–	–	2,728	–	2,728	–	2,728
Issue of shares	539,264	–	–	–	539,264	–	539,264
Transaction costs of issuing new shares	(5,917)	–	–	–	(5,917)	–	(5,917)
Transfer from employee equity-settled benefits reserve on exercise of performance rights	2,093	–	(2,093)	–	–	–	–
Treasury shares transferred to recipients during the year	(2,393)	2,393	–	–	–	–	–
Transfer of lapsed performance rights to retained earnings	–	–	(223)	223	–	–	–
Purchase of treasury shares	–	(2,876)	–	–	(2,876)	–	(2,876)
Total transactions with owners	533,047	(483)	412	(175,422)	357,554	(4,593)	352,961
Balance at 30 June 2018**	1,971,648	(4,625)	19,413	(184,169)	1,802,267	10,420	1,812,687

Notes to the consolidated financial statements are included on pages 74 to 130.

Consolidated statement of cash flows

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		1,211,456	960,541
Payments to suppliers and employees		(990,573)	(680,691)
Dividends from associates		358	1,753
Net stockbroking purchases		612	(142)
Non-recurring professional fees recovered/(paid)		–	902
Legal settlements paid		(47,928)	–
Legal settlements recovered		37,070	–
Termination payments		(769)	(2,304)
One off remediation costs		(4,071)	–
Coupon interest received on debt note		67,910	–
Income taxes paid		(130,023)	(86,613)
Contributions received – statutory		112,292	175,598
Withdrawal payments – statutory		(139,398)	(126,549)
Dividends and distributions received – statutory		6,200	1,928
Proceeds from divestment of financial instruments – statutory		291,688	152,272
Payments for financial instruments – statutory		(239,209)	(172,069)
Amounts (advanced to)/borrowed from other entities – statutory		(3,432)	(8,238)
Net cash (used in)/provided by operating activities	2-5	172,183	216,388
Cash flows from investing activities			
Dividends and distributions received		1,238	1,115
Interest received		9,448	8,051
Acquisition transition costs		(18,485)	(16,609)
Interest and other costs of finance paid		(16,372)	(2,061)
Redemption/(purchase) of certificates of deposit		407,443	(407,443)
Purchase of debt note		(800,000)	–
Proceeds on divestment of subsidiaries		41,251	163
Acquisition of subsidiary, net of cash acquired		(8,176)	(18,329)
Purchase of shares in associates		(2,750)	(1,750)
Proceeds on divestment of other assets		707	3,967
Receipt of deferred purchase consideration		351	845
Proceeds from divestment of financial assets		580	(110)
Payments for property and equipment		(26,199)	(9,341)
Amounts (advanced to)/borrowed from other entities		47	(114)
Payments for intangible assets		(3,775)	(1,289)
Net cash (used in)/provided by investing activities		(414,692)	(442,905)
Cash flows from financing activities			
Borrowings repaid		(240,619)	(207,424)
Drawdown of borrowings		670,000	–
Purchase of treasury shares		(7,914)	(2,876)
Proceeds from issue of shares		–	539,264
Transaction costs of issuing new shares		–	(8,452)
Capital return to non-controlling interest		(1,201)	–
Dividends paid:			
– members of the Company		(184,055)	(175,645)
– non-controlling members of subsidiary entities		(6,947)	(4,593)
Net cash (used in)/provided by financing activities		229,264	140,274
Net increase/(decrease) in cash and cash equivalents		(13,245)	(86,243)
Cash and cash equivalents at the beginning of year		125,619	211,881
Effects of exchange rate changes on cash and cash equivalents		31	(19)
Reclassification to assets held for sale		(14,963)	–
Cash and cash equivalents at the end of year		**97,442**	**125,619**

Notes to the consolidated financial statements are included on pages 74 to 130.

Notes to the financial statements

For the year ended 30 June 2019

Section 1 – Financial instruments and risk management

The IOOF Group's activities expose it to a variety of financial and non-financial risks. Financial risks include: market risks (including price risk, currency risk and cash flow and interest rate risk), credit risk, statutory fund and liquidity risk. The nature of the financial risk exposures arising from financial instruments, the objectives, policies and processes for managing these risks, and the methods used to measure them are detailed below. Key non-financial exposures, such as operational risk and a failure to meet regulatory compliance obligations, are discussed in detail in the Operating and Financial Review.

1-1 Risk management

IOOF risk management framework

Risk is defined as the chance of an event occurring that will have an impact on the strategic or business objectives of the IOOF Group, including a failure to exploit opportunities. The IOOF Group's risk management process involves the identification of material risks, assessment of consequence and likelihood, implementation of controls to manage risks, and continuous monitoring and improvement of the procedures in place.

The IOOF Group's objective is to satisfactorily manage its risks in line with the IOOF Group's Risk Management Policy set by the Board, and this aligns to International Standard ISO 31000. The IOOF Group's Risk Management Framework manages the risks faced by the IOOF Group, with approaches varying depending on the nature of the risk. The IOOF Group maintains a framework to ensure regulatory compliance obligations are managed in accordance with Australian Standard 3806 Compliance Programs. The IOOF Group's exposure to all material risks is monitored by the Risk Team and this exposure, and emerging risks, are regularly reported to the Risk and Compliance Committee, and the Board.

The IOOF Group's income and operating cash flows are indirectly impacted by changing market conditions. Its exposure is through the impact of market changes on the level of funds under management and administration, and consequently management fee and service fee revenue. Information has been provided below only on the direct impact of changing market conditions to the IOOF Group's income and operating cash flows.

Financial risk

The financial risk management objectives, policies and processes and the quantitative data about the exposure to risk at the reporting date, as set out in the remainder of this note, includes the benefit funds and the controlled unit trusts. The risks associated with financial instruments held by the benefit funds and controlled trusts are borne by the policyholders and members of those funds and trusts, and not the shareholders of the IOOF Group. There is no direct impact on the net profit or the equity of the IOOF Group as a consequence of changes in markets as they apply to financial instruments held by those funds and trusts at the reporting date.

Similarly the objectives, policies and processes for managing the risks of the IOOF Group are separate and distinct from those for the benefit funds and trusts. The funds and trusts are managed under extensive regulatory requirements, and in accordance with specific investment guidelines, risk management strategies, risk management plans, and product disclosure statements. The IOOF Group is managed under a set of separate corporate policies and review processes that are directed toward the interests of the shareholders of the IOOF Group.

Information in relation to financial risks associated with the benefit funds and controlled trusts is available in their Product Disclosure Statements and the individual annual financial reports of those trusts.

Further information in relation to the Australian Accounting Standards requirement to consolidate the benefit funds and controlled trusts in the consolidated financial statements of the IOOF Group is available in Note 7-3(b) Basis of consolidation.

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value or future earnings of a financial instrument will fluctuate because of changes in market prices (other than from interest rate risk or currency risk, as described later). The financial instruments managed by the IOOF Group that are impacted by price risk consist of investment units held in trusts and financial assets at fair value through other comprehensive income (OCI).

The price risk associated with the units held in trusts is that the fair value of those units will fluctuate with movements in the redemption value of those units, which in turn is based on the fair value of the underlying assets held by the trusts. Financial assets at fair value through OCI are exposed to price risk as the share price fluctuates.

IOOF Group sensitivity

At 30 June 2019 had the price of the units / shares held by the IOOF Group in unlisted unit trusts / shares in other entities increased / decreased by 1% (2018: 1%) with all other variables held constant, gains / losses recorded through profit or loss would increase / decrease by $6,748,000 (2018: $6,668,000), and financial assets at fair value through OCI reserves would increase / decrease by $291,000 (2018: $236,000).

(ii) Currency risk

The IOOF Group's exposure to foreign exchange risk in relation to the financial instruments of its foreign activities in New Zealand and Hong Kong is immaterial.

(iii) Cash flow and interest rate risk

Interest rate risk is the risk to the IOOF Group's earnings and capital arising from changes in market interest rates. The financial instruments held that are impacted by interest rate risk consist of cash, loans, and borrowings.

Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements. Interest rates (both charged and received) are based on market rates, and are closely monitored by management. They are primarily at variable rates of interest, and expose the IOOF Group to cash flow interest rate risk.

Management regularly assesses the appropriateness of the investment of surplus funds with the objective of maximising returns.

IOOF Group sensitivity

At 30 June 2019, if interest rates had changed by +/- 100 basis points (2018: +/- 100 basis points) from the year-end rates with all other variables held constant, post tax profit for the year would have increased/decreased by $2.2 million (2018: $nil). Equity would have been higher/lower by the same amount.

(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 IOOF Group. Credit risk arises for the IOOF Group from cash, debt note, receivables and loans.

The IOOF Group mitigates its credit risk by ensuring cash deposits are held with high credit quality financial institutions and other highly liquid investments are held with trusts operated by the IOOF Group. Where investments are held in units in a trust operated by the IOOF Group, that trust is subject to the rules of the trust deed and the investment in underlying assets is subject to asset allocation guidelines.

Receivables consist of management fees receivable, service fees receivable and other amounts receivable from related parties. These counterparties generally do not have an independent credit rating, and the IOOF Group assesses the credit quality of the debtor taking into account its financial position, past experience with the debtor, and other available credit risk information. In relation to management fees receivable, the IOOF Group is contractually entitled to deduct such fees from investors' account balances, in accordance with the Product Disclosure Statements, and pass the fees to the Responsible Entity or Trustee. Due to this pass-through process the embedded credit risk is considered minimal. Other receivables are regularly monitored by line management.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets as summarised in the table included in this note below. The IOOF Group does not hold any significant collateral as security over its receivables and loans, apart from its recourse to certain shares in subsidiaries in relation to loans to executives of subsidiaries. The Company has a concentration of credit risk to ANZ for the value of the debt note ($800m).

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For the year ended 30 June 2019

Expected credit loss assessment

As at 30 June 2019, $2,873,000 trade receivables of the IOOF Group were past due but not impaired (2018: $2,671,000). The amount of the impairment provision was $585,000 (2018: $607,000).

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Credit risk assessments are performed based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Movements in the provisions for impairment of trade receivables are as follows:	**2019**	**2018****
	$'000	**$'000**
Carrying value at 1 July	607	585
Provision for impairment provided/(written back) during the year	(22)	22
Carrying value at 30 June	585	607
Ageing of trade receivables that were not impaired at 30 June		
Neither past due nor impaired	45,950	49,390
Past due 31-60 days	1,402	665
Past due 61-90 days	468	511
Past due 91-120 days	1,003	1,495
	48,823	52,061
Trade receivables past due but not impaired	2,873	2,671

(c) Statutory Fund Risk

Financial risks are monitored and controlled by selecting appropriate assets to back policy liabilities. The assets are regularly monitored by the Investment Management 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. The Investment Management Committee is chaired by an independent expert and its membership is drawn from appropriately skilled senior management. There are no Non-Executive Directors on this Committee.

The IOOF Group's friendly society 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 monitor compliance with these requirements. Refer to Section 5 – Statutory funds for further details.

These funds are not available to shareholders. Balances relating to statutory funds in the table below are disclosed inclusive of amounts collected/receivable from or paid/payable to IOOF Group entities.

(d) Liquidity risk

Liquidity risk relates to the IOOF Group having insufficient liquid assets to cover current liabilities and unforeseen expenses. The IOOF Group maintains a prudent approach to managing liquidity risk exposure by maintaining sufficient liquid assets and an ability to access a committed line of credit. It is managed by continuously monitoring actual and forecast cash flows and by matching the maturity profiles of financial assets and liabilities. Temporary surplus funds are invested in highly liquid, low risk financial assets.

The IOOF Group had access to undrawn bank borrowing facilities at the balance date, on the terms described and disclosed in section 3-2 Borrowings. The liquidity requirements for licensed entities in the IOOF Group are regularly reviewed and carefully monitored in accordance with those licence requirements.

Maturities of financial liabilities

The following tables analyse the IOOF Group's financial liabilities into relevant maturity groupings based on the remaining years at the balance date to the contractual maturity date. The amounts disclosed therein are the contractual undiscounted cash flows.

2019	Carrying Amount			Contractual cash flows			
	Current	Non-Current	Total	1 year or less	1-5 years	5+ years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Payables – corporate	86,360	–	86,360	86,360	–	–	86,360
Payables – statutory	3,875	–	3,875	3,875	–	–	3,875
Total payables	90,235	–	90,235	90,235	–	–	90,235
Ex-ANZ ADG remediation provision – corporate	24,116	144,694	168,810	24,116	96,463	48,231	168,810
IOOF adviser remediation provision – corporate	31,881	191,284	223,165	31,881	127,523	63,761	223,165
Other financial liabilities – corporate							
Ex-ANZ ADG remediation settlements liability	2,073	12,437	14,510	2,073	8,291	4,146	14,510
Contingent consideration	837	–	837	837	–	–	837
Other financial liabilities – statutory							
Insurance contract liabilities	202,434	–	202,434	202,434	–	–	202,434
Investment contract liabilities	820,337	–	820,337	820,337	–	–	820,337
Total other financial liabilities	1,025,681	12,437	1,038,118	1,025,681	8,291	4,146	1,038,118
Borrowings – corporate	–	426,503	426,503	–	426,503	–	426,503
	1,171,912	**774,919**	**1,946,8311**	**1,171,912**	**658,780**	**116,139**	**1,946,831**
Financial assets available to meet the above financial liabilities							
Financial assets at amortised cost							
Cash – corporate	91,687	–	91,687	91,687	–	–	91,687
Cash – statutory	5,755	–	5,755	5,755	–	–	5,755
Total cash	97,442	–	97,442	97,442	–	–	97,442
Receivables – corporate							
Trade receivables	46,260	–	46,260	46,260	–	–	46,260
Other receivables	59,095	681	59,776	59,095	681	–	59,776
Ex-ANZ ADG remediation indemnity	26,189	157,131	183,320	26,189	104,754	52,377	183,320
Security bonds	–	250	250	–	–	250	250
Receivables – statutory							
Trade receivables	1,978	–	1,978	1,978	–	–	1,978
Other receivables	10,540	–	10,540	10,540	–	–	10,540
Dividends and distributions receivable	26,567	–	26,567	26,567	–	–	26,567
Total receivables	170,629	158,062	328,691	170,629	105,435	52,627	328,691
Fair value through profit or loss							
Debt note – corporate	800,000	–	800,000	800,000	–	–	800,000
Other financial assets							
Fair value through profit or loss							
Unlisted unit trusts – corporate	–	641	641	–	641	–	641
Unlisted unit trusts – statutory	963,373	–	963,373	963,373	–	–	963,373
Equity investments at FVOCI – corporate	–	41,627	41,627	–	–	41,627	41,627
Loans and other receivables							
Loans to directors and executives of associated entities – corporate	–	7,298	7,298	–	–	7,298	7,298
Loans to policyholders – statutory	34,198	–	34,198	34,198	–	–	34,198
Total other financial assets	997,571	49,566	1,047,137	997,571	641	48,925	1,047,137
	2,065,642	**207,628**	**2,273,270**	**2,065,642**	**106,076**	**101,552**	**2,273,270**
Net financial assets/(liabilities)	**893,729**	**(567,290)**	**326,439**	**893,729**	**(552,704)**	**(14,586)**	**326,439**

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For the year ended 30 June 2019

2018**	Carrying Amount			Contractual cash flows			
	Current	Non-Current	Total	1 year or less	1-5 years	5+ years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Payables – corporate	65,136	3	65,139	65,136	3	–	65,139
Payables – statutory	9,955	–	9,955	9,955	–	–	9,955
Total payables	75,091	3	75,094	75,091	3	–	75,094
Other financial liabilities – corporate							
Contingent consideration	392	–	392	392	–	–	392
Other financial liabilities – statutory							
Insurance contract liabilities	240,379	–	240,379	240,379	–	–	240,379
Investment contract liabilities	774,502	–	774,502	774,502	–	–	774,502
Total other financial liabilities	1,015,273	–	1,015,273	1,015,273	–	–	1,015,273
	1,090,364	3	1,090,367	1,090,364	3	–	1,090,367
Financial assets available to meet the above financial liabilities							
Financial assets at amortised cost							
Cash – corporate	121,441	–	121,441	121,441	–	–	121,441
Cash – statutory	4,178	–	4,178	4,178	–	–	4,178
Total cash	125,619	–	125,619	125,619	–	–	125,619
Certificates of deposit – corporate	407,443	–	407,443	407,443	–	–	407,443
Receivables – corporate							
Trade receivables	48,049	–	48,049	48,049	–	–	48,049
Other receivables	50,465	757	51,222	50,465	757	–	51,222
Security bonds	–	5,392	5,392	–	–	5,392	5,392
Receivables – statutory							
Trade receivables	3,405	–	3,405	3,405	–	–	3,405
Other receivables	4,434	–	4,434	4,434	–	–	4,434
Dividends and distributions receivable	41,851	–	41,851	41,851	–	–	41,851
Total receivables	148,204	6,149	154,353	148,204	757	5,392	154,353
Fair value through profit or loss							
Shares in listed companies	18	–	18	18	–	–	18
Unlisted unit trusts – corporate	–	768	768	–	768	–	768
Unlisted unit trusts – statutory	951,855	–	951,855	951,855	–	–	951,855
Equity investments at FVOCI – corporate	–	33,739	33,739	–	–	33,739	33,739
Loans and other receivables							
Loans to directors and executives of associated entities – corporate	–	8,404	8,404	–	–	8,404	8,404
Loans to policyholders – statutory	30,767	–	30,767	30,767	–	–	30,767
Total other financial assets	982,640	42,911	1,025,551	982,640	768	42,143	1,025,551
	1,663,906	**49,060**	**1,712,966**	**1,663,906**	**1,525**	**47,535**	**1,712,966**
Net financial assets/(liabilities)	**573,542**	**49,057**	**622,599**	**573,542**	**1,522**	**47,535**	**622,599**

(e) Accounting policies and fair value estimation

The fair values of financial assets and liabilities are equal to the carrying amounts shown in the statement of financial position.

Offsetting assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the IOOF Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

The IOOF Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the date at which the IOOF Group becomes a party to the contractual provisions of the instrument.

The IOOF Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the IOOF Group is recognised as a separate asset or liability.

The IOOF Group has the following financial assets:

- cash;
- debt note;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- loans and receivables.

Cash

Cash 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.

Debt note

The debt note is initially recognised at cost, and subsequently revalued to fair value at balance date. The debt note is valued via a discounted cash flow, which incorporates unobservable inputs such as discount rates, counterparty credit, and probability-adjusted revenues expected to be received under the arrangement.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if the IOOF Group manages such investments and makes purchase and sale decisions in accordance with the IOOF Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Units in unlisted trusts are carried at the current unit price for redemption of those units with the trust.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the closing price.

Equity investments at FVOCI

Equity investments at fair value through other comprehensive income are non-derivative assets comprising principally marketable equity securities that are either designated in this category or are not classified in any of the other categories of financial instruments.

Equity investments at FVOCI are recognised initially at fair value plus any directly attributable transaction costs. Dividends are recognised in profit or loss unless it clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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 IOOF Group provides money, assets, or services directly to a debtor with no intention of selling the receivable. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method if it is held to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Certificates of deposit

Certificates of deposit held during the current year and in the prior year include deposits with original maturities of more than three months.

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Financial liabilities

The IOOF Group initially recognises financial liabilities on the date at which the IOOF Group becomes a party to the contractual provisions of the instrument. The IOOF Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The IOOF Group has the following non-derivative financial liabilities:

- payables;
- borrowings (including finance leases); and
- other financial liabilities.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Payables

The carrying value of payables are assumed to approximate their fair values due to their short-term nature.

Borrowings and finance leases

Borrowings and finance leases are further explained in section 3-2 Borrowings.

Contingent consideration

The contingent consideration amounts payable can rise and fall depending on performance hurdles achieved during the deferral period specific to each agreement which may include revenue targets, gross margin targets and/or FUMAS retention requirements.

Where contingent consideration is due for payment after 12 months, the estimated amounts payable are discounted. Assumptions used include pre-tax discount rates in the range of 3-4% which were based on market interest rates upon acquisition of related intangibles.

Assets and liabilities relating to statutory funds

Assets held in the 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.

Accordingly, with the exception of permitted profit distributions, the investments held in the statutory funds are not available for use by other parties of the IOOF Group.

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.

Assets relating to statutory funds

The IOOF 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 held by the IOOF Group and its controlled entities, assets backing policy liabilities have been designated at fair value through profit or loss as the assets are managed on a fair value basis.

Liabilities relating to statutory funds

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.

Contract 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.

(i) Insurance contracts

Insurance contracts with a discretionary participation feature ('DPF') 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 dependent on both the probability of an insured event and the magnitude of its potential effect. Life insurance contract liabilities are calculated in accordance with actuarial standards.

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 year.

(ii) 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 profit or loss. The gross change in the liability to these policyholders for the year, which includes any participating benefits vested in policyholders and any undistributed surplus attributed to policyholders, is also recognised in profit or loss.

Deposits collected and withdrawals processed for investment contracts without DPF are accounted for directly through the statement of financial position as a movement in the investment contract liability. Distributions on these contracts are charged to profit or loss 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 for through profit or loss and the investment component is accounted for as a deposit through the statement of financial position as described above.

1-2 Financial instruments

Fair value hierarchy

The fair values of financial assets and liabilities are equal to the carrying amounts shown in the statement of financial position. The table below analyses financial instruments carried at fair value, by valuation method.

	Level 1	Level 2	Level 3	Total
30 June 2019	**$'000**	**$'000**	**$'000**	
Financial assets measured at fair value				
FVOCI	41,627	–	–	41,627
Unlisted unit trusts	–	964,014	–	964,014
Debt note	–	–	800,000	800,000
	41,627	**964,014**	**800,000**	**1,805,641**
Financial liabilities measured at fair value				
Contingent consideration	–	–	837	837
	–	**–**	**837**	**837**
30 June 2018				
Financial assets measured at fair value				
FVOCI	33,739	–	–	33,739
Shares in listed companies	18	–	–	18
Unlisted unit trusts	–	952,623	–	952,623
	33,757	**952,623**	**–**	**986,380**
Financial liabilities measured at fair value				
Contingent consideration	–	–	392	392
	–	**–**	**392**	**392**

Notes to the financial statements

For the year ended 30 June 2019

The definitions of each level and the valuation techniques used are as follows:

- Level 1: quoted closing prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices). Level 2 fair values for the over-the-counter foreign exchange and index swap are provided by the counterparty and verified by the IOOF Group. Fair values are derived from published market indices and include adjustments to take account of the credit risk of the IOOF Group entity and counterparty.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The IOOF Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 30 June 2019.

Reconciliation of movements in level 3 financial liabilities	Debt note		Contingent consideration	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Opening balance as at 1 July	–	–	392	1,839
Issuance of debt note	800,000	–	–	–
Fair value gain from derecognition of contingent consideration payable	–	–	–	(805)
Take up of deferred consideration liability	–	–	2,907	–
Unwinding of discount	–	–	8	22
Settlement of contingent consideration	–	–	(2,470)	(664)
Closing balance as at 30 June	**800,000**	**–**	**837**	**392**

Level 3 financial assets consist of a debt note carried at fair value. The debt note is valued via a discounted cash flow, which incorporates unobservable inputs such as discount rates, counterparty credit, and probability-adjusted revenues expected to be received under the arrangement. An increase in the discount rate used in isolation would result in a decrease to the fair value of the debt note. An increase in the probability adjusted revenues in isolation would result in an increase in the fair value of the debt note.

Level 3 financial liabilities consist of deferred purchase consideration in respect of client lists purchased by the IOOF Group, which is valued at the maximum deferred consideration amount payable under the relevant contracts. The amount of deferred consideration payable is linked to the retention of clients, which is an unobservable output and may decrease the value of the liability.

Section 2 – Results for the year

This section focuses on the results and performance of the IOOF Group. On the following pages you will find disclosures explaining the IOOF Group's results for the year, segmental information, taxation and earnings per share.

Where an accounting policy is specific to a single note, the policy is described in the note to which it relates.

2-1 Operating segments

The IOOF Group has the following five strategic divisions, which are its reportable segments. All segments' operating results are regularly reviewed by the IOOF Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Financial advice and distribution

The provision of financial planning advice and stockbroking services supported by services such as investment research, training, compliance support and access to financial products.

Portfolio and estate administration

The provision of administration and management services through master trust platforms, which offer a single access point to a range of investment products.

Investment management

The management and investment of monies on behalf of corporate, superannuation, institutional clients and private individual investor clients.

Ex-ANZ wealth management

Aligned Dealer Groups (ADGs) acquired from ANZ during the period, which provide financial planning advice services. This is also inclusive of the debt note revenue which represented proportionate economic contribution from the P&I business.

Corporate and other

Corporate and other costs include those of a strategic, shareholder or governance nature incurred in carrying on business as a listed entity managing multiple business units.

Information regarding the results of each reportable segment (excluding the benefit funds) is included below. Performance is measured based on segment underlying profit before income tax as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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For the year ended 30 June 2019

	Financial advice and distribution		Portfolio and estate administration		Investment management		Ex-ANZ wealth management		Corporate and other		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019[ii] $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Management and service fees revenue	286,117	228,808	403,482	409,118	95,694	70,968	145,861	–	–	–	931,154	708,894
External other fee revenue	15,690	15,272	8,427	8,735	7,049	2,427	6,290	–	353	407	37,809	26,841
Service fees and other direct costs	(195,446)	(121,806)	(98,197)	(108,958)	(36,696)	(8,542)	(139,650)	–	401	384	(469,588)	(238,922)
Deferred acquisition costs	(18)	(179)	(155)	(141)	–	–	–	–	–	–	(173)	(320)
Gross Margin	106,343	122,095	313,557	308,754	66,047	64,853	12,501	–	754	791	499,202	496,493
Stockbroking revenue	4,508	4,349	–	–	–	–	38	–	–	–	4,546	4,349
Stockbroking service fees expense	(1,285)	(1,249)	–	–	–	–	–	–	–	–	(1,285)	(1,249)
Stockbroking net contribution	3,223	3,100	–	–	–	–	38	–	–	–	3,261	3,100
Inter-segment revenue[i]	84,455	76,764	2,689	2,861	–	–	–	–	137	137	87,281	79,762
Inter-segment expenses[i]	(2,123)	(2,352)	(82,255)	(74,438)	(2,903)	(2,972)	–	–	–	–	(87,281)	(79,762)
Net Operating Revenue	191,898	199,607	233,991	237,177	63,144	61,881	12,539	–	891	928	502,463	499,593
Other revenue	3,976	3,126	–	75	–	–	6,204	–	756	2,054	10,936	5,255
Finance income	146	140	5	3	–	–	72,377	–	5,916	9,812	78,444	9,955
Inter-segment revenue[i]	–	8	–	–	–	–	–	–	–	–	–	8
Share of profits of associates	31	713	–	–	956	1,811	(1)	–	–	–	986	2,524
Operating expenditure	(108,185)	(109,175)	(108,932)	(104,927)	(10,698)	(11,376)	(41,725)	–	(39,048)	(39,025)	(308,588)	(264,503)
Share-based payments expense	(1,749)	(1,263)	(1,903)	(409)	(1,146)	(95)	(14)	–	15	(961)	(4,797)	(2,728)
Finance costs	(18)	(32)	–	–	–	–	(49)	–	(12,817)	(2,071)	(12,884)	(2,103)
Inter-segment expenses[i]	–	–	–	(8)	–	–	–	–	–	–	–	(8)
Depreciation of property & equipment	(2,607)	(2,314)	(5,082)	(4,146)	(653)	(526)	(56)	–	–	–	(8,398)	(6,986)
Amortisation of intangible assets – IT Development	–	–	(715)	(524)	–	–	–	–	–	–	(715)	(524)
Non-controlling interest	45	49	–	–	–	–	134	–	–	–	179	49
Income tax expense	(25,388)	(27,360)	(35,885)	(38,450)	(15,538)	(14,993)	(13,820)	–	17,949	16,018	(72,682)	(64,785)
UNPAT from continuing operations	58,149	63,499	81,479	88,791	36,065	36,702	35,589	–	(26,338)	(13,245)	184,944	175,747
Discontinued operations											13,045	15,670
UNPAT											**197,989**	**191,417**

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

ii For the period 1 October 2018 to 30 June 2019.

Segment disclosures have been prepared on an underlying (UNPAT) basis as discussed in the Operating and Financial Review section of the Directors' Report. Comparatives have been restated to be on a comparable basis.

Reconciliation of reportable segment revenues and expenses

	Note	2019	2018
		$'000	$'000
Profit attributable to Owners of the Company		28,560	88,301
Discontinued operations	2-2	(70,682)	17,106
Profit/(Loss) from continuing operations attributable to Owners of the Company		(42,122)	105,407
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Amortisation of intangible assets	2-4	37,651	37,378
Acquisition costs – Acquisition advisory	2-4	2,488	5,367
Acquisition costs – Integration preparation	2-4	20,766	4,973
Acquisition costs – Finance costs	2-4	416	6,725
Onerous contracts	2-4	–	2,345
Termination payments	2-4	2,043	2,033
Profit on divestment of assets	2-3	(368)	(2,786)
Non-recurring professional fees (recovered)/paid	2-4	2,027	(902)
Impairment of goodwill and related investment	2-4	13,920	28,339
Unwind of deferred tax liability recorded on intangible assets		(10,200)	(10,195)
IOOF ADG remediation costs	2-4	235,278	–
Other	2-4	875	1,244
Income tax attributable		(77,829)	(4,181)
UNPAT from continuing operations		184,944	175,747
UNPAT from discontinued operations		13,045	15,670
UNPAT		197,989	191,417

The significant accounting policies which apply to the major revenue and expense items below follow each of the notes. More general information on how these are recognised/measured can be found in note 7-2 *Basis of preparation*.

2-2 Discontinued operations

(a) Divestment of AET Corporate Trust business

On 1 November 2018, the IOOF Group completed the divestment of the AET Corporate Trust business to Sargon Capital Pty Ltd (Sargon) for an upfront consideration of $41.3m and a deferred component of $10.3m dependent on the novation of certain contract revenue to Sargon. An additional $1.6m consideration relating to a net asset adjustment was received in January 2019. At 30 June 2019, the deferred consideration has been written back as it is considered unlikely that the performance hurdles will be met and the deferred consideration will be received.

The recovery of legal claims relates to recoveries as a result of agreed settlements with PwC, HLB Mann Judd, IOOF's insurers and insurance broker, in respect of the cross-claims brought by Australian Executor Trustees Limited against those parties as part of the proceedings related to Provident Capital Limited. Settlement of legal claims expenditure of $44.3m was recognised in June 2018 in relation to the Provident proceedings.

(b) Divestment of Ord Minnett business

On 27 June 2019, the Directors announced the divestment of the Group's 70% holding in Ord Minnett Holdings Pty Ltd (Ord Minnett). The disposal is consistent with the Group's long-term strategy to focus on its core wealth management capabilities. The Group entered into a contract with a consortium of private investors led by current Ord Minnett management to dispose of its stake in Ord Minnett for sale consideration of $115m. The Group expects to recognise a post-tax profit on sale of approximately $83m in respect of the Ord Minnett business upon completion of the transaction. Completion of the sale is expected to occur on or around 24 September 2019.

Notes to the financial statements

For the year ended 30 June 2019

(c) Analysis of profit for the year from discontinued operations

Revenue, expenses and associated income tax in the financial statements and notes have been restated to a continuing basis, where applicable, and therefore exclude the below results of the discontinued operation.

	Year ended 30 Jun 19	Year ended 30 Jun 18
	$'000	$'000
Results of discontinued operations		
Revenue	174,449	161,065
Expenses	(150,181)	(133,103)
Legal settlement recovery/(expense)	36,000	(44,250)
Results from operating activities	60,268	(16,288)
Income tax	(18,526)	4,556
Results from operating activities, net of tax	41,742	(11,732)
Gain on sale of discontinued operation	48,959	–
Income tax on gain on sale of discontinued operation	(14,993)	–
Gain on disposal of discontinued operation, net of tax	33,966	–
Profit for the period	75,708	(11,732)
Profit for the period attributable to:		
Owners of the entity	70,682	(17,106)
Non-controlling interest	5,026	5,374
Profit for the period	75,708	(11,732)
Basic earnings per share (cents per share)	20.1	(5.1)
Diluted earnings per share (cents per share)	20.1	(5.1)
Cash flows from discontinued operations		
Net cash (used in)/provided by operating activities	(29,690)	(16,007)
Net cash provided by investing activities	24,027	228
Net cash flow for the period	(5,662)	(15,779)
Profit for the period from discontinued operations	**70,682**	**(17,106)**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:		
Amortisation of intangible assets	1,553	2,022
Termination payments	61	95
Profit on divestment of assets	(58,959)	–
Impairment of non-current assets	10,329	–
Provident legal settlement/(provision)	(36,000)	44,250
Income tax attributable	25,378	(13,591)
UNPAT from discontinued operations	13,045	15,670

(d) Assets and liabilities of discontinued operations

Assets and liabilities of disposal group

The net assets of the AET Corporate Trust disposal group at the date of disposal are shown below.

	1 Nov 18
	$'000
Assets	
Cash	1,605
Receivables	3,127
Prepayments	53
Plant & equipment	5
Intangible assets	279
Deferred tax assets	188
Total assets	5,257
Liabilities	
Payables	453
Provisions	456
Deferred tax liabilities	4
Total liabilities	913
Net assets and liabilities	4,344
Consideration received in cash	41,316
Income tax paid	(14,993)
Cash and cash equivalents disposed of	(1,605)
Net cash inflow	24,718

Notes to the financial statements

For the year ended 30 June 2019

Assets classified as held for sale

The Ord Minnett business has been classified and accounted for at 30 June 2019 as a disposal group held for sale.

	30 Jun 19	30 Jun 18
	$'000	$'000
Assets related to Ord Minnett business	52,474	–
Liabilities associated with assets held for sale	27,434	–
Amounts recognised directly in equity associated with assets held for sale	–	–

As described above, the Group plans to dispose of its Ord Minnett business and anticipates that the disposal will be completed by 24 September 2019. The Group has entered into an agreement with a consortium of private investors and the directors of the Company expect that the fair value less costs to sell of the business will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the asset and liabilities as held for sale nor as at 30 June 2019. The major classes of assets and liabilities of the Ord Minnett business at the end of the reporting period are as follows:

	30 Jun 19
	$'000
Assets	
Cash	14,963
Receivables	13,310
Current tax asset	219
Deferred tax assets	2,623
Property, plant & equipment	2,093
Other intangible assets	9,555
Other assets	9,711
Total assets	52,474
Liabilities	
Trade payables	7,546
Provisions	19,573
Other liabilities	315
Total liabilities	27,434
Net assets of Ord Minnett business attributable to non-controlling interests	(7,512)
Net assets of Ord Minnett business classified as held for sale	17,528

2-3 Revenue

	Policy note	2019	2018
		$'000	$'000
Management and service fees revenue	(i)	931,154	708,894
Stockbroking revenue	(ii)	4,546	4,349
External other fee revenue	(ii)	37,809	26,841
Finance income	(iii)		
Interest income on loans to Directors of associated entities		249	260
Interest income from non-related entities		76,830	8,485
Dividends and distributions received		1,256	1,122
Net fair value gains on other financial assets at fair value through profit or loss		109	88
		78,444	9,955
Other revenue			
Profit on divestment of assets		368	2,786
Other		10,936	5,255
		11,304	8,041
Total revenue		1,063,257	758,080

Accounting policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

(i) Management and service fees revenue

The IOOF Group provides management services to unit trusts and funds operated by the IOOF Group at normal commercial rates. Management and service fees earned from the unit trusts and funds are calculated based on an agreed percentage of the respective funds under management or administration as disclosed in the respective product disclosure statements, and are recognised on an accruals basis.

Management and service fees revenue from the provision of financial advisory services together with revenue from the rendering of services are recognised as a performance obligation satisfied over time.

(ii) Stockbroking revenue and external other fee revenue

Other fee revenue and stockbroking revenue from the rendering of services are recognised as a performance obligation satisfied over time.

(iii) Finance income

Finance income comprises interest income on funds invested (including financial assets at fair value through OCI), dividend income, gains on the divestment of financial assets at fair value through OCI and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the IOOF Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Notes to the financial statements

For the year ended 30 June 2019

2-4 Expenses

	Policy note	2019	2018
		$'000	$'000
Service fees and other direct costs	(i)		
Service and marketing fees expense		444,270	219,731
Stockbroking service fees expense		1,285	1,249
Other direct costs		25,318	19,191
		470,873	240,171
Operating expenditure			
Salaries and related employee expenses	(ii)	211,402	187,888
Information technology costs		36,660	28,249
Professional fees		9,748	8,090
Marketing		10,607	7,528
Office support and administration		15,740	10,198
Occupancy related expenses		18,321	18,005
Travel and entertainment		6,037	4,507
Other		72	38
		308,588	264,503
Other expenses			
Share-based payments expense	(iii)	4,797	2,728
Acquisition costs – Acquisition advisory		2,488	5,367
Acquisition costs – Integration preparation		20,766	4,973
Acquisition costs – Finance costs		416	6,725
Termination payments	(iv)	2,043	2,033
Depreciation of property and equipment		8,398	6,986
Amortisation of intangible assets	(v)	37,651	37,378
Amortisation of intangible assets – IT development	(v)	715	524
Impairment of goodwill and related investment	(v)	13,920	28,339
Deferred acquisition costs	(vi)	173	320
Non-recurring professional fees (recovered)/paid		2,027	(902)
IOOF ADG remediation costs		235,278	–
Onerous contracts		–	2,345
Other		875	1,244
		329,547	98,060
Total expenses		1,109,007	602,734

Accounting policies

Expenses are recognised at the fair value of the consideration paid or payable for services received, further specific expense policies are listed below:

(i) Service fees and other direct costs

Service fees and other direct costs include amounts paid to advisers, dealer groups and other suppliers in the course of operating and marketing products and services of the IOOF Group. Examples of direct costs include custodian fees, audit services and the printing and mailing of client statements and other communications. The values are recognised at the fair value of the consideration paid or payable for the goods or services received.

(ii) Salaries and related employee expenses

These entitlements include salaries, wages, superannuation, bonuses, overtime, allowances, annual and long service leave, but exclude share-based payments. The accounting policies for the four major expense categories under this definition are as follows.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the IOOF Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term incentive plans

A provision for employee benefits in the form of an incentive plan is recognised 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.

Annual and long service leave benefits

The IOOF Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior years plus related on-costs.

Liabilities for long-term benefits that are expected to be settled beyond 12 months are discounted using rates attaching to high quality corporate bonds which most closely match the terms of maturity of the related liabilities at 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 years of service.

Employee defined contribution plan expense

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised in profit or loss in the years during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payments expense

The grant date fair value of share-based payment awards granted to employees is recognised as a share-based payment expense, with a corresponding increase in the share-based payments reserve, over the year that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Notes to the financial statements

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The fair value at grant date is independently determined where considered appropriate.

Shares held by the IOOF Equity Plan Trust will contribute to the employee allocation of shares on satisfaction of vesting performance hurdles. The IOOF Group has no right to recall placed shares. However, a subsidiary company acts as the Trustee of the Trust, and can direct the voting rights of shares held and strategic direction.

(iv) Termination payments

Termination benefits or redundancy costs are recognised as an expense when the IOOF Group is committed demonstrably, without realistic opportunity of withdrawal, to a formal detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(v) Amortisation and impairment

The value of intangible assets, with the exception of goodwill and brand names with indefinite useful lives, reduces over the number of years the IOOF Group expects to use the asset, the useful economic life, via an annual amortisation charge to profit and loss. The values and useful lives ascribed are reflective of arms-length transactions and independent expert advice thereon.

Where there has been a technological change or decline in business performance the Directors review the value of assets to ensure they have not fallen below their carrying value. Should an asset's value fall below its carrying value an additional one-off impairment charge is made against profit.

(vi) Deferred acquisition costs

Deferred acquisition costs relate to service fees 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 are progressively amortised in profit or loss by a systematic allocation over the years the future economic benefits are expected to be received. The amortisation period is between 5 and 7 years.

2-5 Net cash provided by operating activities

Cash 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.

This note reconciles the operating profit to the cash provided by operating activities per the cash flow statement.

	2019	2018
	$'000	$'000
Profit for the year	33,407	93,626
Depreciation of property and equipment	9,045	7,640
Amortisation of intangible assets	39,919	39,924
Impairment of goodwill	9,490	28,339
Impairment of other non-current assets	14,759	–
Profit on divestment of assets	(109)	(2,643)
Profit on divestment of subsidiary	(48,959)	–
Interest and other costs of finance	12,884	2,103
Interest received and receivable	(5,516)	(9,388)
Dividends and distributions received and receivable	(1,238)	(1,115)
Dividends received from associates	358	1,753
Share of profits of associates accounted for using the equity method	(986)	(2,524)
Share-based payments expense	4,828	2,728
Acquisition transition costs	23,670	17,065
Other	(111)	(327)
Changes in net operating assets and liabilities:		
(Increase)/decrease in receivables	(2,422)	(5,788)
(Increase)/decrease in other assets	(13,429)	(1,171)
(Increase)/decrease in other financial assets	(2,243)	(86,287)
(Increase)/decrease in deferred acquisition costs	370	361
Increase/(decrease) in payables	2,134	8,695
Increase/(decrease) in deferred revenue liabilities	(292)	(387)
Increase/(decrease) in provisions	190,230	51,464
Increase/(decrease) in income tax payable	(93,418)	(112)
Increase/(decrease) in policyholder liabilities	7,889	96,582
Increase/(decrease) in other liabilities	218	(974)
Increase/(decrease) in deferred taxes	(8,295)	(23,176)
Net cash provided by operating activities	**172,183**	**216,388**

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2-6 Income taxes

	2019	2018
	$'000	$'000
Current tax expense		
Current year	65,297	65,995
Adjustment for prior years	(85)	(3,495)
Taxable losses not recognised	47	–
	65,259	62,500
Deferred tax expense		
Origination and reversal of temporary differences	(80,394)	(11,882)
Adjustments recognised in the current year in relation to the deferred tax of prior years	(40)	(209)
Recognition of tax losses and deferred tax balances	(172)	–
	(80,606)	(12,091)
Total income tax (benefit)/expense	(15,347)	50,409

Income tax recognised in other comprehensive income	2019 $'000			2018 $'000		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets through OCI	7,888	(2,366)	5,522	8,185	(2,456)	5,729
Exchange differences on translating foreign operations	(6)	(8)	(14)	(89)	12	(77)
	7,882	(2,374)	5,508	8,096	(2,444)	5,652

	2019		2018	
	%	$'000	%	$'000
Reconciliation of effective tax rate				
Profit/(Loss) before tax		(57,648)		155,767
Tax using the IOOF Group's domestic tax rate	30.0	(17,294)	30.0	46,730
Tax effect of:				
Share of tax credits with statutory funds	(1.7)	982	0.7	1,032
(Non assessable income)/Non-deductible expenses	0.1	(61)	(0.3)	(506)
Impairment of goodwill	(4.9)	2,847	5.5	8,502
Share of profits of associates	0.5	(296)	(0.5)	(757)
Assessable associate and subsidiary dividends	(0.3)	201	0.4	583
Revenue loss not recognised	(0.1)	47	–	–
Imputation credits	0.9	(517)	(0.6)	(859)
Recognition of deferred tax balances	0.3	(172)	–	–
Other	1.7	(959)	(0.4)	(612)
Under/(over) provided in prior years	0.2	(125)	(2.4)	(3,704)
	26.6	(15,347)	32.4	50,409

For statutory reporting purposes, the Group had an effective tax rate of 26.6% on its continuing operations for the year ended 30 June 2019 (2018: 32.4%) compared to a statutory corporate tax rate of 30%. This rate difference is primarily due to impairment of goodwill, impairment of investment in associates, research and development (R&D) tax offsets and tax offsets for fully franked dividend income. For the year ended 30 June 2018, the rate difference was primarily due to impairment of goodwill, research and development (R&D) tax offsets, tax offsets for fully franked dividend income, prior period amendments and non-deductible subsidiary acquisition costs. Excluding these items the IOOF Group's effective tax rate would be 30% across both periods. The effective tax rate for New Zealand and Hong Kong operations was 25.4%, and 5.4% respectively for the year ended 30 June 2019 (2018: 28.7% and 11.8% respectively).

	2019 $'000	2018 $'000
Deferred tax assets and liabilities		
Deferred tax asset balance comprises temporary differences attributable to:		
Salaries and related employee expenses	17,758	20,234
Provisions, accruals and creditors	121,625	17,690
Carry forward capital and revenue losses	94	97
Capital gains on disposal of subsidiaries	9,679	–
Property and equipment	964	–
Other	2,056	3,067
Deferred tax asset balance as at 30 June	152,177	41,088
Set-off of deferred tax liabilities pursuant to set-off provisions	(152,177)	(41,088)
Net deferred tax asset balance as at 30 June	–	–
Deferred tax liability balance comprises temporary differences attributable to:		
Unrealised gains – corporate	9,951	7,566
Unrealised gains – statutory*	8,612	4,501
Customer relationships	88,166	98,940
Property and equipment	–	130
Customer remediation indemnity	50,643	–
Other	699	3,706
Deferred tax liability balance as at 30 June	158,072	114,843
Set-off of deferred tax assets pursuant to set-off provisions	(152,177)	(41,088)
Net deferred tax liability balance as at 30 June	**5,895**	**73,755**
Reconciliation of movements		
Net carrying amounts at the beginning of the year	(73,755)	(95,256)
Acquisitions and divestments	696	(1,663)
Credited/(charged) to profit or loss	80,607	12,091
Credited/(charged) to profit or loss – statutory*	(4,112)	(2,192)
Temporary differences directly attributable to equity	(2,371)	79
Discontinued operations	(4,337)	13,186
Reclassification to held for sale	(2,623)	–
Carrying amount at the end of the year	**(5,895)**	**(73,755)**
Unrecognised deferred tax assets		
Tax losses	4,905	–
Potential tax benefit at the Australian tax rate of 30%	**1,472**	–

* A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the Life Insurance Act 1995. The funds operated by IOOF Ltd, and any trusts controlled by those funds, are treated as statutory funds in accordance with the Life Insurance Act 1995. These statutory funds are required to be consolidated in accordance with accounting standards.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the IOOF Group can utilise the benefits there from.

Notes to the financial statements

For the year ended 30 June 2019

Accounting policies

Income tax

Income tax comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the IOOF Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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.

Tax consolidation

IOOF Holdings Ltd and its wholly owned Australian resident entities (including IOOF Ltd benefit funds) are part of a tax-consolidated group under Australian taxation law. As consequence, all members of the tax-consolidated group are taxed as a single entity.

Tax transparency

The IOOF Group is committed to tax transparency and integrity. It has been a signatory to the Board of Taxation's Voluntary Tax Transparency Code (the Code), since January 2017.

The Code is a set of principles and 'minimum standards' to guide disclosure of tax information by businesses, encourage those businesses to avoid aggressive tax planning, and to help educate the public about their compliance with Australia's tax laws.

The IOOF Group provides a reconciliation of accounting profit to tax expense, and to income tax paid/payable including identification of material temporary and non-temporary differences and accounting effective company tax rates for the IOOF Groups Australian and global operations.

Information about international related party dealings

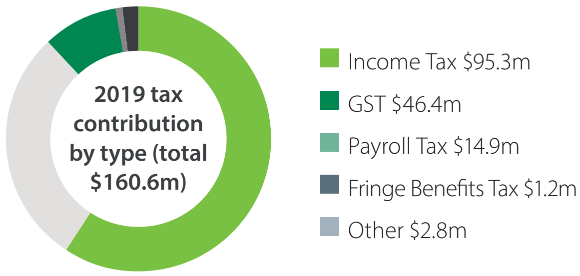
The IOOF Group conducts foreign activities in New Zealand, via IOOF New Zealand, and in Hong Kong, via share broking business, Ord Minnett (now a discontinued operation). Each of those entities is subject to the local tax regime and effective tax rates are disclosed with the IOOF Group's effective tax rate. Related party dealings between the IOOF Group's Australian and foreign jurisdictions are supported by transfer pricing documentation.

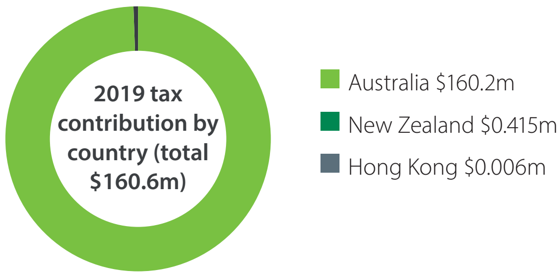
Approach to tax strategy and governance

Tax governance is part of the IOOF Group's overall risk management framework, as well as being part of an overall tax strategy. The overall tax strategy drives the IOOF Group's approach to tax risk management and is aimed at good corporate tax compliance and reporting, ability to meet and be prepared for regulatory changes, and in ensuring shareholder value. Tax governance is continuously monitored and in line with the IOOF Group's strategy. The IOOF Group regards its relationship with the ATO as effective and open thereby maintaining transparency and collaboration.

Tax contribution analysis

The IOOF Group contributed a total of $160.6m in taxes to Australian, New Zealand and Hong Kong governments (state and federal) in the 2019 tax year. $160.2m or 99.75% of this amount was attributable to the Australian Government. The below tables provide an analysis of the types of taxes the IOOF Group is liable for and those payable in Australia versus those in foreign jurisdictions.





Further taxes paid by the IOOF Group on behalf of others, including employees and members, are not directly borne by the Group. These include income tax, GST, pay-as-you-earn withholding taxes, and local duties, which total a further $133m.

2-7 Dividends

After 30 June 2019 the following fully franked dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total	Date of payment	Franked/ unfranked
		$'000		
Final 2019 dividend	12.0	42,129	27 September 2019	Franked
Special 2020 dividend	7.0	24,575	27 September 2019	Franked

	2019	2018
	$'000	$'000
Dividend franking account		
30 per cent franking credits available to shareholders of IOOF Holdings Ltd for subsequent financial years	93,032	77,399

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

a franking credits that will arise from the payment of the current tax liabilities; and

b franking credits that the IOOF Group may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends declared after the balance date but not recognised as a liability is to reduce it by $28,587,000 (2018: $40,625,000).

The following dividends were declared and paid by the IOOF Group during the current and preceding financial year:

	Cents per share	Total	Date of payment	Franked/ unfranked
		$'000		
2019				
Interim 2019 dividend	25.5	89,524	15 March 2019	Franked
Final 2018 dividend	27.0	94,791	04 September 2018	Franked
	52.5	**184,315**		
2018				
Interim 2018 dividend	27.0	94,791	14 March 2018	Franked
Final 2017 dividend	27.0	81,036	01 September 2017	Franked
	54.0	**175,827**		

Franked dividends declared or paid during the year were franked at the tax rate of 30 per cent.

Dividend amounts shown are inclusive of any dividends paid on treasury shares.

Notes to the financial statements

For the year ended 30 June 2019

2-8 Earnings per share

	2019	2018
	Cents per share	Cents per share
Basic earnings per share		
From continuing operations	(12.0)	31.6
From discontinued operations	20.1	(5.1)
Total basic earnings per share	8.1	26.4
Diluted earnings per share		
From continuing operations	(12.0)	31.5
From discontinued operations	20.1	(5.1)
Total diluted earnings per share	8.1	26.4

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2019	2018
	$'000	$'000
Profit for the year attributable to owners of the Company	28,560	88,301
Earnings used in the calculation of basic and diluted EPS	28,560	88,301
Profit for the year from discontinued operations used in the calculation of basic and diluted EPS from discontinued operations	75,708	(11,732)
Earnings used in the calculation of basic and diluted EPS from continuing operations	(47,148)	100,033

	2019	2018
	No. '000	No. '000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares (basic)	350,456	334,072
Effect of unvested performance rights	982	750
Weighted average number of ordinary shares (diluted)	351,438	334,822

Accounting policies

The IOOF Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for treasury shares held, for the effects of all dilutive potential ordinary shares, which comprise performance rights and share options granted to employees.

At 30 June 2019, there were no options outstanding (2018: nil).

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year.

Section 3 – Capital management and financing

This section outlines how the IOOF Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The IOOF Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal structure to reduce the cost of capital.

3-1 Capital management

In order to maintain or adjust the capital structure, the IOOF Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back its shares on market, issue new shares, sell assets, or otherwise adjust debt levels.

The IOOF Group monitors capital on the basis of investment capital, working capital and regulatory capital.

Investment capital is the IOOF Group's capital that is not required for regulatory and working capital requirements of the business. The investment capital is invested in:

- bank deposits and debt note;
- subsidiaries;
- available-for-sale assets;
- unit trusts, as investments; and
- IOOF Group operated unit trusts, as seed capital.

The investment capital is available to support the organic development of new businesses and products and to respond to investment and growth opportunities such as acquisitions, as they arise. Seed capital is primarily available to support the business in establishing new products and is also used to support capital adequacy requirements of the benefit funds.

Working capital is the capital that is required to meet the day to day operations of the business.

Regulatory capital is the capital which the IOOF Group is required to hold as determined by legislative and regulatory requirements in respect of its friendly society and financial services licensed operations. During the year, the IOOF Group has complied with all externally imposed capital requirements to which it is subject.

The Board of each operational subsidiary manages its own capital required to support planned business growth and meet regulatory requirements. Australian Prudential Regulation Authority (APRA) regulated subsidiaries have their own capital management plan which specifically addresses the regulatory requirements of that entity and sets a target surplus over minimum regulatory requirements. Regular monitoring of regulatory requirements ensures sufficient capital is available and appropriate planning is made to retain target surpluses. IOOF Holdings Ltd is primarily the provider of equity capital to its subsidiaries. Such investment is funded by IOOF Holding Ltd's own investment capital, through capital issues, profit retention and, in some instances, by debt.

Subsidiary capital generated in excess of planned requirements is returned to IOOF Holdings Ltd, usually by way of dividends.

A standby facility is in place as a safeguard against a temporary need for funds and to provide a short term funding facility that allows the business to take advantage of acquisition opportunities as they arise. The weighted average cost of capital is regularly monitored. Funding decisions take into consideration the cost of debt versus the cost of equity with emphasis on the outcome that is best for shareholder interests.

The IOOF Group's capital risk management strategy was not changed during the year.

Further information in relation to capital adequacy requirements imposed by the Life Insurance Act is provided in section 5-4 Capital adequacy position.

3-2 Borrowings

This note provides information about the contractual terms of the IOOF Group's interest-bearing borrowings, which are measured at amortised cost.

For more information about the IOOF Group's exposure to interest rate and liquidity risk, see section 1-1 Risk management.

During the period, IOOF Group executed a syndicated facility agreement (SFA) with lenders (effective 27 September 2018 (SFA effective date)), with an initial drawdown made on 2 October 2018. The SFA consists of the following facilities:

- $300m revolving cash advance facility with a 3 year repayment term from the SFA effective date.
- $450m revolving cash advance facility with a 5 year repayment term from the SFA effective date.
- Multi-option facility with a 3 year repayment term from the SFA effective date, including a $20m revolving cash advance facility (interest-bearing borrowing) and a guarantee facility.

The current interest-bearing borrowings have a debt duration profile of approximately 3.4 years (calculated on a facility limit basis). Proceeds from SFA borrowings were applied towards the subscription of a debt note with a face value of $800m from ANZ, which reflects substantial economic completion of the ANZ P&I business.

Notes to the financial statements

For the year ended 30 June 2019

(a) Cash advance & working capital facility

The unsecured cash advance facilities and working capital facility is provided under an Australian dollar line of credit facility, to which unrestricted access was available at balance date as follows:

	2019	2018
	$'000	$'000
Total facilities	770,000	–
Used at 30 June	430,000	–
Unused at 30 June	**340,000**	**–**

The financial liability under the facility has a fair value equal to its carrying amount.

(b) Other facilities

In addition to the revolving cash advance facilities, the IOOF Group has contingent liability facilities and had a commercial loan held by one of its subsidiaries that was repaid in full during the period. The aggregate of the contingent liability facilities is $71.3m (2018: $40m) of which $67.8m was used at 30 June 2019 (30 June 2018: $38.9m).

	2019	2018
	$'000	$'000
Revolving Cash Advance Facility		
Opening balance 1 July 2018	–	206,908
Net borrowings drawn/(repaid)	430,000	(207,424)
Amortised capitalised establishment fees	(3,497)	516
Closing balance 30 June 2019	426,503	–
Other facilities		
Opening balance 1 July 2018	–	–
Acquisition through business combination	597	–
Net borrowings repaid	(597)	–
Closing balance 30 June 2019	–	–
Total	426,503	–

Accounting policies

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3-3 Share capital

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	2019	2018
	$'000	$'000
351,076,027 fully paid ordinary shares (2018: 351,076,027)	1,970,999	1,971,648
1,237,144 treasury shares (2018: 484,964)	(7,890)	(4,625)
	1,963,109	**1,967,023**

	2019		2018	
	No. '000	$'000	No. '000	$'000
Ordinary shares				
On issue at 1 July	351,076	1,971,648	300,134	1,438,601
Issue of shares	–	–	50,942	539,264
Transaction costs of issuing new shares	–	–	–	(5,917)
Transfer from employee equity-settled benefits reserve on exercise of performance rights	–	4,000	–	2,093
Treasury shares transferred to recipients during the year	–	(4,649)	–	(2,393)
On issue at 30 June	351,076	1,970,999	351,076	1,971,648
Treasury shares				
On issue at 1 July	(485)	(4,625)	(476)	(4,142)
Purchase of treasury shares	(1,240)	(7,914)	(287)	(2,876)
Treasury shares transferred to recipients during the year	488	4,649	278	2,393
On issue at 30 June	(1,237)	(7,890)	(485)	(4,625)
	349,839	**1,963,109**	**350,591**	**1,967,023**

Accounting policies

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and share options are shown in equity as a deduction, net of any tax effects.

Treasury shares

Shares in the Company which are purchased on-market by the IOOF Equity Plan Trust are classified as treasury shares and are deducted from share capital. Treasury shares are excluded from the weighted average number of ordinary shares used in the earnings per share calculations. The IOOF Equity Plan Trust is controlled by the IOOF Group and is therefore consolidated. Dividends received on treasury shares are eliminated on consolidation.

Notes to the financial statements

For the year ended 30 June 2019

3-4 Capital commitments and contingencies

The only capital commitments entered into by the IOOF Group are operating lease commitments disclosed below.

Operating lease commitments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

2019	< 1 year	1 to 5 years	Later than 5 years	Total
	$'000	$'000	$'000	$'000
Premises – continuing operations	8,786	43,896	29,068	81,750
Premises – discontinued operations	3,602	7,831	–	11,433
Total	12,388	51,727	29,068	93,183

2018	< 1 year	1 to 5 years	Later than 5 years	Total
	$'000	$'000	$'000	$'000
Premises	17,967	54,114	34,904	106,985

	2019	2018
	$'000	$'000
Guarantees and underwriting commitments		
Rental bond guarantees	10,773	12,256
ASX settlement bond guarantee	500	1,000
ASIC bond guarantees	40	20
Other guarantees	453	3,000
	11,767	16,276

On 10 April 2019, the Group announced that its subsidiary, Bridges Financial Services Group Pty Ltd, had entered into a strategic partnership with Bendigo and Adelaide Bank Ltd (Bendigo) to acquire Bendigo Financial Planning Ltd's (Bendigo FP) client book and servicing rights for cash consideration of $3 million, plus a further payment of $2 million on the first anniversary of completion, subject to maintaining an agreed ongoing service client retention rate. The transaction completed on 31 July 2019.

Final completion of the ANZ P&I Acquisition remains conditional on the receipt of notices from OnePath Custodians (OPC) and ANZ that each have no objection to the P&I Acquisition proceeding. IOOF continues to work co–operatively with OPC and ANZ to provide the information and resources necessary to facilitate those notices being given. From 5 July 2019, recent amendments to the Superannuation Industry (Supervision) Act 1993 (Cth) came into force, giving APRA an approval power in respect of the acquisition of controlling stakes in Registrable Superannuation Entity licensees (such as OPC). As such, receipt of such an approval from APRA is now also a condition to completion of the P&I Acquisition. IOOF is well advanced in preparation and submission of material to APRA for due consideration of the matter.

IOOF has agreed to purchase the P&I business for a cash consideration of A$975m, subject to a completion adjustment.

Two subsidiaries of the Group have contractual agreements with its planners to provide a put option "Buyer of Last Resort Facility" should a planner wish to sell their business and on the satisfaction of certain specific requirements. The terms and conditions provide that where the specific requirements have been met, a predetermined purchase price will be payable for the business as agreed by all parties over a predetermined period. Where certain terms and conditions have not been met, the predetermined purchase price will be discounted accordingly. As at 30 June 2019, the Group had received requests from planners which satisfied requirements to exercise its obligation. The resale value of such businesses purchased may differ from the cost to the Group. Where confirmation notices have been received, the Group has a fixed obligation to purchase the businesses at market value, the aggregate value of this fixed obligation is $3.00m (2018: $2.53m).

Contingent liabilities of the IOOF Group exist in relation to claims and/or possible claims 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 IOOF Group does not consider that the outcome of any other current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

3-5 Reserves

	2019	2018
	$'000	$'000
Equity investment revaluation reserve(i)	24,326	18,804
Business combinations reserve(ii)	(326)	(326)
Foreign currency translation reserve(iii)	30	44
Operating risk financial reserve(iv)	2,655	2,655
Share-based payments reserve(v)	(1,460)	(1,764)
	25,225	**19,413**

Nature and purpose of reserves

(i) Equity investment revaluation reserve comprises the cumulative net change in fair value of equity securities designated at FVOCI (2018: available-for-sale financial assets).

(ii) Business combinations reserve reflects historic acquisitions of non-controlling interests.

(iii) Foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of the Group's foreign operations.

(iv) The operating risk financial reserve is held for certain superannuation products that were previously held under AET and have been transferred to IIML as Superannuation Trustee in the current year. Other similar reserves exist within the IOOF Group, however these are generally held by the relevant funds.

(v) The equity-settled employee benefits reserve arises on the grant of performance rights and share options to executives and senior employees under the employee share plan. Amounts are transferred out of the reserve and into issued capital when the shares are transferred to employees.

Notes to the financial statements

For the year ended 30 June 2019

Section 4 – Operating assets and liabilities

This section shows the assets used to generate the IOOF Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 3.

4-1 Associates

Associates are those entities over which the IOOF Group has significant influence, but not control, over the financial and operating policies.

The IOOF Group has interests in a number of associates. For one of these associates, Perennial Value Management Limited, the IOOF Group owns 52.4% (2018: 52.4%) of the equity interests but has 42.4% of the voting rights and dividend entitlements. The IOOF Group has determined that it does not have control but has significant influence because it has representation on the board of the investee. In addition, the IOOF Group owns 56.7% (2018: 43.1%) of the equity interests of Thornton Group (SA) Pty Ltd. The Group has determined that it does not have control of this investee as it has no representation on the Board and does not have power over the investee to direct its operations.

The table below discloses material associates individually:

Associate	Country of incorporation	Ownership interest		Carrying value	IOOF Group's share of profit/(loss)
		2019	2018		
		%	%	$'000	$'000
Perennial Value Management Ltd	Australia	52.4	52.4	6,800	956
Thornton Group (SA) Pty Ltd	Australia	56.7	43.1	6,129	127
Grow Super	Australia	12.1	7.1	4,155	(298)
Other associates				4,425	201
				21,509	986

Associates had a carrying value of $24,002,000 and share of profit of $2,524,000 in 2018. All significant associates have a 30 June financial year end.

The following table summarises the financial information of the IOOF Group's material associate, Perennial Value Management Limited, as included in its own financial statements. All fair values and accounting policies are consistent with those of the IOOF Group.

	2019	2018
	$'000	$'000
Beneficial ownership interest	42.4%	42.4%
Current assets	19,477	17,222
Non-current assets	8,219	7,422
Current liabilities	(7,050)	(6,967)
Non-current liabilities	(361)	(408)
Net assets (100%)	20,285	17,269
IOOF Group's share of net assets (42.4%)	8,591	7,313
IOOF Group's share of movements in equity and other reserves (42.4%)	(1,791)	(1,490)
Goodwill	–	4,451
Carrying value of interest in associate	6,800	10,274
Revenue (100%)	24,787	26,202
Profit and total comprehensive income (100%)	2,258	4,278
Total profit and total comprehensive income (42.4%)	956	1,811
Dividends received by the IOOF Group	–	1,270

None of the IOOF Group's equity-accounted investees are publicly listed entities and consequently do not have published price quotations.

Dividends received from associates

During the year, the IOOF Group has received dividends of $358,000 (2018: $1,753,000) from its associates.

Accounting policies

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes any transaction costs. Subsequent to initial recognition, the consolidated financial statements include the IOOF Group's share of the profit or loss and other comprehensive income of the associates, until the date on which significant influence ceases.

4-2 Intangible assets (other than goodwill)

	2019	2018
	$'000	$'000
Cost	652,248	677,147
Accumulated amortisation	(287,541)	(268,837)
	364,707	408,310

	IT development	Computer software	Customer relationships	Brand names	Other intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying value at 1 July 2018	1,284	4,267	331,936	66,945	3,878	408,310
Acquisition through business combination	–	–	1,382	–	–	1,382
Additions	1,654	1	33	–	3,070	4,758
Divestments	–	(9)	(260)	–	–	(269)
Amortisation expense – continuing operations	(715)	(915)	(34,534)	(801)	(1,401)	(38,366)
Amortisation expense – discontinued operations	–	(38)	(1,515)	–	–	(1,553)
Reclassification to held for sale	–	(24)	(2,758)	(6,773)	–	(9,555)
Carrying value at 30 June 2019	**2,223**	**3,282**	**294,284**	**59,371**	**5,547**	**364,707**

Accounting policies

Intangible assets are non-physical assets used by the IOOF Group to generate revenues and profits. These assets include brand names, software, customer and adviser relationships and contractual arrangements. The cost of these assets is the amount that the IOOF Group has paid or, where there has been a business combination, the fair value of the specific intangible assets that could be sold separately or which arise from legal rights.

The value of intangible assets, with the exception of goodwill and brand names with indefinite useful lives, reduces over the number of years the IOOF Group expects to use the asset, the useful economic life, via an annual amortisation charge to profit and loss. The values and useful lives ascribed are reflective of arms-length transactions and independent expert advice thereon. Where there has been a technological change or decline in business performance the Directors review the value of assets to ensure they have not fallen below their carrying value. Should an asset's value fall below its carrying value an additional one-off impairment charge is made against profit.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on brands, is recognised in profit or loss as incurred.

Notes to the financial statements

For the year ended 30 June 2019

Amortisation

Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Indefinite life assets are not amortised but are tested for impairment at each reporting date. The estimated useful lives for the current and comparative years are as follows:

- brand names 20 years
- computer software 2.5 – 10 years
- customer relationships 10 – 20 years
- IT development 3 – 5 years
- other 5 – 10 years
- contract agreements 9 – 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment testing for cash-generating units containing indefinite life intangible assets

For the purposes of impairment testing, indefinite life intangibles are allocated to the IOOF Group's operating divisions, or CGUs, which represent the lowest level within the IOOF Group at which intangible assets are monitored for internal management purposes.

Each CGU is not higher than the IOOF Group's operating segments as reported in Note 2-1 Operating segments.

Indefinite life intangible assets

The indefinite life intangible assets relate to brand names. The below table excludes $7.9m of intangibles which have a finite life. The aggregate carrying amounts of indefinite-life intangible assets allocated to each CGU are as follows:

	2019	2018
	$'000	$'000
Shadforth	51,000	51,000
Ord Minnett group – reclassified to held for sale	–	6,773
Lonsdale	500	500
	51,500	**58,273**

In designating brand names as indefinite life, consideration was given to the length of time the brand names have been in existence and it was determined that there is no foreseeable limit to the years over which the brand names are expected to generate net cash inflows for the IOOF Group.

The recoverable amount for the brand names have been determined based on a royalty savings method of calculating value in use. The calculation incorporates estimated costs of brand maintenance. The discount rate of 13.3% (2018: 12.7%) used reflects the IOOF Group's pre-tax nominal weighted average cost of capital (WACC). Management's assessment of indefinite life intangible value-in-use exceeds the value of the intangible asset allocated to the CGU, therefore any reasonably possible changes to assumptions used in management's assessment is not expected to result in impairment.

4-3 Goodwill

	2019	2018
	$'000	$'000
Cost	1,030,321	1,024,166
Accumulated impairment	(93,430)	(83,940)
Net carrying value of goodwill	**936,891**	**940,226**
Carrying value at 1 July	940,226	954,867
Acquisition through business combination	6,155	13,698
Impairment of goodwill	(9,490)	(28,339)
Carrying value at 30 June	**936,891**	**940,226**

Impairment of $9.5m has been recognised in 2019 in relation to goodwill allocated to Perennial Investment Partners Limited (2018: impairment of $28.3m in relation to goodwill allocated to Perennial Investment Partners Limited). Reduced profitability from lower revenue led to its expected fair value less costs to sell declining to below the carrying value of the aggregate goodwill and investment balances.

Accounting policies

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. Its cost is the amount the IOOF Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. The value of goodwill is an 'intangible' value that comes from, for example, a uniquely strong market position and the outstanding productivity of its employees. The goodwill recognised by the IOOF Group has all arisen as a result of business combinations.

For the measurement of goodwill at initial recognition, see section 7-3(b)(i) Business combinations.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the IOOF Group's cash-generating units (CGUs). These represent the lowest level within the IOOF Group at which the goodwill is monitored for internal management purposes. Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from continuing use of other assets or groups of assets (the CGU).

These CGUs are not higher than the IOOF Group's operating segments as reported in 2-1 Operating segments.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

			Value in Use element		
	2019	2018	Cash inflows yrs 1-5	Cash outflows yrs 1-5	Cash flows – perpetuity
	$'000	$'000			
Shadforth	431,191	431,191	B	E	2.0% growth from yr 5
Portfolio and estate administration	347,509	347,509	B	E	2.0% growth from yr 5
Perennial	–	9,490	C	E	2.0% growth from yr 5
DKN	80,339	80,339	B	E	2.0% growth from yr 5
Multi manager	39,735	39,735	B	E	2.0% growth from yr 5
IOOF Ltd	11,970	11,970	D	D	2.0% growth from yr 5
Consultum	4,344	4,344	A	E	2.0% growth from yr 5
Bridges	1,950	1,950	B	E	2.0% growth from yr 5
Australian Executor Trustees	19,773	13,698	F	F	2.0% growth from yr 5
Ex-ANZ ADGs	80	–	F	F	2.0% growth from yr 5
	936,891	940,226			

A Reserve Bank of Australia forecast GDP growth rate[1]

B Blended rate of the 2020 budgeted rates by asset class and business unit

C Forecast for Perennial Value Management Limited

D Observed Australian friendly societies annual compounding growth for March 2014 to March 2019[2]

E Blended rate of the underlying Australian forecast inflation levels and the applicable Reserve Bank of Australia GDP growth rate[1]

F Arose from a recently concluded, arms-length transaction which provides a reasonable estimate of fair value

1 source – RBA Statement of Monetary Policy

2 source – ABS 5655.0 Managed Funds Australia

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For the year ended 30 June 2019

The recoverable amounts for goodwill allocated to all CGUs have been determined based on value-in-use calculations using 2019 actual balances to forecast 2020 and beyond cash flows.

The growth rates applied do not exceed the long-term average growth rate for businesses in which each CGU operates. The pre-tax discount rate of 13.3% (2018: 12.7%) used reflects the IOOF Group's pre-tax nominal weighted average cost of capital (WACC). Management's assessment of goodwill's value-in-use exceeds the value of goodwill allocated to these CGUs. Any reasonably possible changes to assumptions used in management's assessment is not expected to result in impairment.

Management has applied a post tax WACC increment of 3.5% for Consultum (2018: 3.5%) to reflect a specific company risk premium. In prior year, a post tax WACC increment of 2.5% was also applied for Perennial. These incremental amounts are judgement based and consistent with accepted valuation industry practice.

Sensitivity analysis

At 30 June 2019, if pre-tax discount rates had increased by 4%, and terminal value growth rates had decreased from 2% to 0%, no further impairment would have been identified in connection with goodwill allocated to any cash generating unit.

4-4 Provisions

	2019	2018
	$'000	$'000
Onerous contracts	–	985
Employee entitlements	59,312	67,487
Ex-ANZ ADG remediation provision	168,810	–
IOOF ADG remediation provision	223,165	–
Other	2,045	47,863
	453,332	116,335

	Onerous contracts	Employee entitlements	Ex-ANZ ADG remediation provision	IOOF ADG remediation provision	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	985	67,487	–	–	47,863	116,335
Acquisition through business combination[1]	–	3,640	168,100	–	12	171,752
Provisions made during the year	–	48,198	15,220	223,165	1,950	288,533
Provisions utilised during the year[2]	(985)	(40,049)	(14,510)	–	(47,755)	(103,299)
Derecognised on disposal of subsidiary or reclassification to held for sale	–	(19,964)	–	–	(25)	(19,989)
Balance at 30 June 2019	–	59,312	168,810	223,165	2,045	453,332

1 Provisions totalling $168.1m have been recognised in respect of the ANZ ADGs acquired on 1 October 2018. These provisions relate to customer remediation during the period that the relevant entities were owned by ANZ. The sale agreement indemnified the acquired entities in relation to customer remediation and accordingly, a corresponding receivable from ANZ has been recognised.

2 Other includes $44.3m settlements with the representative plaintiffs in the Provident Proceedings.

Accounting policies

A provision is recognised if, as a result of a past event, the IOOF Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Client remediation provision

ASIC, as part of its Wealth Management Project, has conducted investigations into financial advice fees paid pursuant to ongoing service arrangements, focused on major Wealth Management institutions with financial advice arms. IOOF has a significant number of self-employed and salaried financial advisers and, having noted the ongoing impact of the investigation on clients, has voluntarily undertaken its own review. The review seeks to determine whether fee paying clients under its licenses were: a) provided with agreed services and/or advice; b) supported with documentation evidencing appropriate provision of service and/or advice; and c) received advice appropriate to their circumstances.

IOOF engaged an expert consultant to design the review methodology and estimate financial compensation impact for this matter, in line with observed industry practise to date. IOOF has used sampling of cohorts of financial advisers, based on key risk indicators, to establish possible incidents of inappropriate advice or instances of fees for no service (or no evidence of service). The results of that sampling have been extrapolated across the financial adviser cohorts in accordance with observed likelihood of occurrence within that cohort. Where client compensation is probable and able to be reliably estimated, provisions have been taken. Compensation costs include return of service fees, estimated client loss for inappropriate advice, interest for time value of money at ASIC's directed rate of RBA cash rate + 6% and committed costs to resource the compensation program.

As of 30 June 2019, the Group has recognised provisions of $391,975,000 (2018: nil) in respect of client remediation and related costs. Of this amount, $168,810,000 is indemnified by the ANZ Banking Group and an offsetting receivable has also been recognised. There is no material cash flow impact arising from that component of the provision. Determining the amount of the provision, which represents management's best estimate of the costs of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted clients, the average refund per client, and associated remediation costs. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence, and adjustments are made to the provisions where appropriate.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the IOOF Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is valued as the estimated present value of future lease payments net of anticipated recoveries from third parties, that the IOOF Group is presently obligated to make under non-cancellable operating lease contracts. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. Provisions relate to onerous lease contracts. The unexpired term of these leases is less than 1 year.

Employee entitlements

The provision for employee benefits includes provisions for remuneration in the form of incentive plans and expected leave benefits that employees have earned in return for their service in the current and prior years plus related on-costs.

A provision for employee benefits in the form of an incentive plan is recognised 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.

A provision for restructuring is recognised when the IOOF Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

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.

Other provisions

Other provisions have been made for the present value of the Directors' best estimates of legal settlements. 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 certain other litigation.

Notes to the financial statements

For the year ended 30 June 2019

Section 5 – Statutory funds

A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the Life Insurance Act 1995. Balances below are disclosed inclusive of amounts collected/receivable from or paid/payable to IOOF Group entities. Details of the assets and liabilities of the statutory funds are included in Section 1. Statutory funds are not available to shareholders.

5-1 Statutory fund contribution to profit or loss, net of tax

	Statutory	
	2019	2018
	$'000	$'000
Statutory fund revenue		
Interest income	1,006	794
Dividends and distributions received	47,170	58,035
Net fair value gains on other financial assets designated as fair value through profit or loss	5,183	13,488
Investment contracts with DPF:		
Contributions received – investment contracts with DPF	2,104	5,701
DPF policyholder liability decrease	37,945	26,841
Non – DPF policyholder liability (increase)	(33,447)	(45,192)
Other fee revenue	2,308	2,131
	62,269	61,798
Statutory fund expenses		
Service and marketing fees expense	9,917	10,533
Direct operating expenses	5	5
Investment contracts with DPF:		
Benefits and withdrawals paid	42,032	33,732
Termination bonuses	33	58
Interest	123	73
	52,110	44,401
Income tax	10,159	17,397
Statutory fund contribution to profit or loss, net of tax	–	–

Accounting policies

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 profit or loss.

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 profit or loss 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.

Insurance contract liabilities and claims expense

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.

5-2 Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and capital adequacy reserves is 30 June 2019. The actuarial report for IOOF Ltd was prepared by Mr Andrew Mead, FIAA, and was dated 23 August 2019. The actuarial report indicates that Mr Mead is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

Actuarial Methods

Policy liabilities have been calculated in accordance with relevant actuarial guidance issued by the Australian Prudential Regulation Authority 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

All mortality and morbidity risk is fully reinsured and the gross risk to the IOOF 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. Increases in mortality and morbidity assumptions will result in an increase in gross policy liabilities for IOOF Group, however as the mortality and morbidity risk is fully reinsured any change in these assumptions would be consistent with the reinsurer's assumptions and the net change in policy liabilities would be nil.

5-3 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 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.

Notes to the financial statements

For the year ended 30 June 2019

5-4 Capital adequacy position

Capital adequacy reserves are required to meet the prudential standards determined in accordance with Prudential Standard LPS 110 *Capital Adequacy* issued by the Australian Prudential Regulation Authority under paragraph 230A(1)(a) of the Life Insurance Act 1995. Capital adequacy 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 prescribed capital amount.

	Statutory	
	2019	2018
	$'000	$'000
(a) Capital Base	16,027	16,749
(b) Prescribed capital amount	7,241	7,534
Capital in excess of prescribed capital amount = (a) – (b)	8,786	9,215
Capital adequacy multiple (%) (a) / (b)	**221%**	**222%**
Capital Base comprises:		
Net Assets	16,027	16,749
Regulatory adjustment applied in calculation of Tier 1 capital	–	–
(A) Common Equity Tier 1 Capital	16,027	16,749
(B) Total Additional Tier 1 Capital	–	–
Tier 2 Capital	–	–
Regulatory adjustment applied in calculation of Tier 2 capital	–	–
(C) Total Tier 2 Capital	–	–
Total capital base	16,027	16,749

For detailed capital adequacy information on a statutory fund basis, users of this annual financial report should refer to the financial statements prepared by the friendly society.

Section 6 – Other disclosures

6-1 Parent entity financials

As at and throughout the financial year ended 30 June 2019, the parent entity of the IOOF Group was IOOF Holdings Ltd.

	2019	2018
	$'000	$'000
Result of the parent entity		
Profit for the year	165,610	189,175
Total comprehensive income for the year	165,610	189,175
Financial position of parent entity at year end		
Current assets	8,227	428,765
Total assets	2,410,131	2,017,841
Current liabilities	8,558	24,244
Total liabilities	435,061	24,245
Total equity of the parent entity comprising of:		
Share capital	1,970,999	1,971,648
Share-based payments reserve	2,777	2,473
Retained earnings	1,294	19,475
Total equity	1,975,070	1,993,596

Parent entity contingent liabilities

There are currently no complaints or claims made against the parent entity.

	2019	2018
	$'000	$'000
Guarantees and underwriting commitments		
Rental bond guarantees	3,997	3,406

Notes to the financial statements

For the year ended 30 June 2019

6-2 Share-based payments

The IOOF Group operates a number of employee share and option schemes operated by the IOOF Equity Plan Trust (the "Trust"). The employee share option plans were approved by the Board of Directors.

IOOF Executive and Employee Share Option Plan

The IOOF Group has an ownership-based compensation scheme for executives and senior employees.

Selected employees may be granted options which entitle them to purchase ordinary fully paid shares in the Company at a price fixed at the time the options are granted. Voting and dividend rights will be attached to the unissued ordinary shares when the options have been exercised. Options may be exercised at any time from the date of vesting to the date of their expiry.

Options granted under the plan carry no dividend or voting rights. All plans are equity-settled. There were no options granted in 2019 (2018: nil).

IOOF Executive Performance Rights Plan

The IOOF Executive Performance Rights Plan is the vehicle used to deliver equity based incentives to executives and senior employees of the IOOF Group.

Each employee receives ordinary shares of the Company on vesting of the performance rights. No amounts are paid or payable by the recipient on receipt of the performance rights or on vesting. The performance rights carry neither rights to dividends nor voting rights prior to vesting.

Performance rights granted under the plan carry no dividend or voting rights. All plans are equity-settled.

Deferred Share Plan

A Short Term Incentive (STI) mandatory deferral program exists with equity deferral relating to Executive STIs awarded from 2018 onwards. On vesting of performance rights, ordinary shares are transferred to the employee's name or held in trust. The employee receives all dividends on the ordinary shares while held in trust.

	Performance Rights	Deferred Shares	Total
	Number of rights	Number of shares	Number of rights & shares
	No.	No.	No.
Opening balance at 1 July 2018	652,958	316,768	969,726
Forfeited or lapsed during the year	(408,285)	–	(408,285)
Exercised during the year	(296,249)	–	(296,249)
Granted during the year	890,495	42,020	932,515
Outstanding at 30 June 2019	838,919	358,788	1,197,707
Exercisable at 30 June 2019	–	–	–

Disclosure of share-based payment plans

Series – Recipient	Exercise price	Opening balance 1 July 2018	Granted	Forfeited or lapsed	Exercised	Closing balance 30 June 2019
Performance rights						
2016-01 Executives	$nil	30,000	–	–	(30,000)	–
2017-01 Executives	$nil	150,000	–	–	–	150,000
2017-02 Managing Director	$nil	120,000	–	(120,000)	–	–
2017-03 Executives	$nil	30,000	–	–	–	30,000
2017-04 Other Key Stakeholders	$nil	29,567	–	–	–	29,567
2018-01 Executives	$nil	155,000	–	–	–	155,000
2018-02 Managing Director	$nil	122,500	–	(122,500)	–	–
2018-04 Other Key Stakeholders	$nil	15,891	–	–	–	15,891
2018-07 Other Key Stakeholders	$nil	–	224,229	–	(224,229)	–
2019-01 Executives	$nil	–	294,000	(15,000)	–	279,000
2019-02 Other Key Stakeholders[1]	$nil	–	42,020	–	(42,020)	–
2019-03 Managing Director	$nil	–	140,785	(140,785)	–	–
2019-04 Other Key Stakeholders	$nil	–	46,961	–	–	46,961
2019-05 Other Key Stakeholders	$nil	–	142,500	(10,000)	–	132,500
		652,958	890,495	(408,285)	(296,249)	838,919
Deferred shares						
2017-05 Managing Director	$nil	35,420	–	–	–	35,420
2018-03 Other Key Stakeholders	$nil	89,777	–	–	–	89,777
2018-05 Managing Director	$nil	36,632	–	–	–	36,632
2018-06 Executives	$nil	154,939	–	–	–	154,939
2019-02 Other Key Stakeholders	$nil	–	42,020	–	–	42,020
		316,768	42,020	–	–	358,788
		969,726	**932,515**	**(408,285)**	**(296,249)**	**1,197,707**

1 Shares are held in trust for 18 months and may be forfeited in the event of compliance breaches.

There are no options outstanding at 30 June 2019.

Inputs for measurement of grant date fair values granted during the financial year

The grant date fair value of share-based payment plans granted during the year were measured based on a binomial options pricing model for non-market performance conditions and a monte carlo simulation model for market performance conditions. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Series	Fair value	Grant date share price	Expected volatility	Expected life (years)	Dividend yield	Risk-free interest rate
2018-07 Other Key Stakeholders	$8.04	$8.15	n/a	n/a	n/a	n/a
2019-01 Executives	$4.93	$8.00	24%	3	6.8%	2.2%
2019-02 Other Key Stakeholders	$7.58	$7.84	24%	1	6.9%	2.1%
2019-03 Managing Director	$2.04	$6.80	23%	3	7.9%	2.1%
2019-04 Other Key Stakeholders	$3.54	$4.73	37%	3	11.4%	2.0%
2019-05 Other Key Stakeholders	$4.93	$8.00	24%	3	6.8%	2.2%

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The following share-based payment arrangements were in existence during the current and comparative reporting years:

Performance Rights Series – Recipient	Exercise price	Earliest vesting date	Last tranche vesting date	Performance related vesting conditions
2019-05 Other Key Stakeholders	nil	30-Jun-21	n/a	TSR
2019-04 Other Key Stakeholders	nil	30-Jun-21	n/a	n/a
2019-03 Managing Director	nil	n/a	n/a	Lapsed
2019-02 Other Key Stakeholders[1]	nil	24-Apr-19	n/a	n/a
2019-01 Executives	nil	30-Jun-21	n/a	TSR
2018-07 Other Key Stakeholders	nil	20-Sep-18	20-Sep-18	n/a
2018-04 Other Key Stakeholders	nil	30-Jun-20	n/a	n/a
2018-03 Other Key Stakeholders	nil	19-Apr-18	19-Apr-18	n/a
2018-02 Managing Director	nil	n/a	n/a	Lapsed
2018-01 Executives	nil	30-Jun-20	n/a	TSR
2017-04 Other Key Stakeholders	nil	30-Jun-19	30-Jun-19	n/a
2017-03 Executives	nil	31-Dec-19	n/a	TSR
2017-02 Managing Director	nil	n/a	n/a	Lapsed
2017-01 Executives	nil	30-Jun-19	30-Jun-19	TSR
2016-02 Managing Director	nil	30-Jun-18	30-Jun-18	TSR & RoE
2016-01 Executives	nil	30-Jun-18	30-Jun-18	TSR

1 Shares are held in trust for 18 months and may be forfeited in the event of compliance breaches.

The breakdown of share-based payments expense for the year by recipient is as follows. This represents the expense recorded to date and does not reflect the opportunity to transfer to retained profits the value of those legacy series that will lapse.

Recipient	2019	2018
	$'000	$'000
Former Managing Director	(204)	893
Executives	2,548	833
Other Key Stakeholders	2,484	1,002
	4,828	2,728
Attributable to discontinued operations	(31)	–
	4,797	2,728

Accounting policies

The grant date fair value of share-based payment awards granted to employees is recognised as a share-based payment expense, with a corresponding increase in the share-based payments reserve, over the years that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value at grant date is independently determined where considered appropriate. The option pricing model used 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.

Shares held by the Trust will contribute to the employee allocation of shares on satisfaction of vesting performance hurdles. The IOOF Group has no right to recall placed shares. However, a subsidiary company acts as the Trustee of the Trust, and can direct the voting rights of shares held.

Shares in the Company held by the Trust are classified and disclosed as treasury shares, and deducted from share capital. Dividends received by the Trust are recorded as dividend income in the financial statements of the Trust and are eliminated on consolidation.

6-3 IOOF Group subsidiaries

Set out below is a list of material subsidiaries of the IOOF Group.

	Country of incorporation	Ownership interest	
		2019	2018
		%	%
Parent entity			
IOOF Holdings Ltd	Australia		
Material subsidiaries			
AET Corporate Trust Pty Limited	Australia	–	100.0
Australian Executor Trustees Limited	Australia	100.0	100.0
Bridges Financial Services Pty Limited	Australia	100.0	100.0
Consultum Financial Advisers Pty Ltd	Australia	100.0	100.0
Executive Wealth Management Financial Services Pty Limited	Australia	100.0	100.0
IOOF Investment Management Limited	Australia	100.0	100.0
IOOF Ltd	Australia	100.0	100.0
IOOF Equity Plan Trust	Australia	100.0	100.0
IOOF NZ Ltd	New Zealand	100.0	100.0
IOOF Service Co Pty Ltd	Australia	100.0	100.0
IOOF Investment Services Ltd	Australia	100.0	100.0
Lonsdale Financial Group Limited	Australia	100.0	100.0
SFG Australia Limited	Australia	100.0	100.0
Financial Acuity Limited	Australia	100.0	100.0
Shadforth Financial Group Limited	Australia	100.0	100.0
Actuate Alliance Services Pty Ltd	Australia	100.0	100.0
Financial Investment Network Group Pty Limited	Australia	100.0	–
RI Advice Group Pty Ltd	Australia	100.0	–
FSP Group Pty Limited	Australia	100.0	–
Millennium 3 Financial Services Group Pty Ltd	Australia	100.0	–
Millennium 3 Financial Services Pty Ltd	Australia	100.0	–
Millennium3 Professional Services Pty Ltd	Australia	100.0	–
Financial Lifestyle Solutions Pty Limited	Australia	100.0	–
Financial Services Partners Management Trust	Australia	100.0	–
Ord Minnett Limited	Australia	70.0	70.0
Ord Minnett Financial Planning Pty Limited	Australia	70.0	70.0
Ord Minnett Management Limited	Australia	70.0	70.0

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For the year ended 30 June 2019

Unconsolidated structured entities

The IOOF Group has interests in various structured entities that are not consolidated. An 'interest' in an unconsolidated structured entity is any form of contractual or non-contractual involvement which exposes the IOOF Group to variability of returns from the performance of that entity. Such interests include holdings of equity securities and seed capital. The seed capital is primarily available to support the business in establishing new products and is also used to support capital adequacy requirements of the benefit funds.

The IOOF Group has investments in managed investment funds through its asset management subsidiaries. Control of these managed investment funds may exist since the IOOF Group has power over the activities of the fund. However, these funds have not been consolidated because the IOOF Group is not exposed to significant variability in returns from the funds. The IOOF Group earns management fees from the management of these investment funds which are commensurate with the services provided and are reported in external management and service fees revenue in note 2-2. Management fees are generally based on the value of the assets under management. Therefore, the fees earned are impacted by the composition of the assets under management and fluctuations in financial markets.

Investment funds are investment vehicles that consist of a pool of funds collected from several investors for the purpose of investing in securities such as money market instruments, debt securities, equity securities and other similar assets. For all investment funds, the IOOF Group's maximum exposure to loss is equivalent to the carrying amount of the investment in the fund.

6-4 Acquisition of subsidiary

On 1 October 2018, the ADGs formerly owned by ANZ joined the IOOF Group following the completion of a share sale agreement between IOOF and ANZ. The ADGs provide services to clients including strategic financial advice and risk insurance solutions.

The IOOF Group acquired all of the ordinary shares in the parent entity of the ADGs for a total cash consideration of $25.1m.

In the period from acquisition to 30 June 2019, the ADGs contributed revenue of $158.8m and a loss of $16.1m to the IOOF Group's UNPAT results. This excludes integration preparation costs of $20.8m in relation to the acquisition of the ADGs and scheduled acquisition of the ANZ P&I business.

If the acquisition had occurred on 1 July 2018, management estimates that the consolidated revenue from continuing operations for the Group would have been $1,116.2m and consolidated loss from continuing operations for the year would have been $47.2m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2018.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	$'000
Consideration transferred	
Cash	23,000
Deferred consideration	2,128
Total consideration	25,128
Cash balances acquired	(24,240)
Consideration, net of cash acquired	888

The impact on cash flows for the Group for the year was an outflow of $0.9m.

Acquisition-related costs

The IOOF Group has incurred acquisition-related costs of $23.7m in the financial year, on acquisition advisory, integration preparation and finance costs in relation to the acquisition of the ADGs and scheduled acquisition of the ANZ P&I business. These costs have been included in the Other Expenses in note 2-4.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	$'000
Cash	24,240
Receivables	3,744
Prepayments	579
Investments accounted for using the equity method	368
Property and equipment	1,600
Deferred tax assets	1,033
Payables	(2,103)
Borrowings	(618)
Current tax liabilities	242
Provisions	(3,493)*
Non-controlling interest	(544)
Total identifiable net assets acquired	**25,048**

* $168.1m customer remediation provision acquired is wholly offset by the indemnity receivable under the sale agreement.

Goodwill and intangibles

Goodwill and intangibles have been recognised as a result of the acquisition as follows:

	$'000
Total consideration	25,128
Fair value of assets assumed	(25,048)
Goodwill and intangibles acquired	**80**

The goodwill is attributable mainly to the skills and technical talent of the ADGs' work force and the synergies expected to be achieved from integrating the ADGs into the IOOF Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

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For the year ended 30 June 2019

6-5 Remuneration of auditors

Auditors' remuneration paid or payable by members of the IOOF Group to the auditors of the corporate entities in relation to audit services of the corporate entities and products operated by the IOOF Group during the year and for the prior year:

	2019	2018
	$	$
Audit services		
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	3,147,729	2,721,222
Other regulatory audit services	1,016,270	1,010,007
	4,163,999	**3,731,229**
Other services		
Auditors of the Company		
KPMG Australia		
Taxation services	82,551	271,280
Due diligence services	567,189	122,488
Other services	29,040	417,427
	678,780	811,195
	4,842,779	**4,542,424**

All amounts payable to the Auditors of the Company were paid by an IOOF Group subsidiary.

6-6 Key management personnel

The key management personnel compensation comprised:

	2019	2018
	$	$
Short-term employee benefits	4,662,992	4,888,457
Post-employment benefits	200,385	179,289
Share-based payments	1,279,181	2,429,027
Termination benefits	1,268,129	–
	7,410,687	**7,496,773**

Key management personnel compensation reconciles to disclosures in the remuneration report as follows:

Executive key management personnel	6,406,756	4,102,746
Non-executive Directors	1,003,931	965,000
	7,410,687	**5,067,746**
Bonus deferred shares – at risk	–	2,429,027
Total	**7,410,687**	**7,496,773**

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

No Director has entered into a material contract with the IOOF Group since the end of the prior financial year and there were no material contracts involving directors' interests existing at year-end.

6-7 Related party transactions

(a) Ultimate parent entity

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

(b) Loans to Directors and executives of associates and subsidiaries

	Financial year	Opening balance 1 July	Closing balance 30 June	Interest paid/ payable during year	Highest balance during the year
		$	$	$	$
Interest free loans					
Perennial Value Management Limited	2019	2,286,717	1,944,381	–	2,286,717
	2018	2,286,717	2,286,717	–	2,286,717
Interest bearing loans					
Perennial Value Management Limited	2019	6,402,062	5,794,350	228,939	6,505,622
	2018	6,267,091	6,402,062	239,898	6,402,062

The amounts above were advanced by Perennial Investment Partners Pty Ltd and IOOF Investment Management Limited for the specific purpose of assisting executives to acquire an equity interest in subsidiaries and associates of the Company. Secured interest bearing loans totalling $5,794,350 were made on commercial terms and conditions and loans totalling $1,944,381 are unsecured interest free loans.

(c) Investment in related entities

Through one of its subsidiaries, the Group (excluding benefit funds) holds investments in managed investment schemes that meet the definition of related parties.

	2019	2018
	$	$
Investment in related party schemes	279,662	407,517

(d) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in section 6-6 to the financial statements and in the Remuneration Report.

ii. Loans to key management personnel

There are no loans between the IOOF Group and key management personnel.

iii. Other transactions with key management personnel of the IOOF Group

There were no other transactions with key management personnel of the IOOF Group during the 2019 and 2018 financial years.

Notes to the financial statements

For the year ended 30 June 2019

Section 7 – Basis of preparation

This section sets out the IOOF Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a single note, the policy is described in the note to which it relates. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2019 or later years. How these changes are expected to impact the financial position and performance of the IOOF Group is explained in this section.

7-1 Reporting entity

The Company is a public company listed on the Australian Stock Exchange (trading under the symbol 'IFL'), domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its controlled entities and the IOOF Group's interests in associates.

The IOOF Group is a for-profit entity and is primarily involved in the provision of wealth management services.

The Company's registered office and its principal place of business are Level 6, 161 Collins Street, Melbourne.

7-2 Basis of preparation

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The annual financial report was approved by the Board of Directors on 26 August 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value; and
- equity investments are fair value through other comprehensive income are measured at fair value.
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

The statement of financial position is presented in order of liquidity.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise stated.

(d) Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument amounts in the financial report are rounded off to the nearest thousand dollars, narrative disclosures are expressed in whole dollars or as otherwise indicated.

(e) Use of estimates and judgements

To conform with AASBs management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- section 1-1 – Contingent consideration;
- section 2-4 – (vi) Deferred acquisition costs;
- section 4-2 – Intangible assets (other than goodwill);
- section 4-3 – Goodwill; and
- section 6-2 – Share-based payments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 4-2 & 4-3 – key assumptions used in discounted cash flow projections; and
- note 3-4 & 4-4 – contingencies and provisions.

7-3 Other significant accounting policies

Significant accounting policies have been included in the relevant notes to which the policies relate. Other significant accounting policies are listed below.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Changes in accounting policies

A subsidiary of the Company, IOOF limited, is a friendly society in accordance with the Life Insurance Act 1995 (the 'Act'). The funds operated by IOOF Limited, and any trusts controlled by those Funds, are treated as statutory funds in accordance with the Act. These statutory funds continue to be consolidated in accordance with accounting standards. For the year ended 30 June 2019 and going forward, the assets, liabilities, income and expenses of these statutory funds have been included on a line by line basis in the financial statements. Where relevant, comparative primary financial statements and disclosures have been restated to ensure consistency in presentation of financial information across the applicable comparative periods. This change has been made as it provides information on a basis consistent with broader industry and does not give rise to a change in net profit or net assets of the Group.

The table below shows how the comparative balances of these statutory funds have been reclassified.

Notes to the financial statements

For the year ended 30 June 2019

Statement of Financial Position

	2018 previously reported	2018 adjustment	2018 revised
	$'000	$'000	$'000
Assets			
Cash	121,441	4,178	125,619
Certificates of deposit	407,443	–	407,443
Receivables	99,659	54,694	154,353
Other financial assets	55,087	970,464	1,025,551
Prepayments	17,307	–	17,307
Deferred acquisition costs	1,552	–	1,552
Associates	24,002	–	24,002
Property and equipment	19,339	–	19,339
Intangible assets	408,310	–	408,310
Goodwill	940,226	–	940,226
Assets relating to statutory funds	1,036,491	(1,036,491)	–
Total assets	3,130,857	(7,155)	3,123,702
Liabilities			
Payables	65,139	9,955	75,094
Other financial liabilities	392	1,014,881	1,015,273
Borrowings	25,615	(25,615)	–
Current tax liabilities	–	25,615	25,615
Provisions	116,335	–	116,335
Deferred tax liabilities	69,255	4,500	73,755
Deferred revenue liability	1,413	–	1,413
Lease incentives	3,530	–	3,530
Liabilities relating to statutory funds	1,036,491	(1,036,491)	–
Total liabilities	1,318,170	(7,155)	1,311,015
Net assets	**1,812,687**	**–**	**1,812,687**
Equity			
Share capital	1,967,023	–	1,967,023
Reserves	19,413	–	19,413
Accumulated losses	(184,169)	–	(184,169)
Total equity attributable to equity holders of the Company	1,802,267	–	1,802,267
Non-controlling interest	10,420	–	10,420
Total equity	**1,812,687**	**–**	**1,812,687**

The IOOF Group has consistently applied the accounting policies to all years presented in these consolidated financial statements, except as identified at note 7-4.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2019 and the results of all controlled subsidiaries for the year then ended. This includes the benefit funds of its subsidiary, IOOF Ltd, and any controlled trusts.

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 IOOF Group, are shown separately from shareholder funds in the notes to the financial statements.

Refer to Note 1-1 Assets and liabilities relating to statutory funds for information in relation to the different accounting treatment of investment contracts with discretionary participating features.

(i) Business combinations

The IOOF Group accounts for business combinations using the acquisition method when control is transferred. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquiree's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the IOOF Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the IOOF Group. The IOOF Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the IOOF Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) IOOF Equity Plan Trust (the "Trust")

The IOOF Group has formed a trust to administer the IOOF Group's employee share schemes. The Trust is consolidated, as the substance of the relationship is that the Trust is controlled by the IOOF Group. Shares held by the Trust are disclosed as treasury shares and are deducted from share capital.

(vi) Transactions eliminated on consolidation

Intra-IOOF Group balances and transactions, and any unrealised income and expenses arising from intra-IOOF Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the IOOF Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Dividends paid to the Trust are also eliminated.

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For the year ended 30 June 2019

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve.

(d) Property and equipment

(i) Recognition and measurement

Property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on divestment of an item of property and equipment is determined by comparing the proceeds from divestment with the carrying amount of the property and equipment and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Subsequent costs

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 IOOF Group. Repairs and maintenance costs are charged to profit or loss as they are incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the IOOF Group will obtain ownership by the end of the lease term.

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative year are as follows:

- office equipment 3-10 years
- leasehold improvements 3-10 years
- equipment under finance lease 3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

(e) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the IOOF Group on terms that the IOOF Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the IOOF Group, economic conditions that correlate with defaults or the disappearance of an active market of a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

Financial assets measured at amortised cost

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security, or the financial asset is more than 90 days past due. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to the credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Financial assets and liabilities at fair value through OCI

Impairment losses on equity investments at fair value through OCI are recognised by reclassifying the losses accumulated in the investment revaluation reserve to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent year, the fair value of an impaired debt investment at fair value through OCI increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired debt investment at fair value through OCI is recognised in other comprehensive income.

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the IOOF Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(f) Goods and service tax (GST)

Revenues, expenses and assets (excluding receivables) 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 or is recognised as part of the cost of acquisition of an asset.

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 Australian Taxation Office is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the Australian Taxation Office are presented as operating cash flows.

(g) Leases

Leases in terms of which the IOOF Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Other leases are operating leases and are not recognised on the IOOF Group's statement of financial position.

(h) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

7-4 Adoption of new and revised Standards

New and amended Standards that are effective for the current year

Impact of initial application of AASB 9 Financial Instruments

In the current year, the Group has applied AASB 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives. AASB 9 introduced the following new requirements:

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 July 2018. Accordingly, the Group has applied the requirements of AASB 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

The Group's equity investments were classified as available-for-sale financial assets under AASB 139 *Financial Instruments: Recognition and Measurement*. The investments have been reclassified as financial assets at fair value through Other Comprehensive Income under AASB 9 because they are held for long-term strategic purposes. The change in fair value on these equity instruments continues to be accumulated in the investments revaluation reserve.

(b) Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The adoption of AASB 9 has not had a significant impact on the recognition and measurement of the IOOF Group's financial instruments.

Impact of initial application of AASB 15 Revenue from Contracts with Customers

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2-3. The application of AASB 15 has not had a significant impact on the financial position and/or the net profit/loss of the Group.

The IOOF Group previously recognised investment manager fees and adviser payments as a reduction to management and service fees revenue. Upon adoption of AASB 15 these costs are now recognised in service and marketing fees expense. This change does not impact the IOOF Group's profit. If the Standard had been applied in the 2018 financial year, the Group's reported revenues and expenses would have been as follows:

	2018 previously reported	2018 AASB 15 adjustment	2018 revised
	$'000	$'000	$'000
Management and service fees revenue	708,894	98,200	807,094
External other fee revenue	26,841	(271)	26,570
Service and marketing fees expense	(219,731)	(97,929)	(317,660)
	516,004	–	516,004

The IOOF Group previously recognised insurance revenue when it was received. Upon adoption of AASB 15 revenue is now recorded upfront at the commencement of the policy. As the advisers of the IOOF Group have an obligation to review the suitability of the product's offered on an annual basis unless otherwise specified, this has an immaterial impact.

(i) Management and service fees revenue

The IOOF Group provides management services to unit trusts and funds operated by the IOOF Group at normal commercial rates. Management and service fees earned from the unit trusts and funds are calculated based on an agreed percentage of the respective funds under management or administration as disclosed in the respective product disclosure statements, and are recognised on an accruals basis. The IOOF Group recognises management and service fees revenue at the time the service is provided. There has been no significant change to this treatment under AASB 15.

(ii) Other revenue

Stockbroking revenue and external other fee revenue are also recognised at the time the service is provided. There has been no significant change to this treatment under AASB 15.

Notes to the financial statements

For the year ended 30 June 2019

New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

AASB 16	*Leases*
AASB 17	*Insurance Contracts*
Amendments to AASB 128	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to IFRS Standards 2015–2017 Cycle	*Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*
AASB 10 *Consolidated Financial Statements* and AASB 128 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRIC 23	*Uncertainty over Income Tax Treatments*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

AASB 16 Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

AASB 16 replaces existing leases guidance including AASB 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease.*

The Standard is effective for annual years beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of AASB 16.

The IOOF Group has prepared calculations of the initial impact of implementing the Standard in its consolidated financial statements. The most significant impact identified is that the IOOF Group will recognise new assets and liabilities for its property operating leases of $81.7m. The nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The IOOF Group will apply the standard using a modified retrospective approach and plans to adopt AASB 16 in the consolidated financial statements for the year ended 30 June 2020.

AASB 17 Insurance Contracts

AASB 17 replaces AASB 4 *Insurance Contracts* and similarly applies to insurance contracts. The classification of insurance contracts is similar to AASB 4 *Insurance Contracts* however unbundling rule changes may mean some contract components now need to be measured under AASB 17.

The new standard contains a lower level of aggregation/ smaller portfolios, changes to contract boundaries and valuation approaches, the application of Contractual Service Margins to policies valued under certain methodologies, changes in treatment to reinsurance and an ability to use Other Comprehensive Income for changes in asset values.

The IOOF Group is in the process of assessing the potential impact of its consolidated financial statements and the impact has not yet been determined. The IOOF Group plans to adopt AASB 17 in the consolidated financial statements for the year ended 30 June 2022.

7-5 Subsequent events

The Directors have declared the payment of a final dividend of 12.0 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 27 September 2019.

The Directors have declared the payment of a special 2020 dividend of 7.0 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 27 September 2019.

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 2019 that has significantly affected, or may significantly affect:

- the IOOF Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the IOOF Group's state of affairs in future financial years.

Shareholder information

Share Capital

IOOF has on issue 351,076,027 fully paid ordinary shares held by 56,006 holders as at 17 October 2019.

Voting Rights

IOOF's fully paid ordinary shares carry voting rights of one vote per share.

Twenty largest shareholders as at 17 October 2019

The following table sets out the top 20 registered holders of shares.

Rank	Holder Name	Balance at 17 Oct 2019	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	57,033,060	16.245%
2	CITICORP NOMINEES PTY LIMITED	40,439,913	11.519%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,874,529	7.655%
4	THE TRUST COMPANY (AUSTRALIA) LIMITED <MR BRUCE WILLIAM NEILL A/C>	24,414,295	6.954%
5	BNP PARIBAS NOMS PTY LTD <DRP>	10,905,369	3.106%
6	NATIONAL NOMINEES LIMITED	9,206,047	2.622%
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	8,993,554	2.562%
8	AIGLE ROYAL SUPERANNUATION PTY LTD <A POLI SUPER FUND A/C>	3,500,000	0.997%
9	MILTON CORPORATION LIMITED	2,575,014	0.733%
10	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,428,673	0.692%
11	SAM GANNON PTY LTD <THE J B GANNON FAMILY A/C>	2,265,506	0.645%
12	MRS SALLY KELAHER	1,928,518	0.549%
13	THANECORP AUSTRALIA PTY LTD <THANECORP INVESTMENT A/C>	1,759,942	0.501%
14	MR IAN GREGORY GRIFFITHS	1,750,419	0.499%
15	MR BRUCE WILLIAM NEILL	1,351,428	0.385%
16	WPQ HOLDINGS PTY LTD	1,133,098	0.323%
17	THANECORP AUSTRALIA PTY LTD <THANECORP INVESTMENT A/C>	1,000,000	0.285%
18	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	892,854	0.254%
19	IOOF INVESTMENT MANAGEMENT LIMITED <IOOF EXEC UNALLOCATED A/C>	862,255	0.246%
20	MR IAN GREGORY GRIFFITHS	855,377	0.244%
	Total Securities of Top 20 Holdings	200,169,851	57.016%
	Total of Securities	**351,076,027**	

Shareholder information

Distribution of members and their holdings

The following table summarises the distribution of our listed shares as at 17 October 2019.

Range	No of Holders	No of Units	% Issued Capital
1-1,000	32,757	12,721,224	3.620
1,001-5,000	18,865	44,587,215	12.700
5,001-10,000	3,388	24,339,578	6.930
10,001-100,000	1,873	40,788,134	11.620
100,001+	123	228,639,876	65.130
Totals	57,006	351,076,027	100.000

There were 2,060 shareholders holding less than a marketable parcel of shares based on a market price of $6.36 at the close of trading on 16 October 2019 and there were 20 per cent of shareholders with registered addresses outside Australia.

Substantial Shareholdings

Substantial shareholders as at 17 October 2019 are shown below, with the date of their last notice lodged in accordance with section 671B of the Corporations Act:

Name	Date of last notice	No of Ord Shares	% of Issued Share Capital as at date of last notice
Sumitomo Mitsui Trust Holdings, Inc (SMTH) and its Subsidiaries	9/8/19	31,036,357	8.84%
Legg Mason Asset Management Australia Limited	16/4/19	29,592,560	8.42%
Bruce Neill	21/11/17	24,414,295	6.954%

Share register and other enquiries

If you have any questions in relation to your shareholding, share transfers or dividends, please contact our share registry:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Phone: 1300 737 760 (Australia only)
Phone: + 612 9290 9600
Email: IOOF@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

Please include your shareholder reference number (SRN) or holder identification number (HIN) in all correspondence to the share registry.

Corporate directory

(as at 28 October 2019)

Directors

Mr Allan Griffiths
B.Bus, DipLi
Chairman

Mr Renato Mota
B.Com (Hons), B.Bus
CEO and Managing Director

Mr Andrew Bloore

Ms Elizabeth Flynn
LL.B, Grad Dip AppCorpGov, FAICD, FFin, FGIA, FCIS.

Ms Jane Harvey
B.Com, MBA, FCA, FAICD

Mr John Selak
Dip Acc, FCA, FAICD

Ms Michelle Somerville
B.Bus (Accounting), MApp Sc, FCA, GAICD

Mr George Venardos
(Leave of absence commenced 10 December 2018)
B.Com, FCA, FGIA, FAICD, FCIS

Company Secretary

Mr A Paul M Vine
LL.B, FGIA, FCIS, GAICD

Notice of Annual General Meeting

The Annual General Meeting of IOOF Holdings Ltd will be held at:

Sheraton Melbourne Hotel
27 Little Collins Street
Melbourne, Victoria 3000

Time 9.30am

Date 28 November 2019

A formal notice of meeting is available on our website and has been sent to shareholders

Principal registered office in Australia

Level 6, 161 Collins Street
Melbourne, VIC 3000

(03) 8614 4400

Share registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Auditor

KPMG
Tower Two, Collins Square, 727 Collins Street
Docklands VIC 3008

Solicitors

King & Wood Mallesons
Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Bankers

Commonwealth Bank Limited
Tower 1, 201 Sussex Street, Sydney NSW 2000

Securities exchange listing

IOOF Holdings Ltd shares are listed on the Australian Securities Exchange

(ASX: IFL)

Website address

www.ioof.com.au

CRA-7453 (51492) 1019