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

24 October 2016

2016 Annual General Meeting

Please find attached:

1. A sample copy of the notice of the Annual General Meeting of IOOF Holdings Limited to be held on 24 November 2016.
2. The 2016 Annual Report.

-ENDS-

Enquiries:

Paul Vine
Company Secretary
IOOF Holdings Limited
P: +61 3 8614 4525
E: paul.vine@ioof.com.au

Rachel Scully
Head of Corporate Affairs
IOOF Holdings Limited
P: +61 3 8614 4530
E: rachel.scully@ioof.com.au

About IOOF Holdings Limited

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

IOOF provides advisers and their clients with the following services:

- **Financial Advice and Distribution** services via our extensive network of financial advisers and stockbrokers;
- **Platform Management and Administration** for advisers, their clients and hundreds of employers in Australia;
- **Investment Management** products that are designed to suit any investor's needs; and
- **Trustee Services** including estate planning and corporate trust services.

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 2016 Annual General Meeting of IOOF Holdings Ltd (the Company) will be held at 9:30 am (AEDT) on Thursday 24 November 2016, at the Verandah Room, Grand Hyatt, 123 Collins Street, Melbourne, Victoria 3000, for the purpose of transacting the business set out in this Notice of Annual General Meeting. Registration opens at 8:30 am.

The Explanatory Notes to this Notice of Annual General 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 2016.

2. Election and Re-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 John Selak 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 2016.

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 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 120,000 performance rights and shares on exercise of those rights to the Managing Director, Mr Christopher Kelaher, under the Company's Long Term Incentive Plan, as described in the Explanatory Notes.

By Order of the Board of Directors

This Notice of Annual General 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
24 October 2016

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 Annual General Meeting for more details on the resolutions to be voted on at the Annual General 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 Annual General Meeting, has determined that the shareholding of each shareholder for the purposes of ascertaining voting entitlements at the Annual General Meeting will be as it appears in the share register of the Company at 7:00 pm (AEDT) on Tuesday 22 November 2016.

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 Annual General 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 Annual General 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 Annual General 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 Chairperson, 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 Chairperson, 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 now some circumstances where the Chairperson 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 Chairperson 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 Chairperson 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 Annual General Meeting; or
  - the proxy attends the Annual General 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 Chairperson 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 Annual General Meeting.

If you wish to exercise your right to appoint a proxy or proxies to attend and vote for you at the Annual General 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 one of the following locations:

Level 12, 225 George Street, Sydney NSW 2000;

Level 8, 446 Collins Street, Melbourne VIC 3000; or

Level 5, 320 Adelaide St, Brisbane QLD 4000

- Sent by facsimile to the Company C/- Boardroom Pty Limited on facsimile 02 9290 9655
- Submitted online at Boardroom's website (www.votingonline.com.au/IOOFAGM2016) 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 22 November 2016 (being no later than 48 hours before the time for the holding of the Annual General 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 22 November 2016. 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 Chairman of the meeting as proxy for a person entitled to vote, and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

If the Chairperson 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 Chairperson 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 Chairperson intends to vote undirected proxies in favour of resolution 3.

Resolution 4

The Company will disregard any votes cast on resolution 4 by any Director (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) and their associates. Further, a vote must not be cast on resolution 4 by a 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 referred to above as proxy for a person who is entitled to vote on resolution 4 and the vote is cast in accordance with the directions on the Proxy Form; or
- it is cast by the Chairperson as proxy for a person who is entitled to vote on resolution 4 and the proxy appointment expressly authorises the Chairperson to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of the KMP.

If the Chairperson 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 Chairperson 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 Chairperson 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 to be held at the Verandah Room, Grand Hyatt, 123 Collins Street, Melbourne, Victoria 3000 on Thursday 24 November 2016 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 Annual General Meeting and Explanatory Notes in their entirety before deciding how to vote on each resolution.

Items of business

Resolution 1: Receipt of financial statements

The financial results for the year ended 30 June 2016 are set out in the Company's 2016 Annual Report. In accordance with the Corporations Act, shareholders will be given a reasonable opportunity at the Annual General 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 2016.

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 Annual General 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) and 2(b): Election and Re-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.

As announced on 4 October 2016, Dr Roger Sexton has stated that he will retire from office on the date of 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 this Annual General Meeting. Mr John Selak, having been appointed as a Director since the Company's last Annual General Meeting, holds office under such an appointment only until the next Annual General Meeting of the Company. Being eligible, he offers himself 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 Limited since 2014.

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 he held executive positions with Colonial Ltd and Norwich Union.

Mr Griffiths is also currently a non-executive Director of Rakbank Dubai UAE, Rakinsurance Dubai UAE and Chairman of the Westpac/BT Insurance Boards.

The Board has concluded that Mr Griffiths is independent.

Special Responsibilities

- Chair of the Risk and Compliance Committee
- Member of the Audit Committee

Mr Griffiths stood for election in 2014.

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 John Selak
(Non-Executive Director)

Experience and expertise

Non-Executive Director of IOOF Holdings Limited since 14 October 2016.

Mr Selak has over 40 years' experience in the financial and advisory services industry. From 2000 to 2016 he was a partner in the Corporate Finance Practice of Ernst & Young, providing valuation services to a broad range of local and international clients and also holding various senior leadership positions at that firm.

Mr Selak is also currently non-executive Chairman of Corsair Capital, a non-executive Director of National Tiles and an advisory board member of Turi Foods and Quest Apartment Hotels.

The Board has concluded that Mr Selak is independent.

Recommendation

The Board (other than Mr Selak, who is the subject of the relevant resolution) recommends that shareholders vote in favour of Mr Selak'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 35 to 51 of the Company's 2016 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 Key Management Personnel.

The Chairperson 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 Managing Director

The remuneration arrangements for the Managing Director, Mr Kelaher, 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 Kelaher as part of the Company's Long Term Incentive (LTI) program. Accordingly, the Company is seeking shareholder approval to enable it to grant performance rights to Mr Kelaher 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 Kelaher will be entitled to participate in the LTI program and receive 120,000 performance rights for the 2016/2017 financial year under the Plan.

Performance rights

Subject to shareholder approval being obtained, it is intended that the 2016/2017 grant of performance rights to Mr Kelaher will be made within 14 days of this Annual General Meeting and in any event within 12 months after this Annual General Meeting.

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

The performance hurdles will be measured over a three year performance period starting on 1 July 2016 and ending on 30 June 2019 (Performance Period).

The Board has determined that in order for any of the performance rights to be eligible to vest, the Company must first achieve a 'gateway test' that requires a minimum Return on Equity (ROE) of 1.5 times the Long Term Bond Rate (10 year bond yield).

That is, if less than 1.5 times Long Term Bond Rate is achieved, no performance rights are eligible to vest. If 1.5 or up to but not including 2 times the Long Term Bond Rate is achieved, then 50% of the performance rights are eligible to vest. If 2.0 or up to but not including 2.5 times the Long Term Bond Rate is achieved, then 75% of the performance rights are eligible to vest and 100% are only eligible to vest if 2.5 times (or above) the Long Term Bond rate is achieved.

Following that gateway test, if any performance rights are eligible to vest (being 50%, 75% or 100% of the performance rights), those performance rights will then be assessed against the second performance hurdle. This hurdle relates to the Company's total shareholder return (TSR) over the Performance Period that is measured against the TSR of a group of companies comprising the S&P/ASX200 as at 1 July 2016. Should the Company achieve a median TSR performance or better, 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 vesting
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 Kelaher. No amount is payable upon the grant or vesting of the performance rights, or on the allocation of shares in the Company. The Board has the discretion to either purchase new shares on the market or to issue new shares when allocating shares to Mr Kelaher following the exercise of vested performance rights. Shares issued to Mr Kelaher 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.

Change of control and cessation of employment

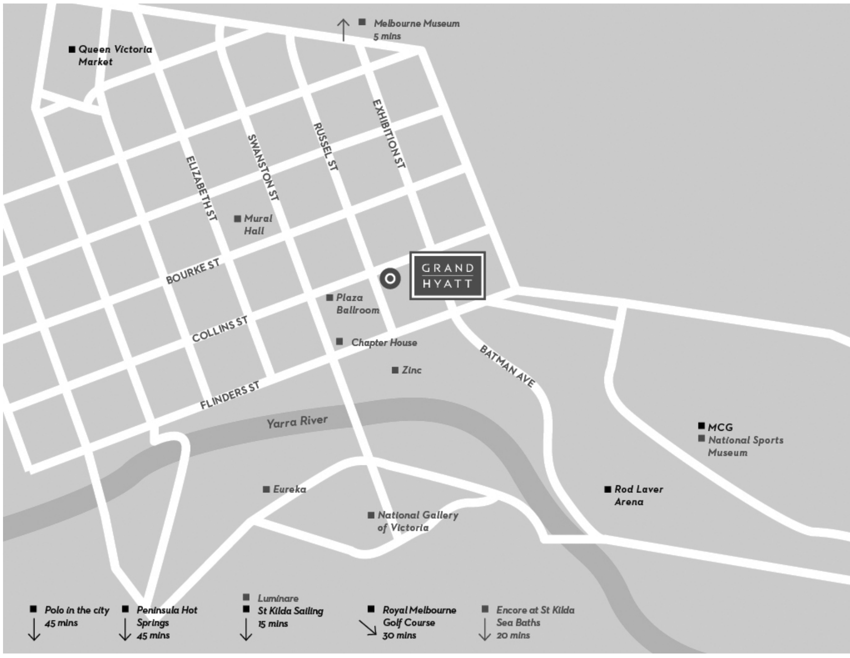
If the Company is subject to a change of control, any unvested performance rights must vest subject to the approval of the Board. Except where Mr Kelaher's employment is terminated for serious misconduct, subject to applicable law, any performance rights that have vested as at the date of termination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

Other information required by the ASX Listing Rules

No loan has been or will be made to Mr Kelaher by the Company in relation to the performance rights. Since shareholder approval was last obtained (at the 2015 Annual General Meeting), Mr Kelaher has received 75,000 performance rights under the Plan. No other Director is eligible to participate in the Plan.

Recommendation

Mr Kelaher, 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.



The Annual General Meeting of IOOF Holdings Ltd will be held at:

Verandah Room
Grand Hyatt
123 Collins Street
Melbourne, Victoria 3000

CRA-5999

IOOF Holdings Ltd
ABN 49 100 103 722

All Correspondence to:

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

By Fax: +61 2 9290 9655

Online: IOOF@boardroomlimited.com.au

By Phone: (within Australia) 1300 552 203
(outside Australia) +61 2 8016 2893

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9:30am (AEDT) on Tuesday 22 November 2016.**

TO VOTE ONLINE

STEP 1: VISIT www.votingonline.com.au/IOOFAGM2016

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

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

.

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 security holder 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, 22 November 2016.** 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	www.votingonline.com.au/IOOFAGM2016
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 shareholder) 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 **Verandah Room, Grand Hyatt, 123 Collins Street, Melbourne on Thursday, 24 November, 2016 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 and 4, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 3 and 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 and 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	To Re-elect Mr Allan Griffiths as a Director	☐	☐	☐
Resolution 2b	To Elect Mr John Selak as a Director	☐	☐	☐
Resolution 3	Remuneration Report	☐	☐	☐
Resolution 4	Grant of Performance Rights to the Managing Director	☐	☐	☐

STEP 3 SIGNATURE OF SHAREHOLDERS

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 / / 2016

annualreport2016

Celebrating 170 years
helping Australians achieve
financial independence

Contents

About IOOF

This year at IOOF we celebrate 170 years of helping Australians secure their financial independence. Since our beginnings in the 19th century – when we visited the sick, relieved the distressed, helped bury loved ones and educated orphans – our goal has always been to put clients first. We do this by seeking to understand their needs, look after them and provide solutions to help them secure their financial future.

Today, IOOF is the largest independent financial services group in Australia. We are an ASX top 100 company with $131.1 billion in funds under management, administration, advice and supervision, and we currently provide services to more than 600,000 customers around Australia.*

Our broad range of products and services means that our ability to provide tailored solutions to help our clients achieve their financial goals is unparalleled. We believe that success comes from caring about people and providing quality financial advice, product and service solutions.

What does IOOF do?

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

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

Platform Management and Administration
We offer financial advisers, their clients and hundreds of employers around Australia leading superannuation and investment administration platforms. Our unique open architecture model means we not only offer our IOOF platforms but leading external platforms to ensure advisers and their clients can choose the product and service solutions that best suit their individual needs.

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.

Trustee Services
Our trustee business includes estate planning and administration, personal trustee services, philanthropy, self-managed super fund (SMSF) solutions and corporate trust services.

* As at 30 June 2016

Our major brands

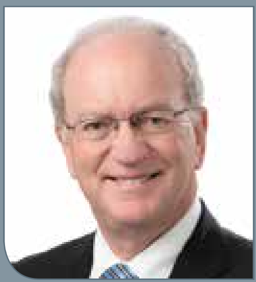
IOOF

Creating financial independence since 1846

Financial advice	Platform management and administration	Investment management	Trustee
Bridges	IOOF Employer Super	IOOF MultiMix	Australian Executor Trustees: Corporate Trust; Private Client Services; Superannuation
Consultum Financial Advisers	IOOF PlatformConnect	IOOF QuantPlus	
IOOF Alliances	IOOF Pursuit	IOOF WealthBuilder	
Lonsdale			
Ord Minnett			
shadforth			

As at 3 October 2016

Chairman's Letter



Dr Roger Sexton, AM

Celebrating 170 years of securing our clients' futures

This year we celebrate 170 years since our foundation as a friendly society. The aims that drove IOOF's establishment all those years ago – to positively contribute to the lives of individuals and their communities – remain as valid today as then. To that end, in 2016 we continued to build a sustainable business that puts our clients at the heart of everything we do, while also creating long-term value for our shareholders.

Success of our Strategy

In the face of market volatility during the year, our three pillared strategy of organic growth, efficiency and growth through acquisition, proved extremely resilient and delivered a strong financial result for our shareholders.

Statutory profit for the year was $196.8m, up 42%. Pleasingly, this result has translated into a record total dividend for the full year of 54.5cps, which was paid on 13 October 2016.

This success was anchored in the company's capacity to swiftly yet carefully integrate acquisitions into the broader group. Transformative acquisitions, particularly since 2009, have built a business with complementary offerings, greater diversification and proven strength.

This result would not have been possible without the dedication, hard work and commitment of the all of our staff, the Leadership Group and my fellow Board members. I thank them sincerely for their continued tireless contribution.

Transformation activities

As our Managing Director also notes, we undertook a number of strategic activities during 2016 including the transfer of tens of thousands of client accounts and billions in client funds from our TPS platform to IOOF Pursuit. The success of this operation was a testament to the ability of the business to undertake transformational projects of real scale.

We remain active in identifying and pursuing acquisition opportunities that align culturally with the organisation, provide genuine synergies and are in the best interests of our shareholders. With both a demonstrated track record of successfully integrating acquired businesses and our balance sheet strength, IOOF is in an excellent position to capitalise on further opportunities as they arise.

ASIC inquiry finalised

In July this year, ASIC finalised its inquiries into allegations made against IOOF, including those raised by a former employee. In its formal statement, ASIC announced that no further action would be taken in relation to these issues. The full ASIC media release is available at: www.asic.gov.au.

We are extremely pleased that this matter has now been fully resolved. We have always maintained that the company had thoroughly investigated these concerns and, where appropriate, took decisive action. IOOF has a strong governance culture and we remain committed to the highest standards of compliance and oversight.

Value of Diversity

It is interesting to note that our staff numbers have nearly doubled over the last seven years; from 1,100 in 2009 to more than 2,000 across Australia & New Zealand today.

This growth has seen a greater diversity of background, experience and skills within the company's ranks. In our view, such diversity is a real strength and one crucial to underpin future success. Put simply, if we are to understand the varying needs of our clients and continue to develop innovative approaches to serve them, then drawing on the rich diversity within the company itself is essential.

This desire to best serve the community also finds form in the work of the IOOF Foundation, which has done some tremendous work over the past year. I encourage you to read the further detail on the Foundation and other initiatives in our Environmental, Social & Governance reporting section on page 13.

Outlook

Although the wealth management sector has experienced some challenging market conditions this year, the fundamentals remain extremely positive.

There is strong bi-partisan political agreement over the importance of superannuation, a view shared throughout the Australian community. We will continue to be strong advocates for the value of financial advice and the need for ongoing professional development for all staff involved in this vital activity. To this end, we were delighted to launch the IOOF Advice Academy in July of this year.

170 years on and our commitment to our clients and communities remains a constant.

To our shareholders, the Board and management of IOOF thank you again for your support over this past year. This is an exciting time for our industry and our company and we look forward to continuing to honour the trust you place in us.

As we announced on 4 October 2016, I will be retiring from the Board at our AGM on 24 November, 2016.

It has been a privilege to serve as a Director for some 15 years, and as Chairman for the past four years. It has also been pleasing to be part of the sustained growth and success of IOOF over this period. Our market capitalisation increased from $251 million in 2002 when IOOF listed on the Australian Securities Exchange to around $2.7 billion currently. Total shareholder returns have averaged 12% per annum over this same period on a compounding annualised basis.

While the company continues to have exciting opportunities for continued growth, I have decided that now is the right time for me to pass the responsibility of Board leadership to my successor, Mr George Venardos.

I leave safe in the knowledge that IOOF is well positioned as an independent and pre-eminent provider of wealth management services in Australia with a strong balance sheet, and a well-honed strategy and corporate culture.

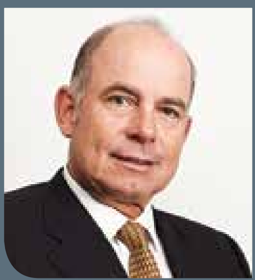
I am delighted to have George Venardos succeed me as Chairman of IOOF following this year's AGM. George is a very experienced Company Director with a wealth of experience in the financial services industry and an intimate knowledge of the business of IOOF.

We were pleased, also, to recently announce the appointment of Mr John Selak to the Board, who will complement our well skilled and experienced Board and our highly capable executive team, expertly led by Managing Director, Mr Chris Kelaher.

I look forward to seeing the Company's continued growth and delivery of positive outcomes for customers, shareholders, employees and the communities in which we operate.

Dr Roger Sexton AM
Chairman

Managing Director's Commentary



Christopher Kelaher

Commitment to strategy delivers resilient results in the face of volatility

Against a backdrop of turbulent market conditions, especially during the second half of 2016, I am extremely proud of the efforts of all of our staff, the leadership team & Board in contributing to a highly resilient performance which continues to provide value for all of our shareholders.

Key financial highlights

- Statutory profit is **up 42%** year on year to **$196.8m** with a large contribution from the profits derived from the sale of the Perennial boutiques during the year
- UNPAT of **$173.4m** is in line with our strong performance in prior year
- Total funds net inflow was **$1.8b** to 30 June. We have now had 14 consecutive quarters of positive platform net inflows, a key indicator of our strong organic growth
- Our track record on cost control has continued and this is a signature element of our performance. This is reflected in our cost to income ratio, which remains **low at 56.9%**
- Our balance sheet strength positions us to capitalise on future opportunities when they arise

Strategy delivering shareholder value

Our performance is backed by strong cash flows which has enabled us to propose a fully franked dividend of 54.5 cents per share for the full year; a 95% payout ratio on underlying profit for our shareholders. The full year dividend per share is up 3% on prior year and it is a record total dividend over the full year for our shareholders. Pleasingly, this continues a very consistent trend of delivering a high fully franked dividend yield.

Organic growth continues

We achieved a significant milestone in June of this year with the consolidation of our TPS platform into IOOF Pursuit. This is one of Australia's largest ever platform transformations with $7.1 billion of client funds transferred in 40,000 accounts. This speaks to our ability to undertake successful strategic transformational activities.

We continue to have consecutive quarters of net platform inflows, which is particularly pleasing when industry flows have been significantly challenged during the year. We have also seen sustained strong flows into our financial advice segment with $1.3 billion net inflows for the year.

With platform consolidation completed towards the end of the year and with the extremely positive flows experienced during the year, we are in a strong position to continue our organic growth momentum into 2017.

Focus on our core capabilities

The Perennial divestments undertaken during the year have reshaped our investment management business; significantly reducing exposure to volatile institutional fund flows. Pleasingly, the sales have realised post tax profit on sale of $56m. We also undertook a large number of smaller transactions, realising an additional $8m which has further allowed us to focus on our core wealth management capabilities.

Shadforths is now fully integrated within the Group. We have realised $25m in annual cost synergies, significantly exceeding our original estimate of $15m.

We have undertaken all of these activities while remaining disciplined in our approach to pursuing acquisition opportunities which will be complementary to our core businesses and deliver improved value for our shareholders.

IOOFs client-centric culture

Our open architecture means that we offer non-IOOF products and services alongside our own. This genuinely serves the best interests of our clients and the service needs of their advisers. This is a fundamental differentiator in our sector. We understand that offering the best possible outcomes to our advisers and clients is the surest way to build and sustain long-term valued relationships.

ClientFirst is an initiative that we have undertaken which is focused on what really matters to our clients. We have listened to over 2,000 client calls and reviewed over 3,000 transactions to fully understand this. Using this data, we have developed new measures and are piloting new ways of working. The early results from this work are very encouraging, based on feedback from clients and advisers.

We have also been holding innovation competitions which invite our staff to work together to come up with and develop innovative ideas for client-centric services & products. Based on successful start-up lab models worldwide, the winning ideas move into a funded incubation stage for further development. We expect the first exciting innovation to be released in 2016/17.

IOOF's Advice Academy was officially launched in July following a 2 year pilot program. IOOF continues to be a strong advocate for best advice and through this academy, we aim to be the pre-eminent training resource for the financial planning industry.

Underpinning everything we do are robust governance and compliance foundations which are fundamental to our successful day to day operations.

Positioning for the Future

Our business is performing extremely well in the face of market volatility. We are benefiting from the diversification of earnings that the Shadforth acquisition has brought, ongoing organic growth and the increased focus on our core businesses from transformation and divestments. We have developed a resilient and sustainable business that is differentiated from our competitors through independence and open architecture.

We are committed to strategic organic growth initiatives which are focused on putting our clients first. We have the balance sheet strength and demonstrated ability to capitalise on acquisition opportunities when they arise.

These initiatives and activities have laid solid foundations for an exciting year ahead and for many more years to come.

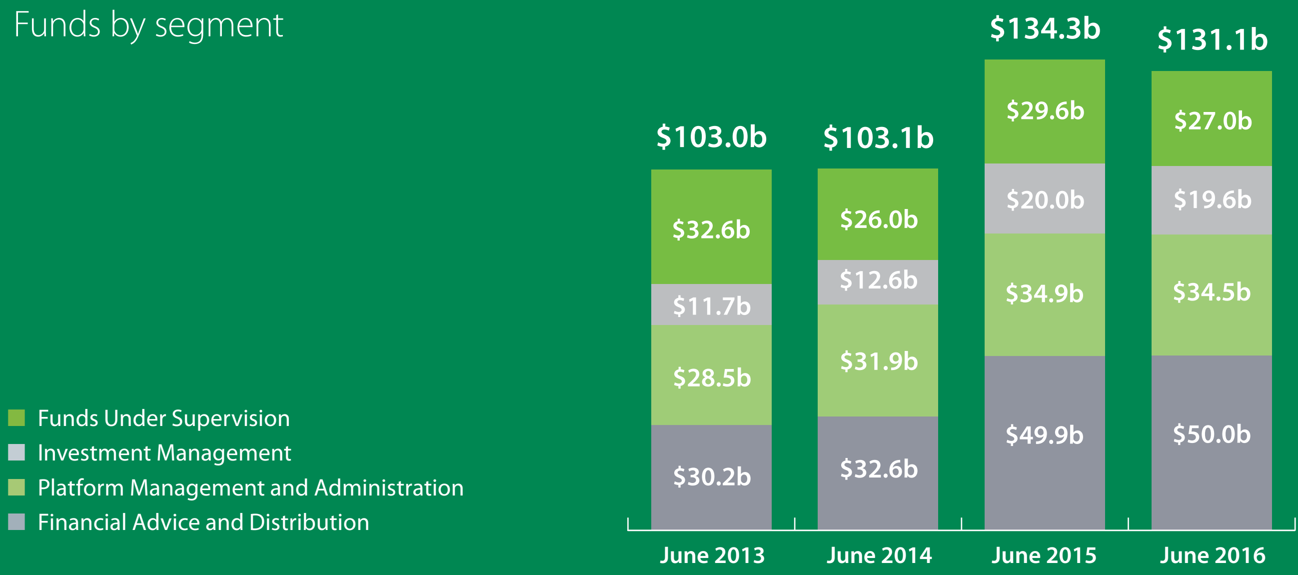
It is also a time of change at our Board level. As Roger has mentioned, he is retiring at this year's AGM after 15 years as a director of IOOF and Chairman since 2012. I thank Roger for his contribution to the Company and wish him well in his future personal commercial undertakings.

I am looking forward to working closely with our new Chairman, George Venardos, and our new Director, John Selak. Our well skilled Board will be in very capable hands under George's Chairmanship. On behalf of the Board, management and staff of IOOF, I would like to thank Roger for his distinguished record as a director and Chairman of IOOF and wish him well for the future.

Christopher Kelaher
Managing Director

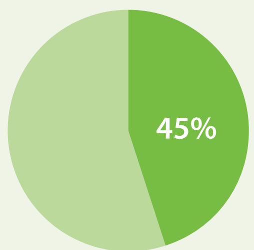
Our financial performance divisional updates

Funds by segment



Financial Advice & Distribution

% contribution to Group UNPAT



$'m	2015/2016	2014/2015
Revenue	354.5	345.5
UNPAT	78.4	65.8
Closing FUA ($'b)	50.0	49.9

About the division

Our IOOF Advice division supports over 1,000 financial planners and stockbrokers who provide financial advice services to clients across both retail and institutional sectors.

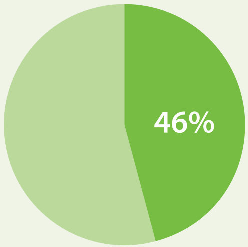
Advice provided covers wealth accumulation, retirement planning and investment strategies and represents our well-known brands of Shadforth Financial Group, Bridges Financial Services, Consultum Financial Advisers, Lonsdale Financial Group and Ord Minnett.

Key activities

- Appointment of IOOF Group General Manager – Wealth Management overseeing the evolution of our advice and service strategies across the group
- Appointment of a new CEO for Shadforth Financial Group
- Rationalisation of our advice licences – 15 practices licensed under our Western Pacific Financial Group AFSL were transitioned to our Consultum and Lonsdale licenses.
- Launch of IOOF Advice Academy – a training and coaching resource for the financial planning industry helping advisers build high quality businesses that in turn helps clients to achieve their financial and lifestyle goals
- Announcement of a partnership between the IOOF Foundation and Bridges to launch the Bridges Community aimed at developing the level of financial literacy among Australians
- Development of managed discretionary account advice framework.

Platform Management & Administration

% contribution to Group UNPAT



$'m	2015/2016	2014/2015
Revenue	399.9	411.3
UNPAT	79.0	84.3
Closing FuAd ($'b)	34.5	34.9

About the division

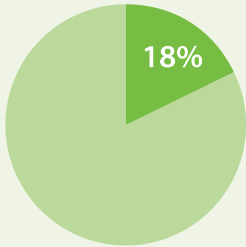
Our platforms allow clients, employers and advisers to manage a wide range of superannuation and investment options, including managed funds and direct shares. Our flagship platforms are IOOF Pursuit and IOOF Employer Super.

Key activities

- Consolidation of IOOF flagship platforms completed in June 2016. Transfer of $7.1 billion of client funds in ~40,000 client accounts from Bridges TPS platform to IOOF Pursuit. This was a significant milestone and a tangible example of our commitment to reducing complexity and duplication to deliver better outcomes for our clients
- Successful transfer Accrued Default Amounts (ADA) to IOOF MySuper within IOOF Employer Super and AustChoice
- Upgrade of IOOF Employer Super, online user experience with leading edge infographics and access to a range of personalised information and the ability to transact online including buying and selling investments
- Investment in IOOF Pursuit platform functionality. Enhancements include:
  - a redesigned, intuitive trading portal;
  - an advanced corporate actions portal;
  - the ability to place a buy order with the proceeds of a sell order immediately without waiting for the proceeds to clear, minimising the amount of time clients are out of the market; and
  - the ability to make withdrawals online
- Continued commitment to open architecture. PlatformConnect is the new term to house all of our external platform offerings

Investment Management

% contribution to Group UNPAT



$'m	2015/2016	2014/2015
Revenue	101.2	109.8
UNPAT	31.4	35.2
Closing FuM ($'b)	19.6	20.0

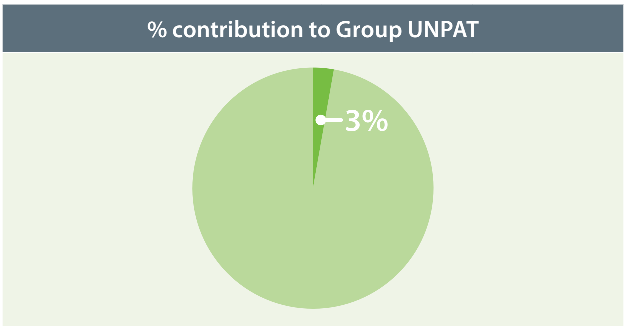
About the division

Our investment management business offers multi-manager products that are easy to understand with well-rounded investment options across a range of asset classes. In addition, the Wealthbuilder investment bond products and the equity accounted contribution from our 42% stake in Perennial Value Management are reported in this segment.

Key activities

- Continued success of MySuper product with final tranche of member transfers occurring in February 2016
- Launch of an enhanced investment menu for the Wealthbuilder investment bond in November 2015
- The IOOF Investments team were awarded the 'Multi-Sector' honour in the esteemed Money Management and Lonsec Fund Manager of the Year awards
- IOOF Investments was awarded a 5 Apples rating from Chant West, an independent superannuation research and consultancy firm, which is the highest quality overall rating and endorses our ability to construct quality multi-manager investment solutions (Dec 2015)
- Divestment of Perennial Fixed Interest and Perennial Growth Management to the Henderson Group PLC completed in November 2015. $56.4m profit realised from the sale of the Perennial boutiques, significantly contributing to the increase in statutory profit
- Divestment of the Perennial boutiques allows IOOF to concentrate on our core multi-manager offering with Perennial Value Management held as a strategic portfolio investment

Trustee Services



$'m	2015/2016	2014/2015
Revenue	29.6	27.8
UNPAT	6.0	6.9
Closing FuS ($'b)	27.0	29.6

About the division

Our Trustee Services business includes estate planning, estate administration, fiduciary services, philanthropic services and corporate trust services, operating under the brand Australian Executor Trustees (AET). AET is also a specialist provider of self-managed super fund (SMSF) solutions including the AET small APRA fund.

Key activities

- In the last quarter of 2016, AET significantly bolstered its specialist Compensation Trust Team and successfully expanded into the Western Australian (WA) market – securing AET's appointment in new, WA-based compensation trusts
- Compensation Trust education forums such as providing an update on the National Disability Insurance Scheme (NDIS) to plaintiff lawyers
- Development of an innovative range of solutions to educate and support financial advisers and their clients with the aim of growing philanthropy in Australia. These included:
  - the launch of the AET Foundation - a donor-advised foundation
  - tailored education programs for advisers to help them integrate philanthropy into their practices
  - partnerships with not-for-profit organisations such as Philanthropy Australia

We believe that success comes from caring about people and providing quality financial advice, product and service solutions.

Directors

Dr Roger Sexton AM

B.Ec. (Hons), M.Ec. Ph.D (Econ), FAICD, FAIM. SFFin, C. P Mgr, C.Univ

Chairman since 2012 – Independent Non-Executive Director

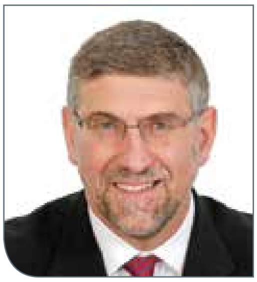
Non-Executive Director since 2002

Dr Sexton has more than 30 years' experience in senior management in finance and the investment banking industry. He is a specialist in the areas of corporate reconstruction, mergers and acquisitions, and asset management. Dr Sexton is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australia.

Dr Sexton was awarded a Member of the Order of Australia in the 2011 Queen's Birthday Honours.

Special responsibilities

- Chairman of IOOF Holdings Ltd since 2012
- Chairman of the Remuneration and Nominations Committee (until 22 February 2016)
- Member of the Remuneration and Nominations Committee
- Chairman of Perennial Investment Partners Ltd
- Member of the Audit Committee



Mr George Venardos

B.Com, FCA, FGIA, FAICD, FTIA

Independent Non-Executive Director since 2009

Mr Venardos is 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.

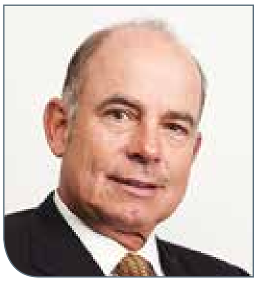
Mr Venardos has over 30 years' experience in executive roles in financial services, insurance and funds management. For a period of ten years, Mr Venardos was the Chief Financial Officer of Insurance Australia Group, and Chairman of the Insurance Council of Australia's Finance and Accounting Committee. Mr Venardos was a director of Miclyn Express Offshore Ltd from 2010 to 2013.

Other listed directorships

- Chairman of Bluglass Ltd (Director since 2008)
- Ardent Leisure Group (Director since 2009)

Special responsibilities

- Chairman of the Remuneration and Nominations Committee (appointed 22 February 2016)
- Member of the Risk and Compliance Committee



Mr Christopher Kelaher

B.Ec, LL.B, F Fin.

Managing Director since 2009

Mr Kelaher is the Managing Director of IOOF Holdings Ltd. He was appointed in 2009, upon the Company's acquisition of Australian Wealth Management Limited (AWM), a company which he had been Managing Director of since 2006. Before that, he had been CEO of Select Managed Funds Ltd for nine years, a company which itself merged with AWM.

Mr Kelaher is responsible for overseeing the strategic direction of the business as well as driving organic growth initiatives in each of the four main business segments. During his 25 year career in financial services, Mr Kelaher has been instrumental in executing multiple mergers and acquisitions that have added materially to the IOOF Group and its antecedent businesses.

Mr Kelaher also has extensive capital markets experience from his time with Citicorp where he assisted in the establishment of Citicorp Investment Management and Global Asset Management business in Australia and New Zealand.

He holds a Bachelor of Economics and a Bachelor of Laws from Monash University and is a Fellow of the Financial Services Institute of Australia.

Special responsibilities

- Managing Director of the IOOF Group since 2009

Ms Jane Harvey

B.Com, MBA, FCA, FAICD

Independent Non-Executive Director since 2005

Ms Harvey has more than 30 years' experience in the financial and advisory services industry, with previous positions in both business advisory and risk management areas. Ms Harvey was a Partner at PricewaterhouseCoopers until 2002 and a director of David Jones Limited between 2012 and 2014.

Other listed directorships

- UGL Limited
- DUET Finance Limited (a stapled entity within the ASX listed DUET group)

Special responsibilities

- Chair of the Audit Committee
- Member of the Risk and Compliance Committee
- Member of the Remuneration and Nominations Committee (appointed 23 February 2016)

Directors

Ms Elizabeth Flynn

LL.B, Grad Dip AppCorpGov, FAICD, FFin, FGIA, FCIS.

Independent Non-Executive 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 NULIS Nominees, 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 director of Bennelong Funds Management from 2010 to 2015.

Significant non-listed directorships

- AIA Australia Limited
- Victorian Government's Emergency Services Superannuation Board

Special responsibilities

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

Mr Allan Griffiths

B.Bus, DipLi

Independent Non-Executive Director since 2014

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 he held executive positions with Colonial Ltd and Norwich Union.

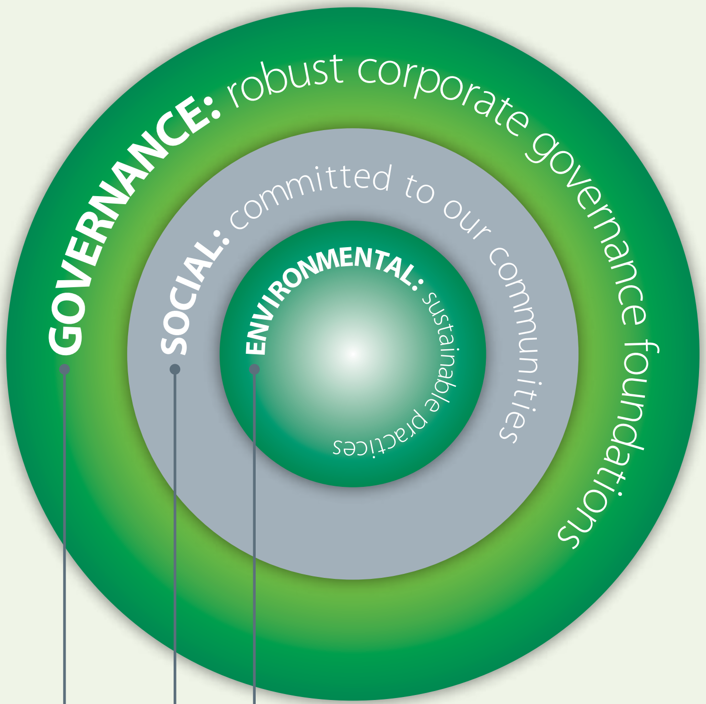
Significant non-listed directorships

- Rakbank Dubai UAE
- Rakinsurance Dubai UAE
- Chairman of the Westpac/ BT Insurance Boards

Special responsibilities

- Chairman of the Risk and Compliance Committee
- Member of the Audit Committee

Environmental, Social & Governance report



For 170 years, IOOF has been committed to helping people and making a positive contribution to the communities we serve

We are continuously looking at how we can improve how we manage environmental, social and governance (ESG) risks to ensure we operate a sustainable business for another 170 years and beyond

Robust corporate governance policies, practices and procedures are a fundamental part of our culture and lay the foundations that underpin everything we do

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 the statement and a copy of the statement along with any related disclosures is available at: www.ioof.com.au/about_us/corporate_governance

Our people are our greatest asset. We embrace an inclusive culture which recognises the value of diversity

We are committed to investing in programs that best serve the interests of our people, clients and the communities in which we operate

Our IOOF Foundation assists non-profit organisations play a vital role in helping local communities

We are committed to sustainable business practices to ensure we:

- consume resources responsibly
- minimise our environmental impact; and
- maximise efficiency in our office environments

Our people

Our people are our most important asset. Our success depends on them.

We are committed to attracting and retaining the best talent. We recognise the value of diversity and embrace an inclusive culture where people from diverse backgrounds, with different skills, knowledge and experiences can develop their unique talents.

Our culture is underpinned by seven core values:

1. Integrity
2. Commitment
3. Excellence
4. Innovation
5. Empathy
6. Recognition
7. Efficiency

Development of our people

Equipping our people with the right tools, knowledge and development opportunities is an investment we make for our future success. IOOF provides a number of programs to all of our people, including career development and planning, extensive tailored learning opportunities and study support.

These programs not only provide scope to extend individual skills but remain critical to succeed in a complex and competitive industry landscape. All employees are encouraged to set personal development plans with their managers and to undertake training that is appropriate for their role and future career aspirations.

With such a broad range of skills and talents across our Group, we have been holding innovation events to harness the creativity and abilities of our people. These innovation days invite our people to form teams from across the Group and work together to generate innovative ideas for new services & products. The best ideas move into a funded incubation stage for further development.

Employee engagement

Employee engagement is a critical requirement for achieving sustainable high performance.

In August 2016, we undertook a comprehensive survey of our people in order to identify opportunities to further improve employee engagement. The survey was completed by 73% of our people across the entire IOOF Group.

We will use the results of this survey to implement initiatives which foster improved employee engagement and increased job satisfaction for our people. We look forward to continually improving the ways in which we engage with our people to ensure we are attracting and retaining the best talent.

Diversity in the workplace

IOOF acknowledges diversity as critical to its success. We have seen how people with different skills and experience, and from different backgrounds, can bring fresh ideas and perspectives.

Our employee engagement survey identified that 31% of our people are from a culturally or linguistically diverse background. We recognise that building a diverse, inclusive workforce increases the possibility to recruit, retain and develop the best talent whilst forging a stronger understanding and connection with our clients and broader communities.

Continuing initiatives

- Leaders forums attended by members of the Leadership Group and representatives from every business function and at every level;
- Networking luncheons hosted in each state across the country with a mix of our people across the business;
- Indigenous cadetship program;
- Education across all levels on work/life choices, understanding what flexibility is already available and relevant to different individual needs;
- Women's Committee expansion with representation across the Group;
- Mentoring program for self-nominated people within the Group; and
- Leadership capability program to support ClientFirst.

We will also continue to explore different ways of delivering beneficial outcomes via diversity and inclusion throughout 2017 and the years beyond.

Commitment to balance

To assist our people in reaching an appropriate balance between work and family we offer a range of programs and services to all employees. Initiatives include purchased leave, flexible working hours, part-time employment, one full day volunteering leave, an iHealth program and eight weeks paid parental leave.

We offer employees a range of salary sacrifice options such as additional superannuation contributions and leases for motor vehicles. As well as offering flexible work arrangements, we provide our employees with a broad range of additional benefits that may be of assistance outside of work. This includes programs such as our employee assistance program, IOOF supported sporting teams, and preferred health insurance rates with some of the major health insurance providers.

Our community

170 years ago, IOOF was established with a commitment to helping people and positively contributing to the communities we serve. This commitment remains unchanged.

We are committed to investing in programs that best serve our people, clients and the communities in which we operate.

IOOF Foundation

Since its formal establishment in 2001, the IOOF Foundation has donated more than $12 million to community groups across Australia. Our Foundation develops strong partnerships with non-profit organisations that are bringing opportunities to those less fortunate and are helping communities to grow and thrive.

We have continued our financial support for programs that support the aged, disadvantaged families, children and young people. In 2016, we also committed to focusing on programs that improve financial literacy to support people in making confident and informed choices about their money.

Further information on the programs that have been supported by the IOOF Foundation, can be found on page 18 of this report.

Advocates for best advice

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 continual mutual value and enable our clients to pursue their ideal lives free from financial concern.

Responsible investment

With our multi-manager investment management offering, we acknowledge that 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. ESG, especially good corporate governance, is a key contributor to sustainable positive outcomes for investors. The underlying investment managers generally take ESG considerations into account when making investment decisions, where the investment manager believes these ESG considerations could affect valuation of securities.

In addition, we are a strong supporter of ethical direct investment through our 20% holding in Australian Ethical Investment Ltd (AEF.AX).

Reconciliation Action Plan

We believe that all Australians can contribute to the reconciliation of the nation. With this in mind, two of our businesses, AET and Shadforth Financial Group (SFG) are coming together to develop a joint Reconciliation Action Plan (RAP). The purpose of the RAP is to promote and facilitate reconciliation by building relationships, respect and trust between the wider Australian community and Aboriginal and Torres Strait Islander peoples. The AET / SFG Reconciliation Action Plan will articulate clearly how AET and SFG will play their part in achieving this goal. AET and SFG have committed to completing their Reconciliation Action Plan by the end of 2017.

Volunteering

For the last decade, we have supported our 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.

In 2016 we saw a 56% increase in the number of staff who contributed personal time to undertake community volunteering. Activities included cooking at homeless shelters, supporting Christmas giving programs, looking after neglected and maltreated animals, supporting local school programs and providing gardening support. Organisations assisted included Hobart City Mission, RSCPA, Wesley Mission, Salvation Army and Easy Gardens.

Giving

Our Workplace Giving program encourages all of 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 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.

Community in the workplace

Our people actively support a number of key community initiatives in our offices throughout the year. In 2016, some of the initiatives we supported included the Cancer Council's Biggest Morning Tea, Fight Cancer Foundation's 'Footy Colours Day', RSPCA 'Cupcake Day', Legacy Appeal, R U OK day and Earth Hour.

Community events

We support and encourage our people to be involved in community events. These events are a great way for our employees to collaborate outside of the office and contribute towards raising funds for the events' chosen community partners. We support our staff being involved in what they are passionate about which over the past year has included fun runs, Corporate Cup, triathlons, ten pin bowling, basketball, rugby, an Oxfam Trailwalker team and our very own Iron woman!

Our environment

The efficient use of resources makes good business sense, which is why IOOF is committed to improving our efforts in relation to the environment. Some of our recent environmental initiatives undertaken include:

Paperless environment

With the support of our client base, this year we have implemented changes to our communications with clients and continued to move towards a more efficient digital documentation platform. Our commitment to a paperless environment extends across the Group internally and externally. Moving to a paperless environment was identified as a priority for the Group for a range of reasons:

- Environmental reasons
- Improved client service
- Working more efficiently
- Consistency throughout the business
- Financial reasons (stationery costs and physical storage costs were reduced dramatically)
- Protection against disaster
- Increased security
- Quickly and easily accessing information

Efficiency in the office

IOOF offices across Australia have implemented a range of programs to contribute towards a more efficient office environment including a paper and comingled waste recycling program.

Other environmental programs under review:

- Expanding the number of recycling programs across all our national premises
- Reducing our carbon footprint from employee travel through the use of technological solutions such as phone and video conferencing as an alternative to travel

Earth Hour participation

Annually IOOF participates in Earth Hour, switching off non-essential lights for an hour. This is an initiative that we encourage all our offices to support as part of our normal business procedures. This is part of our commitment to the community and our ongoing focus on reducing our environmental footprint. In Australia, Earth Hour is something that really brings communities together, with one in every three Australians taking part.

IOOF Foundation

Through the IOOF Foundation, we invest our time, resources and passion in programs that aim to offer solutions and opportunities to some of the problems faced by the most disadvantaged people in Australia today.

Since its formal establishment in 2001 the IOOF Foundation has donated more than $12 million to community groups across Australia. This could not have been achieved without the ongoing support of IOOF, covering the expenses and resourcing of our Foundation.

We have continued our financial support for programs that support the aged, disadvantaged families, children and young people. In 2016, we also committed to focusing on programs that improve financial literacy.

This new focus area builds on the efforts of The National Financial Literacy Strategy that is been led by the Australian Securities and Investments Commission (ASIC). It provides a practical framework for action to guide and encourage all those with a role to play in improving financial literacy for all Australians.

Improving financial literacy is a long-term behavioural change initiative. It requires a multi-faceted approach and sustained action over time to bring about gradual improvement. Financial literacy means being able to understand and negotiate financial commitments, manage money and understand financial risks effectively to avoid financial pitfalls. At IOOF we want to support others in having the ability to make confident and informed choices about their money.

The first key program we have supported under this area is with The Smith Family, providing them an initial grant of $300,000 over the next two years to support their commitment to deliver Certificate 1 in Financial Services to 4,000 students aged 15-17 in the next year.

Our programs support a range of community organisations, this year some of the programs we have supported included:

2016 Grant Partners

- Alzheimers Australia Inc
- Ardoch Youth Foundation
- Beyond Blue
- Calvary Health Care
- Cancer Council
- Cancer Council Australia
- Care Australia
- Coleman & Doveton College
- Doxa Youth Foundation
- Dress for Success
- Fight Cancer Foundation
- Good Beginnings - Save the Children
- Hobart City Mission
- Huntingtons QLD
- Juvenile Diabetes Research Foundation
- Kids Under Cover
- Legacy
- Maggie Beer Foundation
- Make-A-Wish
- MND and ME Foundation
- Nurselink Foundation
- Redkite
- Righteous Pups
- Ronald McDonald House Westmead
- RSPCA
- Skyline Education Foundation
- Smith Family
- Starlight Children's Foundation
- The Alannah and Madeline Foundation
- The Salvation Army
- World Literacy Foundation
- World Wildlife Fund

Our Community Partners

World Literacy Foundation

Literacy program

1 out of 5 people in the world cannot read or write. At IOOF, we are part of the journey to change that for our communities. Our support to the World Literacy Foundation supported families and children living in the Ti-Tree, Mt. Allen, Nypirripi and other communities in some of the most remote parts of Australia. The IOOF Foundation funded the collection and purchase of 2,500 children's books and literacy resources for these indigenous communities in the Northern Territory. The aim is to increase love for, and develop a habit of reading among young indigenous children to reduce social disadvantage.

SecondBite

Fresh food collection and distribution

SecondBite is an organisation which provides access to fresh, nutritious food for people in need across Australia. In response to requests from South Australian based agencies for access to SecondBite's fresh food redistribution service, we provided funding for the program to enable a great sourcing and collection of an increased volumes of surplus fresh food for more than 70 recipient agencies. With this additional funding, SecondBite's collections and redistributions have grown to over 60,000 kilograms per month, providing 120,000 nutritious meals for people in need per month and saving agencies more than $2.1 million each year in food costs. An estimated 10,000 people in need in South Australia now have increased access to high quality fresh food at no cost.

Save the Children

Mobile classroom

Early this year, our Managing Director, Chris Kelaher, officially launched a new community partnership with Save the Children and announced a five year program to support the Save the Children mobile classroom. Six months ago, Save the Children launched a new concept in education and began the Educating Young People for a Better Future program which involves the use of a mobile classroom. Used to educate young offenders in Tasmania, the mobile classroom is already showing dramatic results in addressing repeat offenders.

Doxa Youth Foundation

Education, training and employment program

In 1972, Doxa was formed on the single principle that all children, regardless of their backgrounds, deserved to have positive experiences outside the confines of their socio-economic standing. This principle of access and equality continues today. In 2015, IOOF funded a commercial kitchen fit-out for phase 1 of the Doxa - DISH hospitality program which offered an ongoing program for young people who struggle with mainstream schooling. To ensure the success of this program, we funded phase 2 that was directed towards program implementation and to test the viability of an ongoing education, training and employment program for up to 60 students over a 12-month period. This program provided real qualifications to lead to job opportunities for students that had disengagement from the school system – the students participated in a range of modules that assisted with their Certificate III in Catering Operations and aligned with the Victorian Certificate of Applied Learning(VCAL).

Redkite

Financial assistance program

Over the last two years, we have partnered with Redkite and have proudly provided a $150,000 grant that helps to support children, young people and their families through the cancer journey.

Redkite provides essential support for children and young people (aged 24 and under) who have been diagnosed with cancer and relies purely on the generosity of the community to be able to continue providing an array of services ranging from financial assistance to counselling and education support. Every six hours, a family in Australia is told that their child has cancer. Overnight, this turns their life upside down and treatment can take three years or more. Our grant helps to facilitate Redkite's Financial Assistance Program supporting families in need across Victoria, Tasmania and Queensland. By taking care of the little things and providing the essentials such as food, fuel, heating, electricity, accommodation and more, this program helps to lighten the load for families, so that they can focus on their child at a critical time.

Since its inception in 2001, the IOOF Foundation has donated more than $12 million to community groups across Australia.

Financial report

for the year ended 30 June 2016

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 2016 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 and other directorships
Dr Roger Sexton AM B.Ec. (Hons), M.Ec. Ph.D (Econ), FAICD, FAIM. SFFin, C. P Mgr, C.Univ Chairman since 2012 Independent Non-Executive Director Director since 2002	More than 30 years experience in senior management in finance and the investment banking industry. A specialist in the areas of corporate reconstruction, mergers and acquisitions, and asset management. Chairman of Beston Global Food Company Ltd. A Former Member of the Australian Accounting Standards Board. Chairman of the Remuneration and Nominations Committee until 23 February 2016 and Chairman of Perennial Investment Partners Ltd. Member of the Audit and Remuneration and Nominations Committees.
Mr Christopher Kelaher B.Ec, LL.B, F Fin. Managing Director Director since 2009	Managing Director since 2009, Mr Kelaher has been instrumental in executing multiple mergers and acquisitions that have added materially to the IOOF Group and its antecedent businesses. Extensive capital markets experience from his time with Citicorp where he assisted in the establishment of Citicorp Investment Management and Global Asset Management business in Australia and New Zealand.
Mr Allan Griffiths B.Bus, DipLI. Independent Non-Executive Director Director since 2014	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. Mr Griffiths is also currently a non-executive Director of Rakbank Dubai UAE, Rakinsurance Dubai UAE and Chairman of the Westpac/BT Insurance Boards. Chairman of the Risk and Compliance Committee and a member of the Audit Committee.
Ms Jane Harvey B.Com, MBA, FCA, 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, and as a Director of David Jones Limited from 2012 to 2014. Ms Harvey is also a Director of UGL Limited and DUET Finance Limited, a stapled entity within the ASX Listed DUET Group. Chairperson of the Audit Committee, member of the Risk and Compliance Committee and member of Remuneration and Nominations Committee (appointed 23 February 2016).
Mr George Venardos BComm, FCA, FGIA, FAICD, FTIA. Independent Non-Executive Director Director since 2009	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. Other ASX listed directorships include Bluglass Ltd since 2008 and Ardent Leisure Group since 2009. Former Director of Miclyn Express Offshore Ltd from 2010 to 2013. Member of the Risk and Compliance and Remunerations and Nominations Committees. Chairman of the Remuneration and Nominations Committee from 22 February 2016.
Ms Elizabeth Flynn LLB, Grad Dip App Corp Gov, FAICD, FFin, FGIA, FCIS. Independent Non-Executive Director Appointed 15 September 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 NULIS Nominees, 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 director of Bennelong Funds Management from 2010 to 2015. Member of the Audit and Risk and Compliance Committees.
Mr Ian Griffiths C.Acc, DipAll, FAICD. Independent Non-Executive Director Resigned 2 October 2015	Over 40 years' experience in the financial services and superannuation industry. Mr Griffiths' superannuation administration and business consulting career commenced with AMP. Extensive industry knowledge and skills particularly in operations, mergers and acquisitions. Member of the Remuneration and Nominations and Audit Committees. Director from April 2009 to October 2015.

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

Principal activities

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

- financial advice and distribution;
- platform management & superannuation administration;
- investment management; and
- trustee services including estate planning and corporate trust.

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 (2015: $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. It should be noted, however, that 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

	Note	2016	2015
		$'000	$'000
Profit attributable to Owners of the Company		196,846	**138,371**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Reverse the impact of:			
Amortisation of intangible assets	2-4	39,681	38,612
Acquisition and divestment transaction costs		1,516	6,381
Termination and retention incentive payments	2-4	6,005	5,948
Onerous contracts	2-4	951	2,051
Impairment of Plan B brand name	2-4	–	1,400
Gain on divestment of subsidiaries		(71,988)	(2,207)
(Profit)/loss on sale of assets		(8,125)	642
Non-recurring professional fees	2-4	5,061	–
Unwind of deferred tax liability recorded on intangible assets		(10,056)	(9,677)
Reinstatement of Perennial non-controlling interests		(825)	(1,765)
Income tax attributable		14,301	(5,998)
UNPAT		**173,367**	**173,758**

The IOOF Group services the needs of financial advisers and their clients through appropriately licensed and regulated entities. 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.

Directors' report (cont'd)

Operating and financial review (cont'd)

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 $2.0 trillion as at 31 March 2016. Over the 12 months to March 2016 there was a 0.6% decrease in total superannuation assets and retail providers had a market share of approximately 27%. The IOOF Group's market share of that sub-set, as represented by our platform administration segment's flows to Funds Under Administration, was approximately 5%. There is a high degree of competition between the five fund types and fragmentation and competition among the participants within each fund type.

As at the end of March 2016, for funds with greater than four members, 48.5% of investments were invested in equities; with 22.6% in Australian listed equities, 21.3% in international listed equities and 4.6% in unlisted equities. Fixed income and cash investments accounted for 33.7% of investments; 21.0% in fixed income and 12.7% in cash. Property and infrastructure accounted for 13.8% of investments and 4.0% were invested in other assets, including hedge funds and commodities.

The IOOF Group operates in the Wealth Management sector. The sector has a substantial and growing pool of funds underpinned by government compulsion. 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 organic and acquisition initiatives. Organic growth will be advanced through:

- increasing brand and product awareness to increase revenue;
- enhancing the adviser and fund member experience through continued technology development and experienced knowledgeable support staff;
- enhanced training initiatives and leading minimum qualification standards to give our staff and advisers every opportunity to optimise the experience of our clients and members;
- 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.

The IOOF Group also 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.

The IOOF Group's UNPAT decreased $0.4m or 0.2% to $173.4m for the year ended 30 June 2016 relative to $173.8m in the prior corresponding period. There was, however, a $1.3m improvement in the IOOF Group's UNPAT derived from continuing operations.

On 6 August 2014, SFG Australia Ltd (Shadforth) joined the IOOF Group via a scheme of arrangement. Shadforth was an ASX-listed financial advice and end-to-end wealth management firm. Shadforth provides a full range of wealth management services to high net worth and affluent clients, including strategic financial advice, portfolio administration, portfolio construction and management services, insurance solutions, and stockbroking. The company also provides corporate superannuation services as well as accounting and tax services.

Senior employees of the IOOF Group and Shadforth have overseen a rigorous integration process. The first priority was to identify duplicate and non-essential roles, largely at Shadforth head office, and agree exit dates with the individuals affected. All the staff identified in this manner had departed by 31 May 2015. The consequent reduction in employee numbers, particularly among more highly remunerated managerial staff, has provided the bulk of cost synergy savings to date. We have also identified the highest cost suppliers and either terminated them in favour of in-sourced teams or pre-existing external service providers or had their services re-priced downwards as befits the additional scale arising from the increased size of the newly combined group. More efficient occupancy arrangements, reflecting the lower number of staff, have also been implemented.

The Shadforth contribution represents a 22% increase on its operating performance in the prior corresponding period. In calculating that increase, we have allowed for it having been operated by the IOOF Group for only 11 months to 30 June 2015. The increase was driven principally by the realisation of cost synergies resulting from the integration process noted above.

On 2 November 2015, we announced the successful divestment of our interests in Perennial Fixed Interest and Perennial Growth Management to the Henderson Group plc (Henderson) for an upfront consideration of $71.6m and a deferred component dependent on future business performance, payable after two and four years. Additionally, two loss making Perennial subsidiaries with sub-scale Funds Under Management were divested in October and November 2014. The other two Perennial subsidiaries, when they operated pre-divestment, were not material in their impact on the IOOF Group's profitability. The results of all four businesses have been disclosed as a discontinued operation in the financial statements. These divestments allow IOOF to concentrate on its core advice, superannuation, multimanager and trustee business. The proceeds from the sale will potentially fund congruent acquisitions, retire debt or be returned to shareholders depending on opportunities and circumstances. Perennial Value Management and its subsidiary entities will remain a strategic portfolio investment for the IOOF Group.

Analysis of financial results – Group

Analysis of the IOOF Group's result includes the material impact of acquiring Shadforth one month into the prior corresponding period. There was a $13.9m increment to UNPAT this financial year as a result of this acquisition, of which approximately $3.4m is attributable to ownership for an additional month in the current year. Where the Shadforth acquisition has had an impact on other parts of the IOOF Group, for example in financing additional borrowings, that will be highlighted in the review. The divested Perennial businesses have been excluded from the review and the impact on particular items of revenue or expense highlighted in discontinued operations disclosures.

Gross margin decreased $1.4m

During the current period FUMAS decreased 2.4% to $131.1b. Excluding acquisition and divestment impacts, Funds Under Management, Administration and Advice (FUMA) declined 0.5% to a total of $104.7b, which was derived largely from equity market driven decreases. Platform and advice flows of $1.8b were positively impacted by high rates of satisfaction with service levels and branding initiatives, but partly offset by outflows associated with a large, low margin corporate super account. Investment management net outflows of $27m were also impacted by that account loss. The timing of movements, in particular the acquisition of Shadforth part way through the prior year, meant that average FUMA increased compared to the prior year resulting in a $17m positive impact on year on year gross margin movement.

The revenue impact from higher average funds was offset by a $21m negative impact of product mix on earning rates or margins. Within platform administration, these lower rates principally reflected a higher proportion of funds directed towards more contemporary platforms with lower fees, but commensurately lower attributable overheads. The introduction of the government mandated MySuper product has had a moderate lowering impact on margins. The final tranche of member transfers occurred in February 2016 and involved superannuants with higher average fund balances than had previously been moved. MySuper members incur mostly flat administration fees hence the impact on margins. Investment management margins also reduced given higher custody and transaction costs for actively managed multi-manager portfolios with higher relative performance. Shadforth margins also declined and had an impact at group level.

Other revenue decreased $3.1m

Service charges to associated entities have been reduced in line with the significant number of divested holdings enacted in 2015 and 2016 and also as a result of the transfer of certain group operations activities to Perennial Value Management in the wake of divestments in the Perennial Group. The IOOF Group's broking businesses', (Ord Minnett and Bridges) contributions were up marginally in comparison to the prior year as result of increased adviser numbers.

Directors' report (cont'd)

Operating and financial review (cont'd)

Operating expenditure decreased by $7.9m

The decrease above excludes the impact of expenditure items identified as reversed in calculating UNPAT. The major source of this was labour cost savings from the realisation of synergies on integrating the Shadforth business, however this was largely offset by having an additional month of Shadforth costs in the current period. The savings from Shadforth's operations have allowed for a complementary capability uplift in the Platform Management and Administration segment, most particularly in technology and consulting to enhance the client experience. In the absence of these major items, prudent constraint on discretionary activity has resulted in minor movements only in most cost categories.

Net financing costs decreased by $2.0m

Net interest expense was lower due to increased interest earnings on the cash received from the sale of Perennial businesses and lower market borrowing rates, partly offset by an additional month's debt funding for the Shadforth acquisition.

Other profit impacts decreased by $4.2m

Share of associates profits declined $1.6m as a result of mandate outflows and higher costs within the Perennial Value Management Group. Depreciation expense was $1.8m higher due to the aging profile and purchasing patterns of plant and equipment. Share-based payments expense was $1.5m lower due to the roll off of non-employee stakeholder plans. Non-controlling interests excluded Perennial entities due to classification as discontinued operations and was $0.5m higher in line with Ord Minnett's increased profitability. Income tax expense was broadly flat despite increased profitability from continuing operations due largely to the timing of research and development concessions.

Analysis of financial results – Segments (excluding discontinued operations)

Platform management and administration	2016	2015	Movement	
	$'000	$'000	$'000	%
Net operating revenue	218,161	222,691	(4,530)	(2.0%)
Other revenue (incl equity accounted profits)	375	(51)	426	LARGE
Operating expenditure	(99,409)	(96,113)	(3,296)	(3.4%)
Net financing	2	–	2	n/a
Net non-cash items	(5,288)	(4,337)	(951)	(21.9%)
Income tax expense and non-controlling Interest	(34,820)	(37,865)	3,045	8.0%
Underlying Profit after Tax	**79,021**	**84,325**	**(5,304)**	**(6.3%)**

- Net operating revenue decrease was driven primarily by relatively stable average funds, derived from devaluing markets offset by organic growth at lower margins.
- Increased operating expenditure resulted primarily from information technology enhancements to products and services and a significant consulting engagement designed to improve client service.

Investment management	2016	2015	Movement	
	$'000	$'000	$'000	%
Net operating revenue	57,719	61,827	(4,108)	(6.6%)
Other revenue (incl equity accounted profits)	5,572	11,209	(5,637)	(50.3%)
Operating expenditure	(19,769)	(23,933)	4,164	17.4%
Net financing	1,236	389	847	LARGE
Net non-cash items	(1,383)	(1,088)	(295)	(27.1%)
Income tax expense and non-controlling Interest	(11,996)	(13,180)	1,184	9.0%
Underlying Profit after Tax	**31,379**	**35,224**	**(3,845)**	**(10.9%)**

- Net operating revenue declines reflected lower average margins. Margins were affected by higher custody and transaction costs.
- Decreased operating expenditure resulted from Shadforth integration synergies.

Financial advice and distribution	2016	2015	Movement	
	$'000	$'000	$'000	%
Net operating revenue	261,667	253,296	8,371	3.3%
Other revenue (incl equity accounted profits)	4,700	5,201	(501)	(9.6%)
Operating expenditure	(147,715)	(157,332)	9,617	6.1%
Net financing	731	741	(10)	1.3%
Net non-cash items	(3,967)	(4,901)	934	19.1%
Income tax expense and non-controlling Interest	(36,981)	(31,117)	(5,864)	(18.8%)
Underlying Profit after Tax	**78,435**	**65,888**	**12,547**	**19.0%**

- Net operating revenue increase reflected funds growth and revenue synergies derived from pricing parity with Shadforth.
- Reduced operating expenditure resulted from Shadforth integration synergies partly offset by wage increases in line with inflation.

Trustee services	2016	2015	Movement	
	$'000	$'000	$'000	%
Net operating revenue	27,422	27,808	(386)	(1.4%)
Other revenue (incl equity accounted profits)	–	2	(2)	(100.0%)
Operating expenditure	(18,601)	(17,715)	(886)	(5.0%)
Net financing	–	–	–	n/a
Net non-cash items	(246)	(181)	(65)	(35.9%)
Income tax expense and non-controlling Interest	(2,578)	(2,983)	405	13.6%
Underlying Profit after Tax	**5,997**	**6,931**	**(934)**	**(13.5%)**

- Gross revenue has increased in line with higher client numbers. Net operating revenue, however, has been adversely impacted by one-off higher legal costs classified as a fund administration expense.
- Increased operating expenditure resulted from increased staffing to facilitate organic growth initiatives, wage increases in line with inflation and certain one-off costs.

Financial Position

The IOOF Group held cash and cash equivalents of $187.0m at 30 June 2016 (30 June 2015: $150.5m). 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. During the year, an additional $54.6m in net proceeds was received from the divestment of certain Perennial entities (see discontinued operations) which was the principal driver of the increased level of cash.

The overall debt to equity ratio stood at 13% at 30 June 2016 (30 June 2015: 13%). Net debt, borrowings less cash, stood at 0.1 times underlying earnings before interest, tax, depreciation and amortisation. This compares favourably to a covenant ratio upper limit of 2.5 times. Cash flow forecasting is conducted monthly which indicates that the IOOF Group's debt levels are able to be serviced from current business operations. We also conduct stress testing of lending covenants when assessing acquisition opportunities and monitor adherence to licence conditions monthly.

Directors' report (cont'd)

Risk

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

IOOF 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 we earn in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest in our 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 we operate. 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 on the earnings and assets. The Group manages this risk by continuously investing in product design and stakeholder relationships.

(iii) Information technology

IOOF relies heavily on information technology. Therefore, any significant or sustained failure in our core technology systems or cyber security could have a materially adverse effect on our operations in the short term, which in turn could undermine longer term confidence and impact our future profitability and financial position.

(iv) Brands and reputation

The Group's capacity to attract and retain financial planners, 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 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 our future profitability and financial position.

(v) Provision of investment advice

IOOF'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 our advisers whilst its potential financial impact is generally mitigated by taking out appropriate insurance cover.

(vi) Operational risks

Operational risk is the risk arising from the daily functioning of the Group's businesses. IOOF 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.

(vii) 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 Group's counterparties generally do not have an independent credit rating, and we assess the credit quality of the debtor taking into account its financial position, past experience with the debtor, and other available credit risk information.

(viii) Cash flow and fair value interest rate risk

Interest rate risk is the risk to the 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, 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 IOOF to cash flow interest rate risk.

(ix) Liquidity risk

Liquidity risk relates to IOOF having insufficient liquid assets to cover current liabilities and unforeseen expenses. The 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 is also regularly reviewed and carefully monitored in accordance with those licence requirements.

(x) 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 our controlled entities are required to hold a number of licences, most notably AFS or 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 which enables it to operate key parts of its business. While it is not expected to occur, 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 we are required to hold a higher capital base.

(xi) Insurance

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

- be available in the future on a commercially reasonable basis; or
- provide adequate cover against claims made against or by IOOF, 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).

IOOF 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 IOOF incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected.

(xii) 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 IOOF or its service providers could cause financial or reputation loss.

(xiii) Dependence on key personnel

The Group's performance is dependent on the talents and efforts of key personnel. Our 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 advisors could cause material disruption to operations in the short to medium term. While equity incentives of key personnel align their interests with the Group's future performance, they do not provide a guarantee of their continued employment.

(xiv) Dependence on financial planners

The success of our advice and platform business is highly dependent on the quality of the relationships we have with our financial planners and the quality of their relationships with their clients. Our ability to retain productive planners is in turn dependent on service levels, technological capability, suitability of product offerings and the quality and relevance of professional training.

(xv) 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; and
- decline in the value of, and unanticipated costs, problems or liabilities associated with, the acquired business.

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 our financial position.

(xvi) Dilution

IOOF'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.

Directors' report (cont'd)

Operating and financial review (cont'd)

(xvii) Regulatory and legislative risk and reform

The financial services sectors in which we operate are subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions. The regulatory regimes governing our business activities are complex and subject to change. The impact of future regulatory and legislative change upon IOOF 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.

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. Based on historical precedent, the occasions on which this range is not met or exceeded are expected to be infrequent.

Total Shareholder Return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. IOOF's TSR for the twelve months to 30 June 2016 was – 6.8% with strong dividends partly offsetting market devaluations. The market valuation of IOOF is reflective of movements in global equity markets. TSR in the period from the acquisition of Australian Wealth Management on 30 April 2009 to 30 June 2016 was 174% in total and 15% on a compounding annualised basis. The Group is in a strong financial position with low gearing and significant free cash.

	2016	2015	2014	2013	2012
Profit attributable to owners of the Company ($'000s)[1]	196,846	138,371	101,285	79,769	19,373
Basic EPS (cents per share)	65.7	47.7	43.7	34.4	8.4
Diluted EPS (cents per share)	65.4	47.4	43.1	34.1	8.3
Basic EPS (continuing operations) (cents per share)	46.0	45.8	43.7	34.4	8.4
UNPAT ($'000s)	173,367	173,758	123,047	108,756	96,393
UNPAT EPS (cents per share)	57.8	59.9	53.1	46.9	41.6
Dividends declared ($'000s)	163,573	159,070	127,260	97,485	85,854
Dividends per share (cents per share)	54.5	53.0	47.5	42.0	37.0
Opening share price	$8.99	$8.40	$7.36	$6.05	$6.60
Closing share price at 30 June	$7.83	$8.99	$8.40	$7.36	$6.05
Return on equity (non-statutory measure)[2]	12.3%	13.4%	15.0%	13.2%	11.1%

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 2016 and prior years were fully franked.

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 and divestment transaction costs: One off payments to external advisers in pursuit of corporate transactions, such as the acquisition of Shadforth and divestment of certain Perennial subsidiaries, which were not reflective of conventional recurring operations.

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

Onerous contracts: Non-cash entry to record the estimated present value of expected costs of meeting the obligations under terminated information technology contracts associated with platform rationalisation (2015: Shadforth lease contracts). For these contracts, the costs exceed the economic benefits expected to be received.

Impairment of Plan B brand name: Non-cash entry which reflects a one-off decision to cease use of the Plan B brand given the cost and promotional advantages afforded by the acquisition of Shadforth and its brand. The entry is not related to the conventional recurring operations of the IOOF Group.

Gain on divestment of subsidiaries: During the period, the IOOF Group divested its interests in Perennial Fixed Interest and Perennial Growth Management to Henderson (2015: Perennial Real Estate Investments and Perennial International Equities Management).

(Profit)/loss on sale of assets: Divestments of non-core businesses, client lists and associates.

Non-recurring professional fees: Costs relating to specialist service and advice providers enlisted to assist the Group in better informing key stakeholders. These services were required following negative media allegations. In particular, but not limited to, process review, senate inquiry support, government relations, litigation defence and communications advice. It is not anticipated that this type and level of support will be required on a recurrent basis.

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 newly legislated 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 periods at 30% of the amortisation applicable to those assets which have different accounting values and tax cost bases. The recognition of DTL and subsequent period 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.

Reinstatement of Perennial non-controlling interests: Embedded derivatives exist given the IOOF Group's obligation to buy-back shareholdings in certain Perennial subsidiaries if put under the terms of their shareholders' agreements. International Financial Reporting Standards deems the interests of these non-controlling holders to have been acquired. Those interests must therefore be held on balance sheet as a liability to be revalued to a reserve each reporting period. In calculating UNPAT, the non-controlling interest holders share of the profit of these subsidiaries is subtracted from the IOOF Group result as though there were no embedded derivatives to better reflect the current economic interests of Company shareholders in the activities of these subsidiaries.

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

Directors' report (cont'd)

Dividends

In respect of the financial year ended 30 June 2016, the Directors declared the payment of a final dividend of 26.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 13 October 2016. This dividend will be paid to all shareholders recorded on the Register of Members on 30 September 2016.

The Directors declared the payment of an interim dividend of 28.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares paid on 7 April 2016.

In respect of the financial year ended 30 June 2015, a final dividend of 28.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 15 October 2015.

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 26.0 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 13 October 2016.

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 2016 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 53 of the annual financial report and forms part of the Directors' Report for the year ended 30 June 2016.

Company secretary

Ms Danielle Corcoran resigned from the position of Company Secretary on 4 December 2015. Mr Andrew Paul Vine was appointed to the role on 4 December 2015.

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		Committee Meetings					
			Remuneration & Nominations Committee		Audit Committee		Risk and Compliance Committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
R Sexton	16	16	4	4	7	7	n/a	n/a
E Flynn	13	13	n/a	n/a	3	4	3	3
A Griffiths	16	16	n/a	n/a	7	7	5	5
I Griffiths	2	5	1	2	3	3	n/a	n/a
J Harvey	16	16	2	2	7	7	5	5
C Kelaher	16	16	n/a	n/a	n/a	n/a	n/a	n/a
G Venardos[1]	12	16	4	4	n/a	n/a	5	5

1 Mr Venardos was granted a leave of absence by the Board in order to manage a conflict of interest.

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 seven meetings each during the year.

In addition to the meetings attended during the period, 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.

Unexercised options over shares, performance rights and deferred shares

At the date of this report unexercised options over shares of the Company under deferral arrangements and performance rights are:

Performance rights	
Vesting date	Number of rights
30 Jun 17	225,000
30 Jun 18	180,000
	405,000

Deferred shares	
Vesting date	Number of shares
30 Jul 17	41,895
	41,895

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.

Directors' report (cont'd)

Non-audit services

The Directors are satisfied that the provision of non-audit services during the year of $530,287, by the auditor (or by another person or firm on the auditor's behalf) 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;
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services 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

The information in this report is in accordance with AASB 124 Related Party Disclosures and section 300A of the Corporations Act 2001, and has been audited as required by Section 308(3C) of the Corporations Act 2001 unless otherwise stated.

Remuneration report (cont'd)

Executive Summary

This report details the remuneration framework and outcomes for Key Management Personnel (KMP) of the IOOF Group for the year ended 30 June 2016. The Board of Directors is committed to a remuneration strategy that aligns remuneration practices with the creation of shareholder value. A number of amendments have been made to the policies over the past few years to ensure that the policies have remained aligned with shifts in the IOOF Group's business strategy and focus. The key principles of the IOOF Group's remuneration policy remain unchanged from last year.

This report aims to communicate our remuneration practices, and their link to the creation of shareholder value, in a clear, concise and transparent way and demonstrate how these practices:

- align to our strategic objectives;
- are sufficient to attract, motivate and retain an ambitious and highly talented executive team; and
- support an appropriate governance culture to minimise risks to our shareholders.

2016 saw record profits from continuing operations and sustained returns to shareholders over the last three years. These strong results have been reflected in the short and long term incentive outcomes received by the KMP.

The IOOF Group's Total Shareholder Return (TSR) performance over the three years to 30 June 2016 was 29.3% placing it at the 52nd percentile relative to the ASX 200. Return on Equity (RoE) for the year to 30 June 2016 was 12.3%. The impact of these outcomes on Managing Director and other KMP LTIs is detailed at sections 3.1, 3.2.2 and 4.1.2 below.

There were no increases to fees paid to Non-Executive Directors except for CPI adjustments.

1. Overview

1.1 Key Management Personnel

This report covers the IOOF Group's KMP. KMP are the people who have the authority and responsibility for planning, directing and controlling the activities of the IOOF Group:

Name	Position	Term as KMP
Managing Director		
Mr C Kelaher	Managing Director	Full year
Other Executive KMP		
Mr D Coulter	Chief Financial Officer	Full year
Mr S Merlicek	Chief Investment Officer	Full year
Mr R Mota	Group General Manager – Wealth Management	Full year
Mr G Riordan	Group General Counsel & General Manager Trustee Services	Full year
Executive KMP – Former		
Mr M Farrell	Group General Manager – Dealerships	Ceased employment 22 January 2016

The Non-Executive Directors of the IOOF Group are also required to be disclosed as part of this report and are listed below:

Non-Executive Directors		
Dr R Sexton AM	Independent Non-Executive Director & Chairman	Full year
Ms J Harvey	Independent Non-Executive Director	Full year
Mr A Griffiths	Independent Non-Executive Director	Full year
Mr G Venardos	Independent Non-Executive Director	Full year
Ms E Flynn	Independent Non-Executive Director	Appointed 15 September 2015
Mr I Griffiths	Independent Non-Executive Director	Resigned 2 October 2015

1.2 Summary – Key Management Personnel remuneration

The IOOF Group uses a total remuneration package approach in determining remuneration that comprises both "fixed" and "at risk" components. These components reflect an employee's contribution to the IOOF Group, their skills and qualifications, market benchmarks and the remuneration environment.

The remuneration arrangements for KMP comprise three key components:

- a base package which is a fixed amount and is reviewed on an annual basis with consideration given to cost of living increases (CPI), market movements or changes in the scope of the individual's role and responsibilities;
- a Short Term Incentive (STI) amount which is tied to the successful achievement of a set of performance scorecard objectives (including financial, strategic, customer and people objectives) for the annual performance period. STI awards are considered "at risk" components of an individual's remuneration and can be awarded as either cash or share-based arrangements; and
- a Long Term Incentive (LTI) which is intended to provide incentives to KMP to remain with the IOOF Group to enhance the sustainable performance of the IOOF Group over the long term. LTI awards are considered "at risk" components of an individual's remuneration and are all share-based arrangements.

Remuneration report (cont'd)

The following table sets out the remuneration received by the Managing Director and other executive KMP for the financial year ended 30 June 2016 and the prior comparative period to 30 June 2015. 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. Further details are disclosed in sections 2 to 7 below.

Element of Remuneration					Post employ-ment	Share-based payments[3]				
		Salary	Bonus[1]	Non-monetary[2]	Super-annu-ation	Perform-ance Rights	Total	Cash remun-eration[4]	Remuneration components as a % of total remuneration	
Component of Remuneration		Fixed $	At risk $	Fixed $	Fixed $	At risk $	$	$	Fixed %	At risk[5] %
Managing Director										
C Kelaher	2016	1,187,756	651,891	8,877	19,308	1,051,796	2,919,628	5,005,194	42	58
	2015	1,169,279	491,115	10,277	18,783	1,009,286	2,698,740	3,618,566	44	56
Other Executive KMP										
D Coulter	2016	383,066	200,000	4,918	20,052	130,884	738,920	786,618	55	45
	2015	335,925	150,000	4,719	18,783	137,217	646,644	1,744,248	56	44
S Merlicek	2016	411,744	225,000	4,918	20,052	80,167	741,881	869,796	59	41
	2015	389,979	204,500	5,663	18,783	79,145	698,070	937,302	59	41
R Mota	2016	453,016	200,000	4,918	20,052	130,884	808,870	876,567	59	41
	2015	370,024	170,000	4,719	18,783	137,217	700,743	903,347	56	44
G Riordan	2016	438,287	140,000	801	19,308	130,884	729,280	801,095	63	37
	2015	431,163	110,000	–	18,783	137,217	697,163	949,486	65	35
Executive KMP – Former										
M Farrell[6]	2016	224,764	70,000	830	11,510	29,599	336,703	559,524	70	30
	2015	370,562	150,000	–	18,783	39,463	578,808	514,346	67	33
Total	2016	3,098,633	1,486,891	25,262	110,282	1,554,214	6,275,282	8,898,794		
	2015	3,066,932	1,275,615	25,378	112,698	1,539,543	6,020,166	8,703,295		

1 The bonus reflects amounts provided under the short-term incentive program in relation to the financial year. One third of the bonus awarded to Mr Kelaher has been deferred into shares which will vest in July 2017; this component of the STI is included as a share-based payment expense. 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.

4 This non-statutory disclosure provides shareholders with a view of the cash and other benefits received by KMP. Cash remuneration includes all remuneration paid during the financial year including superannuation and STIs which were awarded for performance in previous financial years. In addition, any shares received by the KMP during the period are included at the value the shares were or could have been converted to cash on the date they were received. This value has been determined as the cash received by the employee where known, or the closing share price on the date the shares were allocated to the KMP less any consideration paid.

5 As payment of the at-risk component is at the discretion of the Board, the minimum value is nil and the maximum is the total amount paid.

6 M Farrell ceased employment with the Group on 22 January 2016. On 26 November 2015, the Board resolved to approve early vesting of 50% of the 2015 rights on the date of Mr Farrell's cessation of employment. All other rights awarded to Mr Farrell have lapsed. Mr Farrell received a termination payment of $29,407.

1.3 Summary – Non-Executive Directors remuneration

The total fees paid to the Chairman and the Non-Executive Directors on the Board (including fees paid for their involvement on Board committees) have been determined within the total amount for Non-Executive Directors as approved by shareholders. The Board determined that no increase would be made to the total fees payable to Non-Executive Directors in 2016 other than CPI adjustments. Further details are disclosed in section 8 below.

		Short-term benefits		Post-employment benefits	Shareholder approved remuneration	Post-employment benefits	Total
		Directors fees[1] $	Non-monetary $	Superannuation $	$	Retirement[2] $	$
R Sexton	2016	251,531	–	20,052	271,583	–	271,583
	2015	238,557	–	18,783	257,340	57,191	314,531
J Harvey	2016	148,832	–	14,139	162,971	–	162,971
	2015	141,008	–	13,396	154,404	–	154,404
A Griffiths	2016	149,826	–	13,145	162,971	–	162,971
	2015	133,729	–	11,858	145,587	–	145,587
G Venardos	2016	148,832	–	14,139	162,971	–	162,971
	2015	141,008	–	13,396	154,404	–	154,404
E Flynn[3]	2016	115,255	–	10,949	126,204	–	126,204
I Griffiths[4]	2016	38,584	2,871	3,666	45,121	–	45,121
	2015	141,081	–	13,403	154,484	–	154,484
Total	2016	852,860	2,871	76,090	931,821	–	931,821
	2015	795,383	–	70,836	866,219	57,191	923,410

1 Directors fees includes any fees sacrificed into superannuation funds.

2 Non-Executive Directors appointed after 13 April 2003 are not entitled to retirement benefits. Non-Executive Directors appointed prior to this date accrue retirement benefits. Where entitled, the provision is based on the average emoluments of Non-Executive Directors over the previous three years' of service. The benefit accrues after three years of service and varies according to the number of years of service, reaching twice the average annual emoluments after ten years of service. Refer to 'post employment benefits' in section 8.2 for further details.

3 Ms E Flynn was appointed Non-Executive Director effective 15 September 2015.

4 Mr I Griffiths resigned as Non-Executive Director effective 2 October 2015.

Remuneration report (cont'd)

2. Remuneration Framework

2.1 Objectives

The Board of Directors is committed to a remuneration strategy that aligns remuneration practices with the creation of shareholder value. To realise this objective, the Board is committed to remuneration practices which align to IOOF's strategic objectives; are sufficient to attract, motivate and retain an ambitious and highly motivated Leadership Group, and promote an appropriate governance culture in line with IOOF's risk appetite.

2.2 Remuneration governance

The Board of Directors oversees the IOOF Group's remuneration policies on recommendation from the Remuneration and Nominations Committee. The Board and the Remuneration and Nominations Committee review the remuneration policies of the IOOF Group annually to ensure that they support the Group's objectives.

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

- determination of Managing Director and 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 short-term and long-term incentive schemes;
- setting key performance indicators and assessment of the Managing Director's and the IOOF Group's performance against those key performance indicators;
- overall compensation arrangements of the IOOF Group;
- ensuring remuneration policies are appropriate to Non-Executive Directors;
- ongoing review of the composition, skill base and performance of Non-Executive Directors; and
- compliance with regulatory requirements including the ASX Listing Rules and the associated ASX Corporate Governance Principles and meeting both ASIC and APRA requirements.

The Remuneration and Nominations Committee reviews and makes recommendations to the Board on the remuneration structure and policies applicable to the KMP and Non-Executive Directors of the IOOF Group.

The Remuneration and Nominations Committee's charter is available on the Corporate Governance page of the Company's website at www.ioof.com.au/about_us/corporate_governance

2.3 Committee Members

The Remuneration and Nominations Committee is comprised solely of Non-Executive Directors, all of whom are independent. The members of the Remuneration and Nominations Committee during 2016 were Dr Roger Sexton AM (Chairman until 23 February 2016), Mr George Venardos (Chairman from 23 February 2016), Ms Jane Harvey (appointed 23 February 2016) and Mr Ian Griffiths (resigned 2 October 2015).

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

In order to ensure that it is fully informed when making remuneration decisions, the Remuneration and Nominations Committee receives regular reports and updates from the Company Secretary and the Group General Manager, People and Culture and other members of management invited by the Remuneration and Nominations Committee to attend meetings when appropriate. The Remuneration and Nominations 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.

2.4 How remuneration is determined

Executive remuneration comprises a number of components including total fixed remuneration (TFR), short term incentives (STI), partly (cash) deferred STI (for the Managing Director) and long term incentives (LTI) in the form of deferred shares (Managing Director only) and performance rights over ordinary shares. LTIs are subject to appropriate, pre-determined performance hurdles. Each of these forms of remuneration are described in detail below.

Total Fixed Remuneration (TFR)

TFR includes a combination of base salary, employer superannuation contributions and other fringe benefits that an individual employee could choose to salary sacrifice (e.g. superannuation, motor vehicle). TFR is based on what is appropriate to the position taking into consideration expertise, responsibility, knowledge, experience and market competitiveness.

Short Term Incentive (STI)

The STI opportunity is a cash-based incentive forming part of each KMP's total remuneration package, the value of which is tied to the successful achievement of a set of performance objectives, as outlined below. STI opportunities vary for each individual. For the Managing Director, the maximum STI is up to 100% of total fixed remuneration. The other executive KMP's maximum STI opportunity for 2016 is up to 50% with the exception of the Chief Investment Officer who has up to 100% if additional KPIs on the performance of the investment management business are satisfied (ie. top quartile performance).

Objectives are drawn from the following categories:

- **Financial**

  Performance measures include Underlying Profit After Tax (UNPAT), Total Shareholder Return (TSR) and Return on Equity (RoE).

- **Business excellence**

  Performance measures for the year ended 30 June 2016 included operational targets such as long-term structural reductions to the cost base of the IOOF Group, balance sheet and liquidity initiatives and improvements to the performance of business units.

- **Strategy**

  Measurable progress towards achieving longer term strategic goals. This includes, but is not limited to, implementation of major platform consolidation, regulatory adherence, growth through acquisition, divestment of non-core assets and product rationalisation initiatives.

- **Governance adherence**

  Each other executive KMP is provided with a number of targets at the beginning of the performance period that are set and agreed with the Managing Director. Each KMP has included in their targets an objective relating to risk management, regulatory and IOOF Group compliance and ensuring that outcomes from internal and external audit are actioned. In addition, other executive KMP have specific targets relating to their businesses to ensure they are working towards the IOOF Group's overall objectives.

Long Term Incentive (LTI)

The Board considers a long-term performance-related incentive component to be an important element of the executive reward framework. The IOOF Group utilises equity based incentives in the form of deferred shares (Managing Director only) and performance rights. These LTIs are subject to the achievement of a gateway qualifying condition (Managing Director only), minimum service periods and appropriate performance hurdles. The LTI element of the Managing Director's remuneration is described in detail in section 3 of this report.

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

- 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 employee due to death or permanent disability; or
- in other exceptional circumstances where the Board determines appropriate.

The performance hurdle for current LTI plans has been linked to IOOF Group TSR compared to S&P ASX200 companies at the date of grant. TSR represents the change in the value of a share plus the value of dividends paid. TSR was chosen as the most appropriate comparative measure as it focuses on the delivery of shareholder value and is a well understood and tested metric of performance.

The Remuneration and Nominations Committee engaged the services of an independent external organisation (Value Adviser Associates) to calculate the IOOF Group's performance against the TSR performance hurdles.

Deferral arrangements

The Board has implemented deferral arrangements and "look back" provisions on a portion of the STI (cash payment) and LTI for the Managing Director. The deferral element of the Managing Director's remuneration is described in detail in Section 3.2 of this report.

Remuneration report (cont'd)

Hedging of unvested securities

The IOOF Group Personal Trading in IOOF Holdings Limited Securities policy 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 mix

The table below shows the TFR and target and actual performance base remuneration as a proportion of the total of all forms of remuneration for the 2016 financial year:

Position		TFR	STI	LTI
		%	%	%
Managing Director	Target	39	38	23
	Actual[1]	47	25	28
Chief Investment Officer	Target	60	29	11
	Actual	59	30	11
Other Executives	Target	55	32	14
	Actual	62	23	15

1 Actual STI for the Managing Director includes one third of the STI awarded for the 2016 year settled in deferred shares.

2.5 Services from consultants

The Remuneration and Nominations Committee seeks and considers advice from independent, external remuneration consultants where appropriate. Remuneration consultants are engaged directly by and report to the Remuneration and Nominations Committee. No remuneration consultants were engaged during 2016 or 2015.

2.6 Consequences of performance on shareholder wealth

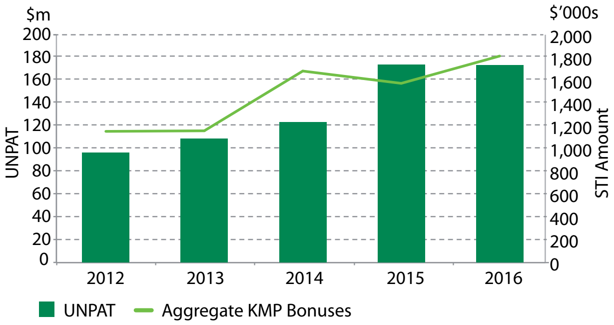
In considering the IOOF Group's performance and benefits for shareholder wealth, the Remuneration and Nominations Committee has regard to the following indices in respect of the current financial year and the previous four financial years.

	2016	2015	2014	2013	2012
Profit attributable to owners of the Company ($'000s)	196,846	138,371	101,285	79,769	19,373
UNPAT ($'000s)[1]	173,367	173,758	123,047	108,756	96,393
UNPAT EPS (cents per share)	57.8	59.9	53.1	46.9	41.6
Basic EPS (cents per share)	65.7	47.7	43.7	34.4	8.4
Basic EPS (continuing operations) (cents per share)	46.0	45.8	43.7	34.4	8.4
Share price at start of year	8.99	8.40	7.36	6.05	6.60
Share price at end of year	7.83	8.99	8.40	7.36	6.05
Change in share price	(1.16)	0.59	1.04	1.31	(0.55)
Dividends per share (cents per share)	54.5	53.0	47.5	42.0	37.0
Return on equity (non-statutory measure)[2]	12.3%	13.4%	15.0%	13.2%	11.1%
Total STIs paid to key management personnel ($'000s)	1,813	1,573	1,681	1,156	1,151

1 UNPAT is reconciled to profit attributable to owners of the Company in the Operating and Financial Review at page 2 of the Directors' Report.

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

Underlying Profit & STI Payments



STI payments awarded to KMP are commensurate to the IOOF Group's increased levels of profitability and scale of operations. As is consistent with the IOOF Group's adherence to effective cost management, STI levels from 2012 to 2016 have been constrained and recognise KPIs specific to individuals rather than being solely determined by profitability.

3. Managing Director Remuneration

3.1 Summary of Managing Director remuneration outcomes for 2016

Performance outcomes for the Managing Director for 2016 were as follows;

- the maximum opportunity for STI in 2016 was 100% of base salary. Assessment against Key Performance Indicators (KPIs) resulted in awarding 81% of the Managing Director's base salary. Two thirds of this payment was paid in cash ($651,891) and one third in 41,895 deferred shares;
- the Remuneration and Nominations Committee performed a look-back for the 26,984 deferred shares awarded in July 2015 and determined it was still appropriate to award the deferred shares. These were released to Mr Kelaher in August 2016; and
- the performance rights awarded in 2014 were subject to performance testing during 2016. The Group's TSR of 29.3% over the three year performance period placed it at the 52nd percentile relative to the ASX 200 as a comparator group. This percentile ranking means that 54%, or 54,000 of the 100,000 performance rights awarded to Mr Kelaher, have vested.

3.2 Managing Director remuneration

During the financial year ended 30 June 2016, Mr Kelaher received a remuneration package comprising total fixed remuneration of $1,207,206. Mr Kelaher was entitled to a total STI opportunity of up to a maximum of $1,207,206 (100% of TFR) based on achievement of superior performance against set targets determined by the Remuneration and Nominations Committee, as outlined in section 3.2.1. In July 2016 the Remuneration and Nominations Committee assessed Mr Kelaher's performance against those targets and determined an STI amount of $977,837, being 81% of the eligible amount.

The STI opportunity was settled two thirds by cash and one third in the form of deferred shares. The number of deferred shares granted to Mr Kelaher was determined on the basis of the STI deferral amount divided by the five day Volume Weighted Average Price up to and including 30 June 2016, which was $7.78. The number of deferred shares to be issued accordingly was 41,895 (capped at 75,000 annually) and there is no consideration payable for the grant of the deferred shares.

The Board has determined that the portion of STI awarded as deferred shares will be subject to Board "look back" arrangements. This means the Board will conduct a review of Mr Kelaher and the IOOF Group's performance in July 2017 and assess whether any significant unexpected or unintended consequences have occurred that were not foreseen by the Remuneration and Nominations Committee when it made its decision in July 2016, and whether it is still appropriate to award the deferred shares.

During July 2016, the Remuneration and Nominations Committee performed a "look back" review in regards to the 26,984 deferred shares issued in July 2015. The Remuneration and Nominations Committee determined, and the Board supported, that all of the deferred shares were to vest in accordance with the terms of the arrangement. The 26,984 shares have since been transferred to Mr Kelaher.

Remuneration report (cont'd)

3.2.1 Short term incentive: targets and outcomes

The key areas of focus for the Managing Director's short term incentive targets/objectives for the 2016 performance period are shown below. The targets / objectives which were set for the 2015/2016 year included both objective and subjective measures. The Board through its Remuneration and Nominations Committee assessed each of the Managing Director's targets and awarded a STI amount of $977,837. The STI awarded represents 81% of the total opportunity for the 2016 performance period.

KPI	Measure	Outcome
Compliance and risk	Implementation of review recommendations	PwC review completed and recommendations implemented
People and culture	Leadership, turnover and tolerance of poor behaviours	Achieved – strong leadership and culture
Process and customer	Efficiencies in process and business rationalisation	Project Unite completed
Customer experience	Enhance the customer experience	Achieved – ClientFirst initiatives
Growth/Strategy	Organic growth initiatives and consider appropriate acquisitions	Achieved – positive action despite no completed transactions

The Managing Director received a higher overall STI than in the previous financial period in large part for the very proactive stance taken in response to addressing issues and organisational improvements arising from the PwC reviews on compliance and risk which were commissioned by the Board during the year.

3.2.2 Long term incentive: targets and outcomes

The Managing Director is eligible for an LTI payment, with the amount to be determined each year by the Board. The LTI amount is paid via performance rights, subject to a gateway qualifying condition and TSR hurdle.

Performance rights – gateway condition

Notwithstanding the gateway qualifying condition and TSR hurdle, the awarding of performance rights or similar remuneration bonuses remains at the discretion of the Board.

For consideration to be given to the awarding of any performance rights to the Managing Director, the IOOF Group must achieve a minimum Return on Equity (RoE) of 1.5 times the Long Term Bond Rate (10 year bond yield) (LTBR). Only when this gateway condition is met, is consideration given to the TSR hurdle and the potential vesting of performance rights. That is, if less than 1.5 times the LTBR is achieved, no performance rights are eligible to vest. If 1.5 and up to 2.0 times the LTBR is achieved, 50% of the performance rights are eligible to vest. If 2.0 to up to 2.5 times is met, then 75% of the performance rights will be eligible to vest and 100% will be eligible to vest if 2.5 times (or above) the LTBR is achieved. The RoE gateway condition has been developed by the Board to ensure that an LTI is not paid in a period of low or negative performance.

RoE is calculated by dividing UNPAT pre-amortisation by average equity on issue during the year. Summary of RoE performance against the LTBR over the past 5 years is outlined below:

	2016	2015	2014	2013	2012
IOOF RoE v LTBR	3.8 x	3.9x	4.0x	3.3x	3.7x
Performance rights eligible to be tested against hurdles	100%	100%	100%	100%	100%

Performance rights – 2016 series performance hurdle

As noted above, only once the gateway qualifying condition is satisfied, will the performance hurdle be assessed.

The performance hurdle relates to the IOOF Group's TSR over a three year period from 1 July 2015 to 30 June 2018 measured against the TSR of a group of companies comprising the S&P ASX 200 as at 1 July 2015. 50% of the performance rights are 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. The remaining 50% vest if the participant continues to be an employee of the IOOF Group at vesting date.

As approved at the Annual General Meeting on 26 November 2015, Mr Kelaher is entitled to participate in an LTI program offering a maximum reward opportunity of 75,000 performance rights in respect of the 1 July 2015 to 30 June 2018 performance period.

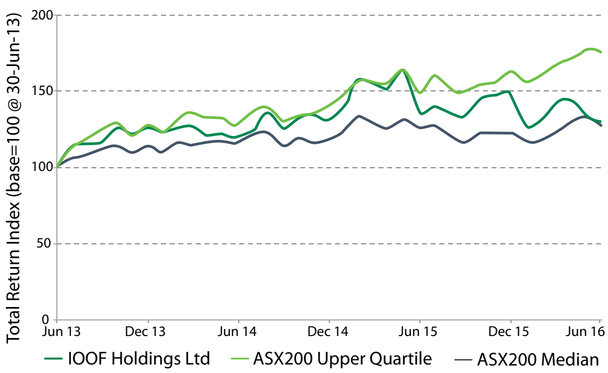
A summary of the current performance rights on issue to Mr Kelaher are as follows:

Year	Performance Hurdle	Grant date	Performance period	Rights eligible to vest	Vesting date
2016	TSR greater than median TSR of the S&P/ASX200 (progressive vesting)	26 Nov 15	2016-2018	75,000	30 Jun 18
2015	TSR greater than median TSR of the S&P/ASX200 (progressive vesting)	25 Nov 14	2015-2017	75,000	30 Jun 17
2014	TSR greater than median TSR of the S&P/ASX200 (54% satisfied)	26 Nov 13	2014-2016	100,000	30 Jun 16
2012	Average RoE of 5.5% and TSR greater than median TSR of the S&P/ASX200 (85.8% satisfied)	01 Jul 11	2012-2014	32,175	1 Jul 16

2014-2016 performance results (2014 series performance rights)

The below figure compares IOOF's TSR performance against the median TSR of the ASX 200 over the 2014 to 2016 measurement period.

IOOF Total Shareholder Return Performance vs Members of ASX200



The IOOF Group's TSR performance over the period was 29.3% placing it at the 52nd percentile relative to the ASX 200. This resulted in 54% or 54,000 of 100,000 performance rights awarded to Mr Kelaher in July 2016.

2017 Series Approval to be sought at the November 2016 Annual General Meeting – Managing Director

Approval will be sought at the 24 November 2016 Annual General Meeting for the issue of 120,000 performance rights. The gateway qualifying condition and performance hurdles will remain the same as those selected for the 2014, 2015 and 2016 grants. The performance period will be from 1 July 2016 to 30 June 2019 with vesting occurring on 1 July 2019.

3.3 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
Resignation by Mr Kelaher	The Board has discretion to waive the performance hurdles or determine that the proportion (if any) of unvested LTIs that will vest
Dismissal for serious misconduct (eg fraud)	Unvested performance rights and share options are forfeited

Remuneration report (cont'd)

3.4 Remuneration for the year ended 30 June 2017

The Board, on the recommendation of the Remuneration and Nominations Committee, has increased the Managing Director's total fixed annual remuneration to $1,231,350 for the financial year commencing 1 July 2016.

STI terms will be the same as for the year ended 30 June 2016, with an opportunity of up to 100% of total fixed remuneration, with specific performance hurdles relating to: the continuing growth of the business, product development, achievement of management efficiencies, succession planning, profitability, compliance, risk management and corporate governance. The STI deferral arrangements remain unchanged with two thirds of the STI award to be paid in cash shortly after the performance assessment has been completed at year end, and one third will be used to purchase Company shares which will vest in July 2018 after a "look back" review.

4. Key Management Personnel Remuneration

4.1 Key Management Personnel remuneration

The remuneration of other executive KMP is determined by the Managing Director, recommended by the Remuneration and Nominations Committee and approved by the Board. Details of the total value of fixed, STI and LTI for each other executive KMP is provided in section 1 of this report.

4.1.1 Short term incentive: targets and outcomes

At the end of the performance period, their targets were assessed by the Managing Director and considered and approved by both the Remuneration and Nominations Committee and the Board. The outcome of each assessment is set out below:

	TFR	STI opportunity	STI awarded	% awarded in year	% forfeited in year
	$	$	$		
Other Executive KMP					
D Coulter	413,120	206,560	200,000	97%	3%
S Merlicek	415,953	415,953	225,000	54%	46%
R Mota	500,000	250,000	200,000	80%	20%
G Riordan	457,650	228,825	140,000	61%	39%
Executive KMP – Former					
M Farrell	396,630	198,315	70,000	35%	65%

4.1.2 Long term incentive: targets and outcomes

A summary of the current performance rights on issue to key management personnel is as shown below. Vesting 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. This scale is the same as applies to the Managing Director as outlined in section 3.2.2 of this report.

In July 2016, the executive KMP each had 6,750 of 12,500 performance rights vest under this TSR measure and a further 12,500 each vested on the basis of fulfilling a three year service period obligation. The aggregated vested performance rights for executive KMP was 57,750.

Year	Performance period	Grant date	IOOF TSR for the period %	Ranking relative to ASX200	Vesting status at 30 Jun 2016	Vesting date
2017	2017-2019	10 Jul 16	Performance period not complete			30 Jun 19
2016	2016-2018	02 Jul 15	Performance period not complete			30 Jun 18
2015	2015-2017	18 Jul 14	Performance period not complete			30 Jun 17
2014	2014-2016	21 Aug 13	29.3%	52nd	54% vested	30 Jun 16

5. Remuneration tables

5.1 Deferred shares and performance rights over equity instruments granted as compensation during 2016

Details of deferred shares and performance rights over ordinary shares in the Company that were granted as compensation to each Executive during the reporting period are as follows:

Name	Type of instrument	Number granted	Grant date	Vesting date	Instrument fair value
Managing Director					
C Kelaher	LTI performance rights	75,000	26-Nov-15	30-Jun-18	$5.19
	STI deferred shares	41,895	30-Jun-16	01-Jul-17	$7.78
Other Executive KMP					
D Coulter	LTI performance rights	15,000	02-Jul-15	30-Jun-18	$6.17
G Riordan	LTI performance rights	15,000	02-Jul-15	30-Jun-18	$6.17
S Merlicek	LTI performance rights	15,000	02-Jul-15	30-Jun-18	$6.17
R Mota	LTI performance rights	15,000	02-Jul-15	30-Jun-18	$6.17
Executive KMP – Former					
M Farrell[1]	LTI performance rights	15,000	02-Jul-15	30-Jun-18	$6.17

1 M Farrell ceased employment with the Group on 22 January 2016. On 26 November 2015, the Board resolved to approve early vesting of 50% of the 2015 rights on the date of Mr Farrell's cessation of employment. All other rights awarded to Mr Farrell have lapsed.

In addition to a continuing employment service condition, the ability to exercise the performance rights is conditional on the IOOF Group achieving certain performance hurdles. Details of the performance criteria are included in the performance rights hurdles at sections 3 and 4 of the Remuneration Report.

The following series performance hurdles were tested during the financial year:

Name	Type of instrument	% vested in year	% forfeited in year[1]
Managing Director			
C Kelaher	2014 deferred shares	100.0%	0.0%
	2014 rights	54.0%	46.0%
Other Executive KMP			
D Coulter	2014 rights	54.0%	46.0%
R Mota	2014 rights	54.0%	46.0%
G Riordan	2014 rights	54.0%	46.0%

1 The percentage forfeited in the year represents the reduction from the maximum number of options or performance rights available to vest due to performance criteria not being achieved.

Remuneration report (cont'd)

5.2 Summary of Key Management Personnel deferred shares and performance rights holdings

There have been no alterations to the terms of share-based payment transactions during the current or the prior reporting period. Details on deferred ordinary shares and performance rights in the Company that were granted as compensation to each key management person during the reporting period and details on the vesting profiles of each are as follows:

Name	Type of instrument	Grant date	Number granted[1]	Balance as at 1 Jul 15	Granted as compen-sation	Exercised	Forfeited/ Lapsed	Balance as at 30 Jun 16	Deferred shares vested during the year	Financial years in which grant vests/ vested
Managing Director										
C Kelaher	2016 rights	26-Nov-15	75,000	–	75,000	–	–	75,000		2018
	2015 rights	25-Nov-14	75,000	75,000	–	–	–	75,000		2017
	2014 rights	26-Nov-13	100,000	100,000	–	–	(46,000)	54,000		2016
	2013 rights	27-Nov-12	250,000	250,000	–	(250,000)	–	–		2015
	2012 rights	1-Jul-11	150,000	64,350	–	(32,175)	–	32,175		2015-2017
	2011 rights	23-Nov-10	150,000	34,425	–	(34,425)	–	–		2014-2016
	2016 deferred shares[2]	30-Jun-16	41,895	–	41,895	–	–	41,895	–	2018
	2015 deferred shares	19-Aug-15	26,984	26,984	–	–	–	26,984	26,984	2017
	2014 deferred shares	30-Jul-14	36,217	36,217	–	(36,217)	–	–	–	2016
Other Executive KMP										
D Coulter	2016 rights	2-Jul-15	15,000	–	15,000	–	–	15,000		2018
	2015 rights	18-Jul-14	25,000	25,000	–	–	–	25,000		2017
	2014 rights	22-Aug-13	25,000	25,000	–	–	(5,750)	19,250		2016
	2013 rights	20-Aug-12	25,000	25,000	–	(25,000)	–	–		2015
S Merlicek	2016 rights	2-Jul-15	15,000	–	15,000	–	–	15,000		2018
	2015 rights	2-Jul-15	25,000	25,000	–	–	–	25,000		2017
	2013 rights	18-Jul-14	25,000	25,000	–	(25,000)	–	–		2015
R Mota	2016 rights	2-Jul-15	15,000	–	15,000	–	–	15,000		2018
	2015 rights	18-Jul-14	25,000	25,000	–	–	–	25,000		2017
	2014 rights	22-Aug-13	25,000	25,000	–	–	(5,750)	19,250		2016
	2013 rights	20-Aug-12	25,000	25,000	–	(25,000)	–	–		2015
G Riordan	2016 rights	2-Jul-15	15,000	–	15,000	–	–	15,000		2018
	2015 rights	18-Jul-14	25,000	25,000	–	–	–	25,000		2017
	2014 rights	22-Aug-13	25,000	25,000	–	–	(5,750)	19,250		2016
	2013 rights	20-Aug-12	25,000	25,000	–	(25,000)	–	–		2015
Executive KMP – Former										
M Farrell	2016 rights	2-Jul-15	15,000	–	15,000	–	(15,000)	–		2018
	2015 rights[3]	18-Jul-14	25,000	25,000	–	(12,500)	(12,500)	–		2017

1 Exercise price at grant date is $nil

2 In July 2016, Mr Kelaher was awarded an STI amount of $977,837 for the 2016 financial year of which one-third was settled in the form of deferred shares. The number of deferred shares issued was 41,895 which will vest in July 2017 subject to Board look-back provisions.

3 On 26 November 2015, the Board resolved to approve early vesting of 50% of the 2015 rights on the date of Mr Farrell's cessation of employment.

5.3 Performance rights granted since the end of the financial year

The Board resolved on 12 August 2016 to offer the following performance rights to Other Executive KMP during July 2016:

Name	Type of instrument	Number granted	Vesting date	Exercise price $
D Coulter	LTI performance rights	30,000	01-Jul-19	$nil
S Merlicek	LTI performance rights	30,000	01-Jul-19	$nil
R Mota	LTI performance rights	30,000	01-Jul-19	$nil
G Riordan	LTI performance rights	30,000	01-Jul-19	$nil

In addition to continued service to the IOOF Group, the performance hurdle remains unchanged from previous TSR hurdle over three years as outlined in section 3.2.2.

6. Summary of Key Management Personnel Contracts

Details of the employment contracts, as applied during the financial year, are as follows:

Executive	Term	Termination notice period – IOOF[1,2]	Termination notice period – Executive
Managing Director			
C Kelaher	Ongoing	12 months	3 months
Other Executive KMP			
D Coulter	Ongoing	6 months	3 months
S Merlicek	Ongoing	6 months	3 months
R Mota	Ongoing	7 months	5 weeks
G Riordan	Ongoing	6 months	6 months

1 Termination provisions – 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).

2 The Board has discretion regarding treatment of unvested short and long-term incentives.

7. Shareholdings of Key Management Personnel

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

Ordinary shares		Balance at 1 July No.	Received on exercise of options No.	Received on vesting of performance rights No.	Net other change No.	Balance at 30 June[1] No.
Managing Director						
C Kelaher	**2016**	**4,856,291**	**–**	**352,817**	**(1,903,818)**	**3,305,290**
	2015	4,612,986	79,156	164,149	–	4,856,291
Other Executive KMP						
D Coulter	**2016**	**242,043**	**–**	**25,000**	**(15,000)**	**252,043**
	2015	238	200,000	41,805	–	242,043
S Merlicek	**2016**	**141,805**	**–**	**25,000**	**3,195**	**170,000**
	2015	170,000	–	41,805	(70,000)	141,805
R Mota	**2016**	**68,009**	**–**	**25,000**	**–**	**93,009**
	2015	19,507	–	41,805	6,697	68,009
G Riordan	**2016**	**–**	**–**	**25,000**	**–**	**25,000**
	2015	–	–	41,805	(41,805)	–

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

Remuneration report (cont'd)

8. Non-Executive Directors' Remuneration

8.1 Overview

Non-Executive Directors are remunerated for their skilled input, time responsibilities and commitment to the IOOF Group through the payment of a fixed fee plus superannuation. Non-Executive Directors do not receive additional fees for service on individual Board Committees or subsidiary companies.

To ensure that independence and impartiality is maintained, fees to Non-Executive Directors are not linked to the performance of the Company and Non-Executive Directors are not eligible to participate in any of the Group's incentive arrangements.

8.2 Terms of appointment

All Non-Executive Directors have letters of appointment detailing the terms under which they are engaged. The term of appointment for each is open-ended, subject to the provisions of the Corporations Act and the Company's Constitution. Under the 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.

The Company's Constitution requires that the aggregate remuneration paid or provided to all Non-Executive Directors in any financial year by the Company, its subsidiaries and associated entities may not exceed an amount approved by shareholders. This ceiling amount includes all remuneration provided to Non-Executive Directors, including superannuation but not including retirement benefits. The current limit of $1,250,000 per annum was approved by shareholders at the 2013 Annual General Meeting.

<table>
<tr><th>Elements</th><th>Details</th></tr>
<tr><td>Current Board fees</td><td>2015/2016 Fees per annum were:
Board Chairperson fee $261,630
Board Non-Executive Director fee $157,000
Each of the Non-Executive Directors also hold Board positions on each of the following Australian Financial Services Licensed companies within the IOOF Group: IOOF Investment Management Ltd; Australian Executor Trustees Ltd; Questor Financial Services Ltd and IOOF Ltd. Each of these Boards met seven times in 2016.</td></tr>
<tr><td>Post-employment benefits</td><td>Superannuation contributions are made at a rate of 9.5% (up to the Government's prescribed maximum contributions limit) which satisfies the IOOF Group's statutory superannuation contributions and are included in the base fee.
The Board has withdrawn the retirement benefit from the potential remuneration for new Non-Executive Directors. The program continues for Directors appointed prior to 13 April 2003 to fulfil the terms of an historical agreement. However the Chairperson has voluntarily agreed that the maximum payment available be capped at $475,000. This benefit provides for a cash based payment to Non-Executive Directors at the time of their retirement and, subject to the cap noted above, is calculated as follows:
<table>
<tr><th>Period of service as a Non-Executive Director</th><th>Benefit Value[1]</th></tr>
<tr><td>0 to < 3 years</td><td>Nil</td></tr>
<tr><td>3 to 5 years</td><td>AAE times 1.0</td></tr>
<tr><td>> 5 years to 10 years</td><td>AAE times 1.5</td></tr>
<tr><td>> 10 years</td><td>AAE times 2.0</td></tr>
</table>
The retirement benefits plan will remain in operation for Dr Sexton (being the only remaining participant) for the year ending 30 June 2016, subject to the maximum cap.
The accrued entitlement for current Non-Executive Directors under the retirement benefits plan as at 30 June 2016 was $475,000 attributable to Dr Sexton.</td></tr>
</table>

1 "AAE" = Annual Average Emoluments over the last 3 years of service to date of retirement.

8.3 Shareholdings of Non-Executive Directors

The relevant interest of each Director in the shares issued by the Company, as notified by the Directors to the ASX in accordance with s.205G(1) of the Corporations Act 2001 is as follows:

Name	Balance as at 1 Jul 2015	Shares from changes during the year	Balance as at 30 Jun 2016[1]	Balance as at report sign-off date
E Flynn[2]	4,458	15,542	20,000	20,000
A Griffiths	10,000	20,000	30,000	30,000
J Harvey	23,578	–	23,578	23,578
R Sexton	90,350	3,000	93,350	93,350
G Venardos	31,816	10,000	41,816	41,816

1 The following shares (included in the holdings above) were held on behalf of the Non-Executive Directors (ie. indirect beneficially held shares) as at 30 June 2016: E Flynn – 20,000; A Griffiths – 30,000; J Harvey – 23,578; R Sexton – 93,350 and G Venardos – 41,816.

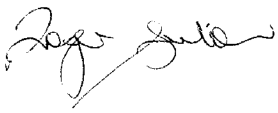
2 Opening balance represents initial interest on appointment date.

9. Payments to persons before taking office

No Director or member of senior management appointed during the period 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.

This report is made by a resolution of the Directors:



Dr Roger Sexton AM
Chairman

30 August 2016

Directors' declaration

For the year ended 30 June 2016

1. In the opinion of the Directors of the Company:

   (a) the consolidated financial statements and notes set out on pages 56 to 112, and the Remuneration Report, set out on pages 35 to 51 in the Directors' Report, are in accordance with the Corporations Act 2001 including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2016 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 2016.

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:

Dr Roger Sexton AM
Chairman
Melbourne

30 August 2016

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 for the financial year ended 30 June 2016 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
KPMG	KPMG
DM Waters *Partner*	Chris Wooden *Partner*
Melbourne	Melbourne
30 August 2016	30 August 2016

Independent auditor's report to the members of IOOF Holdings Ltd

Report on the financial report

We have audited the accompanying financial report of IOOF Holdings Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, sections 1 to 7 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year (the Group).

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In section 7-2, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of IOOF Holdings Ltd is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in section 7-2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 35 - 51 of the Directors' report for the year ended 30 June 2016. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of IOOF Holdings Ltd for the year ended 30 June 2016 complies with Section 300A of the *Corporations Act 2001*.

KPMG	KPMG
DM Waters *Partner*	Chris Wooden *Partner*
Melbourne	Melbourne
30 August 2016	30 August 2016

Consolidated statement of comprehensive income

For the year ended 30 June 2016

	Note	2016 $'000	2015* $'000
Continuing operations			
Revenue	2-3	907,882	909,939
Expenses	2-4	(713,217)	(726,967)
Share of profits of associates accounted for using the equity method		4,831	6,477
Finance costs		(7,353)	(8,725)
Profit before tax		192,143	180,724
Income tax expense	2-6	(51,601)	(45,766)
Statutory fund			
Statutory fund revenue**	5-4	62,937	66,424
Statutory fund expenses**	5-4	(58,200)	(56,484)
Income tax (expense)/benefit – statutory**	5-4	(4,737)	(9,940)
Statutory fund contribution to profit, net of tax		–	–
Profit for the period from continuing operations		140,542	134,958
Discontinued operation			
Profit for the period from discontinued operation	2-2	58,924	5,569
Profit for the period		199,466	140,527
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of share buy back liability		–	(3,393)
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		3,648	4,940
Exchange differences on translating foreign operations		118	(12)
Income tax on other comprehensive income		(1,109)	(1,454)
Total items that may be reclassified subsequently to profit or loss		2,657	3,474
Other comprehensive income/(expense) for the period, net of income tax		2,657	81
Total comprehensive income for the period		202,123	140,608
Profit attributable to:			
Owners of the Company		196,846	138,371
Non-controlling interest		2,620	2,156
Profit for the period		199,466	140,527
Total comprehensive income attributable to:			
Owners of the Company		199,503	138,452
Non-controlling interest		2,620	2,156
Total comprehensive income for the period		202,123	140,608
Earnings per share:			
Basic earnings per share (cents per share)		65.7	47.7
Diluted earnings per share (cents per share)		65.4	47.4
Earnings per share – continuing operations:			
Basic earnings per share (cents per share)		46.0	45.8
Diluted earnings per share (cents per share)		45.8	45.5

Notes to the consolidated financial statements are included on pages 61–112.

* 30 June 2015 has been restated. Refer Note 2-2 for details.

** 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 and are shown separately from shareholder funds in the financial statements.

Consolidated statement of financial position

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Assets			
Cash	1-1(d)	186,992	150,533
Receivables	1-1(d)	102,378	103,340
Other financial assets	1-1(d)	43,378	42,911
Prepayments		11,828	12,455
Assets held for sale		–	9,055
Deferred acquisition costs		2,482	3,639
Associates	4-1	22,667	21,898
Property and equipment		21,863	21,507
Intangible assets	4-2	480,169	523,457
Goodwill	4-3	991,712	1,013,105
Assets relating to statutory funds	5-1	879,349	901,187
Total assets		2,742,818	2,803,087
Liabilities			
Payables	1-1(d)	68,781	71,519
Borrowings	3-2	206,975	207,846
Current tax liabilities		17,930	44,028
Contingent consideration	1-1(d)	1,491	7,298
Share buy-back liabilities	1-1(d)	–	27,327
Provisions	4-4	62,394	67,676
Deferred tax liabilities	2-6	101,163	92,527
Liabilities held for sale		–	4,725
Deferred revenue liability		2,499	3,736
Lease incentives		2,536	2,960
Liabilities relating to statutory funds	5-2	879,349	901,187
Total liabilities		1,343,118	1,430,829
Net assets		**1,399,700**	**1,372,258**
Equity			
Share capital	3-3	1,436,460	1,437,757
Reserves	3-5	11,266	(8,918)
Accumulated losses		(57,501)	(66,224)
Total equity attributable to equity holders of the Company		1,390,225	1,362,615
Non-controlling interest		9,475	9,643
Total equity		**1,399,700**	**1,372,258**

Notes to the consolidated financial statements are included on pages 61–112.

Consolidated statement of changes in equity

For the year ended 30 June 2016

For the year ended 30 June 2016	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 2015	**1,444,903**	**(7,146)**	**(8,918)**	**(66,224)**	**1,362,615**	**9,643**	**1,372,258**
Total comprehensive income for the period							
Profit for the period attributable to owners of the Company	–	–	–	196,846	196,846	2,620	199,466
Other comprehensive income for the year, net of income tax	–	–	2,657	–	2,657	–	2,657
Total comprehensive income for the period	**–**	**–**	**2,657**	**196,846**	**199,503**	**2,620**	**202,123**
Contributions by and (distributions to) owners							
Dividends to equity holders	–	–	–	(169,430)	(169,430)	(2,788)	(172,218)
Share-based payment expense	–	–	1,966	–	1,966	–	1,966
Recognition of Operating Risk Financial Reserve	–	–	2,799	–	2,799	–	2,799
Proceeds from exercise of options under executive and employee share option plan	210	–	–	–	210	–	210
Transfer from employee equity-settled benefits reserve on exercise of options	5,931	–	(5,931)	–	–	–	–
Treasury shares transferred to recipients during the period	(11,768)	11,768	–	–	–	–	–
Divestment of discontinued operation	–	–	18,728	(18,728)	–	–	–
Transfer of lapsed share options to retained earnings	–	–	(35)	35	–	–	–
Purchase of treasury shares	–	(7,438)	–	–	(7,438)	–	(7,438)
Total transactions with owners	(5,627)	4,330	17,527	(188,123)	(171,893)	(2,788)	(174,681)
Balance at 30 June 2016	**1,439,276**	**(2,816)**	**11,266**	**(57,501)**	**1,390,225**	**9,475**	**1,399,700**

Notes to the consolidated financial statements are included on pages 61–112.

For the year ended 30 June 2015	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 2014	868,084	(8,119)	(4,456)	(55,004)	800,505	12,835	813,340
Total comprehensive income for the period							
Profit for the period attributable to owners of the Company	–	–	–	138,371	138,371	2,156	140,527
Other comprehensive income for the year, net of income tax	–	–	81	–	81	–	81
Total comprehensive income for the period	–	–	81	138,371	138,452	2,156	140,608
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends to equity holders	–	–	–	(149,755)	(149,755)	(3,239)	(152,994)
Share-based payment expense	–	–	3,559	–	3,559	–	3,559
Fair value of shares issued in business combination	581,535	–	–	–	581,535	–	581,535
Transaction costs of issuing new shares	(293)	–	–	–	(293)	–	(293)
Proceeds from exercise of options under executive and employee share option plan	4,880	–	–	–	4,880	–	4,880
Transfer from employee equity-settled benefits reserve on exercise of options	7,938	–	(7,938)	–	–	–	–
Treasury shares transferred to recipients during the year	(16,999)	16,999	–	–	–	–	–
On-market purchase of shares transferred to option and rights holders during the year	(242)				(242)		(242)
Purchase of treasury shares	–	(16,026)	–	–	(16,026)	–	(16,026)
Transfer of lapsed share options to retained earnings	–	–	(164)	164	–	–	–
Return of capital to non-controlling members of subsidiary entities	–	–	–	–	–	(1,640)	(1,640)
Purchase of non-controlling shares	–	–	–	–	–	(469)	(469)
Total transactions with owners	576,819	973	(4,543)	(149,591)	423,658	(5,348)	418,310
Balance at 30 June 2015	1,444,903	(7,146)	(8,918)	(66,224)	1,362,615	9,643	1,372,258

Notes to the consolidated financial statements are included on pages 61–112.

Consolidated statement of cash flows

For the year ended 30 June 2016

	Note	2016 $'000	2015* $'000
Cash flows from operating activities			
Receipts from customers		1,004,844	1,037,747
Payments to suppliers and employees		(757,836)	(791,240)
Dividends from associates		2,757	8,141
Net stockbroking purchases		(596)	(122)
Non-recurring professional fees		(5,061)	–
Termination and retention incentive payments		(5,799)	(5,857)
Income taxes paid		(69,458)	(62,324)
Net cash provided by/(used in) operating activities	2-5	168,851	186,345
Cash flows from investing activities			
Dividends and distributions received		839	753
Interest received		5,002	4,112
Net proceeds on divestment of discontinued operation, net of tax		54,586	371
Acquisition of subsidiary, net of cash acquired		–	(35,779)
Acquisition and divestment transaction costs		(1,516)	(6,381)
Interest and other costs of finance paid		(7,022)	(8,337)
Proceeds on divestment of other assets		5,868	3,773
Receipt/(payment) of deferred purchase consideration		(4,188)	1,003
Purchase of non-controlling interests in subsidiaries		(2,112)	(1,444)
Net proceeds from sales/(purchases) of financial assets		(944)	6,443
Payments for property and equipment		(8,390)	(6,890)
Amounts (advanced to)/borrowed from other entities		352	(23)
Payments for intangible assets		(842)	(4,988)
Net cash provided by/(used in) investing activities		41,633	(47,387)
Cash flows from financing activities			
Net borrowings drawn/(repaid)		(1,087)	75,435
Purchase of treasury shares		(7,438)	(16,268)
Proceeds from exercise of IFL share options		210	4,880
Proceeds from exercise of share options in subsidiaries		–	662
Cost of issuing additional shares		–	(291)
Return of capital to non-controlling members of Group entities		–	(1,640)
Dividends paid:			
– members of the Company		(169,430)	(149,755)
– non-controlling members of subsidiary entities		(2,788)	(3,239)
– shareholders entitled to contractual share buy-back		(1,698)	(2,383)
Net cash provided by/(used in) financing activities		(182,231)	(92,599)
Net increase/(decrease) in cash and cash equivalents		28,253	46,359
Cash and cash equivalents at the beginning of period		150,533	109,505
Effects of cash reclassified to assets held for sale		5,314	(5,314)
Operating Risk Financial Reserve cash requirement		2,799	–
Effects of exchange rate changes on cash and cash equivalents		93	(17)
Cash and cash equivalents at the end of period		**186,992**	**150,533**

Notes to the consolidated financial statements are included on pages 61–112.

* 30 June 2015 has been restated. Refer Note 2-2 for details.

Notes to the financial statements

For the year ended 30 June 2016

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 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 strategy to manage risk involves the identification of risks by type, consequence and likelihood, implementation of controls to mitigate 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. Risk Management Procedures are put in place to control and mitigate the risks faced by the IOOF Group and vary 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 any anticipated risk exposure, is 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, excludes the benefit funds and the controlled unit trusts. This is because 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, available for sale financial assets and the share buy-back liability.

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. Available for sale financial assets are exposed to price risk as the share price fluctuates.

Notes to the financial statements

For the year ended 30 June 2016

The share buy-back liability recorded at 30 June 2015 was reflective of the fair value of the underlying shares of certain Perennial subsidiaries. The price risk associated with this liability was that the fair value of the particular equities could change as a result of a change in the projected profitability of those subsidiaries. It was considered impractical to manage the price risk associated with this liability. Share buy-back liabilities were extinguished in 2016 as part of the contractual terms of the divestment of the discontinued operation. Refer note 2-2 for further details.

IOOF Group sensitivity

At 30 June 2016 had the price of the units/shares held by the IOOF Group in unlisted unit trusts/shares in other entities increased/decreased by 1% (2015: 1%) with all other variables held constant, post-tax profit for the year would increase/decrease by $15,000 (2015: $8,000) as a result of gains/losses recorded through profit or loss, and available-for-sale reserves would increase/decrease by $147,000 (2015: $122,000).

(ii) Currency risk

The IOOF Group is exposed to insignificant foreign exchange risk in relation to the financial instruments of its foreign activities in New Zealand and Hong Kong.

(iii) Cash flow and fair value 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, within investment guidelines acceptable to the Board.

There is limited exposure to fair value interest rate risk because of the relatively short time frame of any fixed rate investments and borrowings.

IOOF Group sensitivity

At 30 June 2016, if interest rates had changed by +/- 100 basis points (2015: +/- 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 $1,451,000 (2015: $1,329,000). 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, 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.

There are no significant concentrations of credit risk within the IOOF Group.

The IOOF Group does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

The credit quality of the financial assets that are neither past due nor impaired as at balance date was consistent with that described above, and management assesses the credit risk associated with these reported balances as being minimal. Information in relation to impaired receivables and past due but not impaired receivables is included below.

Impaired receivables

As at 30 June 2016, $3,495,000 trade receivables of the IOOF Group were past due or impaired (2015: $4,974,000). The amount of the impairment provision was $598,000 (2015: $605,000).

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. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the IOOF Group may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the 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 period, 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:	2016	2015
	$'000	$'000
Carrying value at 1 July	605	–
Acquisition through business combination	–	880
Provision for impairment provided/(written back) during the year	32	(256)
Receivables written back during the year as collectible	(39)	(19)
Carrying value at 30 June	598	605

Ageing of trade receivables that were not impaired at 30 June	2016	2015
	$'000	$'000
Neither past due nor impaired	47,561	51,237
Past due 31-60 days	1,042	1,230
Past due 61-90 days	504	1,486
Past due 91-120 days	1,351	1,653
	50,458	55,606

(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.

(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.

Notes to the financial statements

For the year ended 30 June 2016

Maturities of financial liabilities

The tables below analyse the IOOF Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed therein are the contractual undiscounted cash flows. Statutory funds are excluded on the basis that monies held in the benefit funds and controlled trusts are held for the benefit of the members of those funds, and are not available to shareholders or creditors.

2016	Carrying Amount			Contractual cash flows			
	Current	Non-Current	Total	1 year or less	1-5 years	5+ years	Total contractual cash flows
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Payables	68,778	3	68,781	68,778	3	–	68,781
Total payables	68,778	3	68,781	68,778	3	–	68,781
Borrowing facilities	–	206,730	206,730	–	206,730	–	206,730
Finance lease liabilities	192	53	245	192	53	–	245
Total borrowings	192	206,783	206,975	192	206,783	–	206,975
Contingent consideration	721	770	1,491	721	770	–	1,491
	69,691	**207,556**	**277,247**	**69,691**	**207,556**	**–**	**277,247**
Financial assets available to meet the above financial liabilities							
Cash	186,992	–	186,992	186,992	–	–	186,992
Trade receivables	50,458	–	50,458	50,458	–	–	50,458
Other receivables	44,761	1,785	46,546	44,761	1,785	–	46,546
Security bonds	–	5,374	5,374	–	–	5,374	5,374
Total receivables	95,219	7,159	102,378	95,219	1,785	5,374	102,378
Fair value through profit or loss							
Certificates of deposit	132	–	132	132	–	–	132
Shares in listed companies	181	–	181	181	–	–	181
Unlisted unit trusts	–	1,963	1,963	–	1,963	–	1,963
Available-for-sale investments	–	20,999	20,999	–	–	20,999	20,999
Loans and other receivables							
Loans to directors and executives	–	8,409	8,409	–	–	8,409	8,409
Receivables from statutory benefit funds	4,541	–	4,541	4,541	–	–	4,541
Seed capital receivable	–	7,153	7,153	–	–	7,153	7,153
Total other financial assets	4,854	38,524	43,378	4,854	1,963	36,561	43,378
	287,065	**45,683**	**332,748**	**287,065**	**3,748**	**41,935**	**332,748**
Net financial assets/ (liabilities)	217,374	(161,873)	55,501	217,374	(203,808)	41,935	55,501

2015	Carrying Amount			Contractual cash flows			
	Current	Non-Current	Total	1 year or less	1-5 years	5+ years	Total contractual cash flows
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Payables	71,516	3	71,519	71,519	–	–	71,519
Total payables	71,516	3	71,519	71,519	–	–	71,519
Borrowing facilities	–	206,562	206,562	–	206,562	–	206,562
Finance lease liabilities	1,031	253	1,284	1,088	253	–	1,341
Total borrowings	1,031	206,815	207,846	1,088	206,815	–	207,903
Contingent consideration	6,164	1,134	7,298	6,279	1,200	–	7,479
Share buy-back liabilities	–	27,327	27,327	–	–	27,327	27,327
	78,711	**235,279**	**313,990**	**78,886**	**208,015**	**27,327**	**314,228**
Financial assets available to meet the above financial liabilities							
Cash	150,533	–	150,533	150,533	–	–	150,533
Trade receivables	55,606	–	55,606	55,606	–	–	55,606
Other receivables	40,082	2,280	42,362	40,082	2,280	–	42,362
Security bonds	–	5,372	5,372	–	–	5,372	5,372
Total receivables	95,688	7,652	103,340	95,688	2,280	5,372	103,340
Fair value through profit or loss							
Certificates of deposit	129	–	129	129	–	–	129
Shares in listed companies	68	–	68	68	–	–	68
Unlisted unit trusts	–	1,044	1,044	–	1,044	–	1,044
Available-for-sale investments	–	17,474	17,474	–	–	17,474	17,474
Loans and other receivables							
Loans to directors and executives	–	10,059	10,059	–	–	10,059	10,059
Receivables from statutory benefit funds	6,984	–	6,984	6,984	–	–	6,984
Seed capital receivable	–	7,153	7,153	–	–	7,153	7,153
Total other financial assets	7,181	35,730	42,911	7,181	1,044	34,686	42,911
	253,402	**43,382**	**296,784**	**253,402**	**3,324**	**40,058**	**296,784**
Net financial assets/ (liabilities)	**174,691**	**(191,897)**	**(17,206)**	**174,516**	**(204,691)**	**12,731**	**(17,444)**

Notes to the financial statements

For the year ended 30 June 2016

(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 with the exception of finance lease liabilities which are disclosed in note 3-2 Borrowings.

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.

Non-derivative 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 non-derivative financial assets:

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

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.

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.

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, less any impairment losses.

Loans and other receivables are carried at amortised cost using the effective interest method and closely approximate their estimated fair value due to their short-term nature.

Available-for-sale financial assets

Available-for-sale financial assets 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. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the available-for-sale investment revaluation reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Non-derivative 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 (including share buy-back liabilities and contingent consideration).

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 was based on market interest rates upon acquisition of related intangibles. The estimated fair values are reasonable and the most appropriate at the balance date.

Share buy-back liabilities

The IOOF Group was required to buy back vested shares held by executives of some Perennial Group subsidiaries in the event of the death of those serving executives. Hence the probability of the total liability becoming payable in any individual financial year was low. Share buy-back liabilities were extinguished in 2016 as part of the contractual terms of the divestment of the discontinued operation. Refer to note 2-2 for further details.

Purchase commitments to reacquire interests from non-controlling shareholders are accounted for in accordance with AASB 132 Financial Instruments: Presentation which specifies that an obligation for an entity to purchase its own equity instruments for cash gives rise to a financial liability.

The above liabilities were recorded at fair value and changes therein, were recognised in other comprehensive income and presented within equity in the share buy-back revaluation reserve. Determination of fair value required assumptions concerning future growth, discount rates and fund flows.

Notes to the financial statements

For the year ended 30 June 2016

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 with the exception of finance lease liabilities which are disclosed in note 3-2 Borrowings.

The table below analyses financial instruments carried at fair value, by valuation method.

	Level 1	Level 2	Level 3	Total
30 June 2016	$'000	$'000	$'000	
Financial assets measured at fair value				
Available-for-sale investments	20,999	–	–	**20,999**
Certificates of deposit	–	132	–	**132**
Shares in listed companies	181	–	–	**181**
Unlisted unit trusts	–	1,963	–	**1,963**
	21,180	**2,095**	**–**	**23,275**
Financial liabilities measured at fair value				
Contingent consideration	–	–	1,491	**1,491**
	–	**–**	**1,491**	**1,491**
30 June 2015				
Financial assets measured at fair value				
Available-for-sale investments	17,474	–	–	17,474
Certificates of deposit	–	129	–	129
Shares in listed companies	68	–	–	68
Unlisted unit trusts	–	1,044	–	1,044
	17,542	**1,173**	**–**	**18,715**
Financial liabilities measured at fair value				
Share buy-back liabilities	–	–	27,327	27,327
Contingent consideration	–	–	7,298	7,298
	–	**–**	**34,625**	**34,625**

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 fair value of level 3 share buy-back liabilities is determined using valuation techniques in consultation with professional accounting and specialist valuation firms, using generally accepted valuation methodologies. Refer to section 1-1(e) for further information.

The IOOF Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period 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 2016.

Reconciliation of movements in level 3 financial liabilities	Contingent consid- eration	Share buy-back liabilities
	$'000	$'000
Opening balance as at 1 July 2015	7,298	27,327
Acquisition of intangibles	349	–
Fair value gain from derecognition of contingent consideration payable	(597)	–
Unwinding of discount	122	–
Settlement of contingent consideration	(5,681)	–
New buy-back entitlements	–	541
Dividends paid to shareholders entitled to contractual share buy-back	–	(1,698)
Purchase of non-controlling interest	–	(2,112)
Divestment of discontinued operation	–	(24,058)
Closing balance as at 30 June 2016	**1,491**	**–**

Notes to the financial statements

For the year ended 30 June 2016

Section 2 – Results for the period

This section focuses on the results and performance of the IOOF Group. On the following pages you will find disclosures explaining the 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 Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The results of Shadforth are now shown in the respective segments of investment management, financial advice and distribution and corporate and other. Comparative disclosures have been restated to be on a comparable basis. Further detail on Shadforth's impact on these segments is available in the results presentation which can be accessed at the Company website at www.ioof.com.au

Platform management and 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.

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.

Trustee services

The provision of estate planning, trustee, custodial, agency and estate administration services to clients.

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 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.

	Platform management and administration		Investment management[#]		Financial advice and distribution[#]		Trustee services		Corporate and other[#]		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
External management and service fee revenue	394,082	401,693	99,318	107,995	260,285	247,526	24,995	24,039	–	–	778,680	781,253
External other fee revenue	5,829	9,608	1,847	1,819	22,656	23,640	4,213	3,449	562	715	35,107	39,231
Service fees and other direct costs	(113,866)	(112,727)	(43,187)	(47,652)	(119,933)	(123,231)	(2,171)	19	419	399	(278,738)	(283,192)
Deferred acquisition costs	(517)	(1,104)	–	–	(603)	(853)	–	–	–	–	(1,120)	(1,957)
Gross Margin	285,528	297,470	57,978	62,162	162,405	147,082	27,037	27,507	981	1,114	533,929	535,335
Stockbroking revenue	–	–	–	–	73,841	73,207	–	–	–	–	73,841	73,207
Stockbroking service fees expense	–	–	–	–	(41,683)	(41,669)	–	–	–	–	(41,683)	(41,669)
Stockbroking net contribution	–	–	–	–	32,158	31,538	–	–	–	–	32,158	31,538
Inter-segment revenue[i]	–	–	–	–	71,879	74,817	385	304	137	137	72,401	75,258
Inter-segment expenses[i]	(67,367)	(74,779)	(259)	(335)	(4,775)	(141)	–	(3)	–	–	(72,401)	(75,258)
Net Operating Revenue	218,161	222,691	57,719	61,827	261,667	253,296	27,422	27,808	1,118	1,251	566,087	566,873
Other external revenue	375	–	1,887	6,138	3,537	3,565	–	2	549	319	6,348	10,024
Finance income	2	–	1,236	531	800	1,041	–	–	3,743	3,617	5,781	5,189
Inter-segment revenue[i]	–	–	–	–	17	179	–	–	–	–	17	179
Share of net profits of associates	–	(51)	3,685	5,071	1,146	1,457	–	–	–	–	4,831	6,477
Operating and other expenditure	(99,392)	(95,949)	(19,769)	(23,933)	(147,715)	(157,332)	(18,601)	(17,715)	(41,477)	(39,937)	(326,954)	(334,866)
Share-based payments expense	(503)	(766)	(296)	(324)	(409)	(1,582)	(20)	(26)	(726)	(802)	(1,954)	(3,500)
Finance costs	–	–	–	(142)	(69)	(300)	–	–	(7,284)	(8,283)	(7,353)	(8,725)
Inter-segment expenses[i]	(17)	(164)	–	–	–	–	–	–	–	(15)	(17)	(179)
Depreciation	(3,048)	(1,909)	(1,087)	(764)	(3,558)	(3,319)	(226)	(155)	–	(1)	(7,919)	(6,148)
Amortisation of intangible assets – IT Development	(1,737)	(1,662)	–	–	–	–	–	–	–	–	(1,737)	(1,662)
Non-controlling interests	–	–	–	–	(2,620)	(2,156)	–	–	–	–	(2,620)	(2,156)
Income tax expense	(34,820)	(37,865)	(11,996)	(13,180)	(34,361)	(28,961)	(2,578)	(2,983)	20,515	21,489	(63,240)	(61,500)
UNPAT from continuing operations	79,021	84,325	31,379	35,224	78,435	65,888	5,997	6,931	(23,562)	(22,362)	171,270	170,006
Discontinued Operations											2,097	3,752
UNPAT											**173,367**	**173,758**

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

The results of Shadforth are now shown in the respective segments of investment management, financial advice and distribution and corporate and other. Comparative disclosures have been restated to be on a comparable basis.

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.

Notes to the financial statements

For the year ended 30 June 2016

Reconciliation of reportable segment revenues and expenses

	Note	2016 $'000	2015 $'000
Total profit after tax for reportable segments		171,270	170,006
Non-controlling interest		2,620	2,156
UNPAT adjustments – continuing operations			
Amortisation of intangible assets	2-4	(39,681)	(38,612)
Acquisition and divestment transaction costs	2-4	(1,414)	(5,962)
Termination and retention incentive payments	2-4	(6,005)	(5,948)
Onerous contracts	2-4	(951)	(2,051)
Impairment of Plan B brand name	2-4	–	(1,400)
(Profit)/loss on sale of assets		8,125	(642)
Gain on divestment of subsidiaries		–	1,677
Non-recurring professional fees	2-4	(5,061)	–
Unwind of deferred tax liability recorded on intangible assets		10,056	9,677
Income tax attributable		1,583	6,057
Profit for the period from continuing operations		140,542	134,958
Profit for the period from discontinued operation		58,924	5,569
Profit for the period		199,466	140,527

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 operation

On 2 June 2015, we announced that we expected to divest our interests in Perennial Fixed Interest and Perennial Growth Management to Henderson for an upfront consideration of $71.6m and a deferred component dependent on future business performance, payable after two and four years. The sale to Henderson was completed on 1 November 2015. No amounts have been recognised as deferred consideration at 30 June 2016. These components of the Perennial Group were previously classified as held-for-sale.

Perennial Real Estate Investments and Perennial International Equities Management were divested in the 2015 financial year. These were not disclosed as a discontinued operation in the 2015 financial report due to immateriality. The 30 June 2015 figures below also include the impact of these divestments.

Results of the discontinued operation	4 months ended 1 Nov 15	12 months ended 30 Jun 15
	$'000	$'000
Revenue	9,486	27,808
Expenses	(5,435)	(19,518)
Results from operating activities	4,051	8,290
Income tax	(1,221)	(3,092)
Results from operating activities, net of tax	2,830	5,198
Gain on sale of discontinued operation	71,988	530
Income tax on gain on sale of discontinued operation	(15,894)	(159)
Gain on divestment of discontinued operation, net of tax	56,094	371
Profit for the period	**58,924**	**5,569**
Basic earnings per share	19.7	1.9
Diluted earnings per share	19.6	1.9
Cash flows from the discontinued operation		
Net cash provided by operating activities	2,830	5,198
Net cash provided by investing activities	54,586	371
Net cash flow for the period	**57,416**	**5,569**

Assets and liabilities of divestment group

The net assets of the divestment group at the date of divestment are shown below. As at 30 June 2015 the related balances with the exception of goodwill and share buy-back liabilities were classified as held for sale.

	1 Nov '15
	$'000
Assets	
Cash	1,201
Receivables	1,231
Other financial assets	1,992
Prepayments	167
Deferred tax assets	339
Goodwill	21,393
Total assets	**26,323**
Liabilities	
Payables	1,481
Current tax liabilities	95
Share buy-back liabilities	24,058
Provisions	1,005
Total liabilities	**26,639**
Net assets and liabilities	**(316)**
Consideration received in cash	71,681
Income tax paid	(15,894)
Cash and cash equivalents divested	(1,201)
Net cash inflow	**54,586**

Notes to the financial statements

For the year ended 30 June 2016

Accounting policies

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations; and
- is part of a single co-ordinated plan to divest a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs at the earlier of divestment or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

2-3 Revenue

	Policy note	2016	2015*
		$'000	$'000
Management and service fees revenue	(i)	778,680	781,253
Stockbroking revenue	(ii)	73,841	73,207
External other fee revenue	(ii)	35,107	39,231
Finance income	(iii)		
Interest income on loans to Directors of controlled and associated entities		295	408
Interest income from non-related entities		4,661	4,002
Dividends and distributions received		839	753
Net fair value gains/(losses) on other financial assets at fair value through profit or loss		(14)	26
		5,781	5,189
Other revenue			
Service revenue charged to related parties		1,887	6,052
Profit/(loss) on sale of assets		8,125	(96)
Gain on divestment of subsidiaries		–	1,677
Other		4,461	3,426
		14,473	11,059
Total revenue		907,882	909,939

* 30 June 2015 has been restated. Refer Note 2-2 for details.

Accounting policies

Revenue is measured at the fair value of the consideration received or receivable.

(i) Management and service fees revenue

The IOOF Group provide 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 at the time the service is provided.

(ii) Stockbroking revenue and external other fee revenue

Other fee revenue and stockbroking revenue from the rendering of services are recognised at the time the service is provided.

(iii) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the divestment of available-for-sale financial assets 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.

2-4 Expenses

	Policy note	2016	2015*
		$'000	$'000
Service Fees and other direct costs	(i)		
Service and marketing fees expense		254,591	260,961
Stockbroking service fees expense		41,683	41,669
Other direct costs		24,147	22,231
		320,421	324,861
Operating expenditure			
Salaries and related employee expenses	(ii)	199,990	206,679
Employee defined contribution plan expense	(iii)	14,812	14,330
Information technology costs		50,296	50,592
Professional fees		7,492	7,090
Marketing		9,250	9,756
Office support and administration		18,539	17,839
Occupancy related expenses		20,335	22,277
Travel and entertainment		6,066	6,181
Other		–	68
		326,780	334,812
Other expenses			
Share-based payments expense	(iv)	1,954	3,500
Acquisition and divestment transaction costs		1,414	5,962
Termination and retention incentive payments	(v)	6,005	5,948
Depreciation of property and equipment		7,919	6,148
Amortisation of intangible assets	(vi)	39,681	38,612
Amortisation of intangible assets – IT development	(vi)	1,737	1,662
Loss on divestment of non-current assets		174	54
Deferred acquisition costs	(vii)	1,120	1,957
Non-recurring professional fees		5,061	–
Onerous contracts		951	2,051
Impairment of Plan B brand name	(vi)	–	1,400
		66,016	67,294
Total expenses		**713,217**	**726,967**

* 30 June 2015 has been restated. Refer Note 2-2 for details.

Notes to the financial statements

For the year ended 30 June 2016

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 including salaries, wages, bonuses, overtime, allowances, annual and long service leave, but exclude share-based payments. The accounting policies for the three 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 periods 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 periods of service.

(iii) 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 periods 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.

(iv) 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 period 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.

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 and strategic direction.

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.

Non-Executive Directors have the opportunity to participate in the IOOF Deferred Share Purchase Plan. The plan provides a facility for Non-Executive Directors to salary sacrifice base salary or future incentive entitlements in order to acquire shares. As the purchase is funded by Directors' salary sacrifice, no additional expense is recorded by the IOOF Group.

(v) Termination and retention incentive 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.

(vi) 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 amortised value. Should an asset's value fall below its amortised value an additional one-off impairment charge is made against profit.

(vii) 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 period of time the future economic benefits are expected to be received. The amortisation period is between 5 and 7 years.

Notes to the financial statements

For the year ended 30 June 2016

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.

	2016	2015
	$'000	$'000
Profit for the period	199,466	140,527
Depreciation on property and equipment	7,919	6,151
Amortisation of intangible assets	41,418	40,274
(Profit)/loss on divestment of assets	(80,533)	(2,078)
Interest and other costs of finance	7,353	8,725
Interest received and receivable	(4,990)	(4,521)
Dividends and distributions received and receivable	(839)	(753)
Impairment of Plan B brand name	–	1,400
Dividends received from associates	2,757	8,141
Share of profits of associates accounted for using the equity method	(4,831)	(6,477)
Share-based payments expense	1,966	3,559
Acquisition and divestment transaction costs	1,516	6,381
Other	(49)	23
Changes in net operating assets and liabilities:		
(Increase)/decrease in receivables	8,444	(10,396)
(Increase)/decrease in other assets	52	2,907
(Increase)/decrease in other financial assets	3,031	(32)
(Increase)/decrease in deferred acquisition costs	1,157	2,102
Increase/(decrease) in payables	(3,515)	(13,090)
Increase/(decrease) in deferred revenue liabilities	(1,238)	(2,165)
Increase/(decrease) in provisions	(6,078)	10,357
Increase/(decrease) in income tax payable	(11,219)	19,581
Increase/(decrease) in contingent consideration	(9)	–
Increase/(decrease) in other liabilities	(114)	1,022
Increase/(decrease) in deferred taxes	7,187	(25,293)
Net cash provided by operating activities	**168,851**	**186,345**

2-6 Income taxes

Income taxes	2016	2015*
	$'000	$'000
Current tax expense		
Current period	61,494	58,857
Adjustment for prior periods	(958)	(2,457)
	60,536	56,400
Deferred tax expense		
Origination and reversal of temporary differences	(8,606)	(12,463)
Adjustments recognised in the current year in relation to the deferred tax of prior years	(329)	1,829
	(8,935)	(10,634)
Total income tax expense from continuing operations	**51,601**	**45,766**

Income tax recognised in other comprehensive income	2016 $'000			2015 $'000		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Available-for-sale financial assets	3,648	(1,105)	2,543	4,965	(1,479)	3,486
Exchange differences on translating foreign operations	118	(4)	114	(37)	25	(12)
	3,766	**(1,109)**	**2,657**	**4,928**	**(1,454)**	**3,474**

* 30 June 2015 has been restated. Refer Note 2-2 for details.

	2016		2015	
	%	$'000	%	$'000
Reconciliation of effective tax rate				
Profit before tax from continuing operations		192,143		180,724
Tax using the IOOF Group's domestic tax rate	30.0%	57,643	30.0%	54,217
Tax effect of:				
Share of tax credits with statutory funds	0.7%	1,304	0.9%	1,711
(Non assessable income)/Non-deductible expenses	(1.5%)	(2,874)	(3.3%)	(5,914)
Share of net profits of associates	(0.8%)	(1,449)	(1.1%)	(1,943)
Assessable associate dividends	2.2%	4,264	3.6%	6,519
Imputation credits	(2.3%)	(4,509)	(3.7%)	(6,746)
Other	(0.8%)	(1,491)	(0.8%)	(1,450)
Under/(over) provided in prior periods	(0.7%)	(1,287)	(0.3%)	(628)
	26.9%	**51,601**	**25.3%**	**45,766**

The IOOF Holdings Ltd tax consolidated group (the IOOF tax group) paid $79m in income tax relating to the financial year ended 30 June 2015. In December 2015 the ATO published the tax information in respect of large public taxpayers in its tax transparency report. This is the most recently published report. For the IOOF tax group the ATO published payment of $41m in income tax relating to the financial year ended 30 June 2014.

For statutory reporting purposes, the group incurred an effective tax rate of 26.9% on its continuing operations for the year to 30 June 2016 (FY 2015: 25.3%) compared to a statutory corporate tax rate of 30%. The rate difference across both years is primarily due to research and development tax offsets and tax offsets for fully franked dividend income. Excluding these items IOOF's effective tax rate would be 30%.

Notes to the financial statements

For the year ended 30 June 2016

	2016	2015
	$'000	$'000
Deferred tax assets and liabilities		
Deferred tax asset balance comprises temporary differences attributable to:		
Salaries and related employee expenses	17,525	18,263
Provisions, accruals and creditors	4,642	6,217
Carry forward capital and revenue losses	102	103
Capital gains on divestment of subsidiaries	–	15,935
Other	2,413	3,463
Deferred tax asset balance as at 30 June	24,682	43,981
Set-off of deferred tax liabilities pursuant to set-off provisions	(24,682)	(43,981)
Net deferred tax asset balance as at 30 June	**–**	**–**
Deferred tax liability balance comprises temporary differences attributable to:		
Customer relationships	117,869	128,531
Unrealised gains	3,947	2,838
Fixed assets and computer software	1,987	2,275
Other	2,042	2,864
	125,845	136,508
Set-off of deferred tax liabilities pursuant to set-off provisions	(24,682)	(43,981)
Net deferred tax liability balance as at 30 June	**101,163**	**92,527**
Reconciliation of movements		
Net carrying amounts at the beginning of the year	(92,527)	(53,713)
Acquisitions and divestments	–	(62,637)
Credited/(charged) to profit or loss	8,935	10,634
Discontinued operation	(16,459)	(1,479)
Temporary differences directly attributable to equity	(1,112)	–
Carrying amount at the end of the year	**(101,163)**	**(92,527)**
Unrecognised deferred tax assets		
Tax losses	–	–
Potential tax benefit at the Australian tax rate of 30%	**–**	**–**

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 Group can utilise the benefits there from.

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 a consequence, all members of the tax-consolidated group are taxed as a single entity.

Notes to the financial statements

For the year ended 30 June 2016

2-7 Dividends

After 30 June 2016 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total amount	Date of payment	Franked/ unfranked
		$'000		
Final 2016 dividend	26.0	78,035	13 October 2016	Franked

	2016	2015
	$'000	$'000
Dividend franking account		
30 per cent franking credits available to shareholders of IOOF Holdings Ltd for subsequent financial years	**83,923**	**95,505**

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 entity 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 $33,443,000 (2015: $36,016,000).

The following dividends were declared and paid by the Group during the current and preceding financial year:

	Cents per share	Total amount	Date of payment	Franked/ unfranked
		$'000		
2016				
Interim 2016 dividend	28.5	85,538	7 April 2016	Franked
Final 2015 dividend	28.0	84,037	15 October 2015	Franked
	56.5	**169,575**		
2015				
Interim 2015 dividend	25.0	75,033	10 April 2015	Franked
Final 2014 dividend	25.0	75,033	15 October 2014	Franked
	50.0	**150,066**		

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.

2-8 Earnings per share

	2016	2015
	Cents per share	Cents per share
Basic earnings per share	65.7	47.7
Diluted earnings per share	65.4	47.4
Continuing operations		
Basic earnings per share	46.0	45.8
Diluted earnings per share	45.8	45.5

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2016	2015
	$'000	$'000
Profit for the period attributable to owners of the Company	196,846	138,371
Earnings used in the calculation of basic EPS	196,846	138,371

	2016	2015
	No. '000	No. '000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares (basic)	299,838	289,896
Effect of unvested performance rights	1,011	2,077
Effect of share options on issue	4	131
Weighted average number of ordinary shares (diluted)	300,853	292,104

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 2016, there were no options outstanding.

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 total period.

Notes to the financial statements

For the year ended 30 June 2016

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

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.

In order to maintain or adjust the capital structure, the 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 Group's capital that is not required for regulatory and working capital requirements of the business. The investment capital is invested in:

- bank bills and deposits;
- subsidiaries;
- available-for-sale assets;
- unit trusts, as investments; and
- 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 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 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 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 5-7 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.

	2016	2015
	$'000	$'000
Syndicated facility agreement	206,730	206,562
Finance lease liabilities – refer (c)	245	1,284
	206,975	**207,846**

(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:

	2016	2015
	$'000	$'000
Total facilities	225,000	225,000
Used at 30 June	206,730	206,562
Unused at 30 June	**18,270**	**18,438**

The financial liability under the facility has a fair value equal to its carrying amount.

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.

(b) Other bank facilities

In addition to the cash advance and working capital facilities, the IOOF Group has a number of facilities under a Syndicated Facility Agreement. These include equipment finance and contingent liability facilities. The aggregate of these facilities is $40 million of which $31.8m was used at 30 June 2016. The Group has other facilities outside the Syndicated Facility Agreement of $3m of which $0.2m was used at 30 June 2016.

(c) Finance lease liabilities

Finance leases relate to computer hardware.

	2016		2015	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
	$'000	$'000	$'000	$'000
Finance lease liabilities of the Group are payable as follows:				
Less than one year	213	205	1,087	1,038
Between one and five years	40	40	254	246
	253	245	1,341	1,284
Less future finance charges	(8)		(57)	
	245		**1,284**	

Notes to the financial statements

For the year ended 30 June 2016

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.

	2016	2015
	$'000	$'000
300,133,752 fully paid ordinary shares (2015: 300,133,752)	1,439,276	1,444,903
320,731 treasury shares (2015: 732,002)	(2,816)	(7,146)
	1,436,460	**1,437,757**

	2016		2015	
	No. '000	$'000	No. '000	$'000
Ordinary shares				
On issue at 1 July	300,134	1,444,903	232,118	868,084
Fair value of shares issued in business combination	–	–	68,016	581,535
Transaction costs of issuing new shares	–	–	–	(293)
Issue of shares on exercise of options under executive and employee share option plan	–	210	–	4,880
Transfer from employee equity-settled benefits reserve on exercise of options	–	5,931	–	7,938
Treasury shares transferred to recipients during the year	–	(11,768)	–	(16,999)
On-market purchase of shares transferred to option and performance rights holders during the year	–	–	–	(242)
On issue at 30 June	300,134	1,439,276	300,134	1,444,903
Treasury shares				
On issue at 1 July	(732)	(7,146)	(961)	(8,119)
Purchase of treasury shares	(830)	(7,438)	(1,750)	(16,026)
Treasury shares transferred to recipients during the year	1,241	11,768	1,979	16,999
On issue at 30 June	(321)	(2,816)	(732)	(7,146)
	299,813	**1,436,460**	**299,402**	**1,437,757**

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.

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:

2016	Less than one year	1 to 5 years	Later than five years	Total
	$'000	$'000	$'000	$'000
Premises	17,307	31,676	4,619	53,602
Office equipment	117	3	–	120
	17,424	**31,679**	**4,619**	**53,722**

2015	Less than one year	1 to 5 years	Later than five years	Total
	$'000	$'000	$'000	$'000
Premises	19,767	46,025	8,999	74,791
Office equipment	405	160	–	565
	20,172	**46,185**	**8,999**	**75,356**

	2016	2015
	$'000	$'000
Guarantees and underwriting commitments		
Rental bond guarantees	11,447	12,185
ASX settlement bond guarantee	500	500
ASIC bond guarantees	120	120
Other guarantees	3,000	3,000
	15,067	**15,805**

Notes to the financial statements

For the year ended 30 June 2016

Contingent liabilities

On 8 July 2016, ASIC announced that it had concluded its inquiries into allegations made by a former IOOF employee, specifically the allegation that an IOOF staff member had been involved in front-running when he traded in securities prior to the release of IOOF research reports relating to those securities. This ASIC review concluded that the release of the research reports had no material effect on the price of the relevant securities and there was no other evidence to warrant a further investigation in relation to these allegations.

On 8 October 2015 plaintiff law firm Maurice Blackburn announced that it had conducted investigations and was seeking expressions of interest from IOOF shareholders in joining a class action. IOOF remains confident that the proposed action described by Maurice Blackburn is misconceived both factually and at law. It is purely speculative and is not in IOOF shareholders' interests. IOOF has rejected the claim by Maurice Blackburn that it breached its continuous disclosure obligations or engaged in misleading or deceptive conduct.

IOOF complies with the law in relation to its continuous disclosure obligations and has rejected any suggestion that its approach was inadequate. In the interests of its shareholders, IOOF will vigorously defend any claim.

Other contingent liabilities 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

	2016	2015
	$'000	$'000
Available-for-sale investment revaluation reserve	10,436	7,897
Business combinations reserve	(326)	(326)
Share buy-back revaluation reserve	–	(19,010)
Foreign currency translation reserve	109	(9)
Operating Risk Financial reserve*	2,799	–
Share-based payments reserve	(1,752)	2,530
	11,266	**(8,918)**

*This reserve is held for certain AET Superannuation products. Other similar reserves exist within the Group, however these are generally held by the relevant funds.

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 Ltd, the IOOF Group owns 52.4% (2015: 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.

The table below discloses material associates individually:

Associate	Country of incorporation	Ownership interest 2016	Ownership interest 2015	Carrying value	Group's share of profit/(loss)
		%	%	$'000	$'000
Perennial Value Management Ltd	Australia	52.4	52.4	10,033	3,684
Other associates				12,634	1,147
				22,667	**4,831**

Other associates had a carrying value of $13,435,000 and share of profit of $1,407,000 in 2015.

The following table summarises the financial information of the IOOF Group's material associate, Perennial Value Management Ltd, as included in its own financial statements, all fair values and accounting policies are consistent with those of the IOOF Group.

	2016	2015
	$'000	$'000
Beneficial ownership interest	**42.4%**	**42.4%**
Current assets	18,854	13,496
Non-current assets	1,226	1,780
Current liabilities	(3,350)	(3,090)
Non-current liabilities	(500)	(216)
Net assets (100%)	**16,230**	**11,970**
Group's share of net assets (42.4%)	6,873	5,069
Group's share of movements in equity and other reserves (42.4%)	(1,291)	(1,057)
Goodwill	4,451	4,451
Carrying value of interest in associate	**10,033**	**8,463**
Revenue (100%)	25,497	29,600
Profit and total comprehensive income (100%)	8,700	11,974
Profit and total comprehensive income (42.4%)	3,684	5,070
Dividends received by the Group	2,115	6,769

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 $2,757,000 (2015: $8,141,000) 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 Group's share of the profit or loss and Other Comprehensive Income of the associates, until the date on which significant influence ceases.

Notes to the financial statements

For the year ended 30 June 2016

4-2 Intangible assets (other than goodwill)

	2016	2015
	$'000	$'000
Cost	669,101	671,810
Accumulated amortisation and impairment losses	(188,932)	(148,353)
	480,169	**523,457**

	IT Develop-ment	Computer software	Customer relationships	Brand names	Other Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying value at 1 July 2015	4,115	7,711	431,771	69,348	10,512	523,457
Additions	–	241	37	–	943	1,221
Divestments	–	(2)	(2,574)	–	(515)	(3,091)
Amortisation expense	(1,737)	(1,860)	(35,002)	(801)	(2,018)	(41,418)
Carrying value at 30 June 2016	**2,378**	**6,090**	**394,232**	**68,547**	**8,922**	**480,169**

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 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 amortised value. Should an asset's value fall below its amortised 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.

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:

- adviser relationships 5–10 years
- software 2.5–10 years
- customer relationships 10–20 years
- brand names 20 years
- contract agreements 9–10 years
- IT development 4 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 $10.3m of intangibles which have a finite life. The aggregate carrying amounts of indefinite-life intangible assets allocated to each CGU are as follows:

	2016	2015
	$'000	$'000
Shadforth	51,000	51,000
Ord Minnett group	6,773	6,773
Lonsdale	500	500
	58,273	**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 period 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 10.7% (2015: 12.0%) used reflects the 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

	2016	2015
	$'000	$'000
Cost	1,008,721	1,030,114
Accumulated impairment	(17,009)	(17,009)
Net carrying value of goodwill	991,712	1,013,105
Carrying value at 1 July	1,013,105	578,090
Divestment of discontinued operation	(21,393)	–
Acquisition of Shadforth	–	434,812
Acquisition of CUA FP	–	203
Carrying value at 30 June	991,712	1,013,105

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 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.

Notes to the financial statements

For the year ended 30 June 2016

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		
	2016	2015	Cash inflows yrs 2-5	Cash out flows yrs 2-5	Cash flows – perpetuity
	$'000	$'000			
Shadforth	434,812	434,812	B	E	2.0% growth from yr 5
Platform management and administration	347,509	347,509	B	E	2.0% growth from yr 5
Perennial	76,421	97,814	C	–	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	723	723	A	E	2.0% growth from yr 5
CUA FP	203	203	B	E	2.0% growth from yr 5
	991,712	**1,013,105**			

A Reserve Bank of Australia forecast GDP growth rate[2]

B Observed Australian managed funds annual compounding growth for March 2011 to March 2016[1]

C Dividend revenue forecast for Perennial Value Management Ltd

D Observed Australian friendly societies annual compounding growth for March 2011 to March 2016[1]

E Blended rate of the underlying Australian forecast inflation levels and the applicable Reserve Bank of Australia GDP growth rate[2]

1 source – ABS 5655.0 Managed Funds Australia

2 source – RBA Statement of Monetary Policy

The recoverable amounts for goodwill allocated to all CGUs have been determined based on value-in-use calculations using 2016 actual balances to forecast 2017 and beyond cash flows. The manner in which the IOOF Group conducts each impairment assessment for years 2 to 5 and into perpetuity is discussed below for each relevant CGU.

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 10.7% (2015: 12.0%) 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 post tax WACC increments of 1% for Perennial and 3.5% for Consultum to reflect specific company risk premiums. These incremental amounts are judgement based and are consistent with accepted valuation industry practice.

In respect of Perennial, goodwill has arisen from the acquisition of equity in Perennial Investment Partners Ltd. Goodwill that had arisen from the recognition of shareholder buy-back liabilities recorded in Perennial was derecognised on the divestment of the discontinued operation.

4-4 Provisions

	2016	2015
	$'000	$'000
Directors' retirement obligations	475	475
Onerous contracts	2,063	3,617
Employee entitlements	57,999	59,864
Other provisions	1,857	3,720
	62,394	**67,676**

	Directors' retirement	Onerous contracts	Employee entitle-ments	Other	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015	475	3,617	59,864	3,720	67,676
Provisions made during the period	–	951	30,049	1,324	32,324
Provisions utilised during the period	–	(2,505)	(31,914)	(3,187)	(37,606)
Balance at 30 June 2016	**475**	**2,063**	**57,999**	**1,857**	**62,394**

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.

Directors' retirement obligations

Retirement benefits are paid to Non-Executive Directors appointed prior to 13 April 2003 to fulfil the terms of historical agreements. This benefit provides for a cash based payment to Non-Executive Directors at the time of their retirement. The retirement benefit obligation is measured on an undiscounted basis, is capped at $475,000 and is expensed as the related service is provided.

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 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 6 years.

Notes to the financial statements

For the year ended 30 June 2016

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 periods 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 litigation.

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. These funds are not available to shareholders.

5-1 Assets relating to statutory funds

	Statutory	
	2016	2015
	$'000	$'000
Cash at bank	5,263	2,677
Receivables	26,716	15,899
Shares in listed companies	–	16,243
Unlisted unit trusts	832,061	853,348
Loans to policyholders	15,309	13,020
Investments backing policyholder liabilities designated at fair value through profit or loss	**879,349**	**901,187**

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.

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.

5-2 Liabilities relating to statutory funds

	Statutory	
	2016	2015
	$'000	$'000
Payables	6,421	9,347
Seed capital	7,153	7,153
Deferred tax liabilities	1,718	9,972
Investment contract liabilities with DPF	300,259	338,709
Investment contract liabilities	563,798	533,281
Non-controlling interests in controlled trusts	–	2,725
	879,349	**901,187**

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.

Notes to the financial statements

For the year ended 30 June 2016

Accounting policies

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 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 period.

(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 period, 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.

5-3 Reconciliation of movements in contract liabilities

	Statutory	
	2016	2015
	$'000	$'000
Investment contract liabilities with DPF		
Investment contract liabilities with DPF at beginning of the year	338,709	366,838
Net increase in investment contract liabilities with DPF	2,027	3,457
Investment contract liabilities with DPF contributions	6,105	11,281
Investment contract liabilities with DPF withdrawals	(46,582)	(42,867)
Investment contract liabilities with DPF at end of the year	300,259	338,709
Other investment contract liabilities		
Investment contract liabilities at beginning of the year	533,281	476,471
Net increase in investment contract policy liabilities	12,256	24,649
Investment contract contributions	113,266	78,124
Investment contract withdrawals	(95,005)	(45,963)
Investment contract liabilities at end of the year	563,798	533,281

5-4 Statutory fund contribution to profit or loss, net of tax

	Statutory	
	2016	2015
	$'000	$'000
Statutory fund revenue		
Interest income	552	551
Dividends and distributions received	44,841	33,839
Net fair value gains/(losses) on other financial assets designated as fair value through profit or loss	(17,827)	12,299
Investment contracts with DPF:		
Contributions received – investment contracts with DPF	6,105	11,281
DPF policyholder liability decrease	38,450	28,130
Non – DPF policyholder liability (increase)	(12,256)	(24,190)
Other fee revenue	3,072	4,514
	62,937	66,424
Statutory fund expenses		
Service and marketing fees expense	11,523	13,180
Direct operating expenses	5	63
Investment contracts with DPF:		
Benefits and withdrawals paid	46,516	42,681
Termination bonuses	66	186
Distribution to policyholders	–	251
Interest	90	123
	58,200	56,484
Income tax	4,737	9,940
Statutory fund contribution to profit, net of tax	–	–

Notes to the financial statements

For the year ended 30 June 2016

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.

5-5 Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and capital adequacy reserves is 30 June 2016. The actuarial report for IOOF Ltd was prepared by Mr Andrew Mead, FIAA, and was dated 5 August 2016. 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 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 Ltd, 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.

Capital adequacy requirements

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.

5-6 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 Holdings Ltd Group, including the IOOF Ltd Benefit Funds, hold controlling investments in managed funds. A subsidiary of the Company is the Responsible Entity for these managed funds and has a fiduciary responsibility for managing these trusts. Arrangements are in place to ensure that such activities are managed separately from the other activities of the IOOF Holdings Ltd Group.

5-7 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	
	2016	2015
	$'000	$'000
(a) Capital Base	28,292	25,994
(b) Prescribed capital amount	6,623	13,373
Capital in excess of prescribed capital amount = (a) – (b)	21,669	12,621
Capital adequacy multiple (%) (a) / (b)	427%	194%
Capital Base comprises:		
Net Assets	28,292	25,994
Regulatory adjustment applied in calculation of Tier 1 capital	–	–
(A) Common Equity Tier 1 Capital	28,292	25,994
Additional Tier 1 Capital	–	–
Regulatory adjustment applied in calculation of Additional Tier 1 capital	–	–
(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	28,292	25,994

For detailed capital adequacy information on a statutory fund basis, users of this annual report should refer to the financial statements prepared by the friendly society.

Notes to the financial statements

For the year ended 30 June 2016

Section 6 – Other disclosures

6-1 Parent entity financials

As at and throughout the financial year ended 30 June 2016, the parent entity of the IOOF Group was IOOF Holdings Ltd.

	2016	2015
	$'000	$'000
Result of the parent entity		
Profit for the period	138,091	144,587
Total comprehensive income for the period	138,091	144,587
Financial position of parent entity at year end		
Current assets	62,842	115,144
Total assets	1,667,452	1,720,866
Current liabilities	17,257	29,750
Total liabilities	223,988	236,314
Total equity of the parent entity comprising of:		
Share capital	1,439,276	1,444,903
Share-based payments reserve	2,485	6,496
Retained earnings	1,702	33,153
Total equity	**1,443,464**	**1,484,552**

Parent entity contingent liabilities

There are currently no complaints or claims made against the parent entity.

The parent entity does not provide any guarantees to subsidiaries or related parties.

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.

The Remuneration and Nominations Committee regards the grant of options to employees as an appropriate long-term incentive and retention component of total remuneration for executives and senior employees. It is expected that future annual grants of options will be made, the vesting of which will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with the IOOF Group.

Options granted under the plan carry no dividend or voting rights. All plans are equity-settled.

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.

The Remuneration and Nominations Committee regards the grant of performance rights to employees as an appropriate long-term incentive and retention component of total remuneration for executives and senior employees. It is expected that future annual grants of performance rights will be made, subject to the Board's determination of the overall performance of the Company and market conditions. The vesting of any performance rights awarded will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with the IOOF Group.

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 a third of the Managing Directors' STI for each year.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options Series – Recipient	Exercise price	Earliest vesting date	Exercise period		Performance related vesting conditions
	$		Commence	Expires	
2012–02 Managing Director	6.81	1-Jul-14	1-Jul-14	1-Jul-17	EPS & RoE
2012–05 DKN Replacement	7.50	30-Sep-13	30-Sep-13	30-Sep-14	Nil
2010–04 Executives	6.14	1-Jul-13	1-Jul-13	30-Jun-15	Nil
2010–03 Executives	7.01	4-May-13	4-May-13	4-May-16	Nil
2010–02 Senior Management	7.40	31-Jul-10	1-Aug-13	2-Aug-14	FUM target & EPS[1]
2009–16 Managing Director	5.20	27-Nov-12	27-Nov-12	27-Nov-15	EPS & RoE

1 25% of the options vest subject to achievement of the Perennial Group's three year Funds Under Management forecast and 25% based on the achievement of a compounding IOOF Group cash earnings per share in excess of 10% each year over the performance period. The remaining options and performance rights are subject to continuing employment with the Group.

On vesting of performance rights, ordinary shares are transferred to the employee's name or sold. The employee receives all dividends on the ordinary shares while held in trust. The vesting of all issuances is subject to continuing employment.

	Options		Performance Rights	Deferred Shares	Total
	Weighted average exercise price	Number of options	Number of rights	Number of shares	Number of options, rights & shares
	$	No.	No.	No.	No.
Opening balance at 1 July 2015	7.01	30,000	1,714,090	63,201	1,807,291
Forfeited or lapsed during the period	–	–	(152,378)	–	(152,378)
Exercised during the period	7.01	(30,000)	(1,184,287)	(36,217)	(1,250,504)
Granted during the period	–	–	210,000	41,895	251,895
Outstanding at 30 June 2016	–	–	587,425	68,879	656,304
Exercisable at 30 June 2016	**–**	**–**	**–**	**–**	**–**

Notes to the financial statements

For the year ended 30 June 2016

Disclosure of share-based payment plans

Series – Recipient	Exercise price	Opening balance as at 1 July 2015	Granted	Forfeited or Lapsed	Exercised	Closing balance as at 30 June 2016
Options						
2010–03 Executives	$7.01	30,000	–	–	(30,000)	–
		30,000	–	–	(30,000)	–
Performance rights						
2010–06 Managing Director	$nil	34,425	–	–	(34,425)	–
2012–01 Managing Director	$nil	64,350	–	–	(32,175)	32,175
2013–01 Executives	$nil	197,500	–	–	(197,500)	–
2013–02 Managing Director	$nil	250,000	–	–	(250,000)	–
2013–03 Other Key Stakeholders	$nil	477,000	–	(5,000)	(472,000)	–
2013–04 Other Key Stakeholders	$nil	165,815	–	(5,128)	(160,687)	–
2014–01 Executives	$nil	150,000	–	(28,750)	(25,000)	96,250
2014–02 Managing Director	$nil	100,000	–	(46,000)	–	54,000
2015–01 Executives	$nil	200,000	–	(37,500)	(12,500)	150,000
2015–02 Managing Director	$nil	75,000	–	–	–	75,000
2016–01 Executives	$nil	–	135,000	(30,000)	–	105,000
2016–02 Managing Director	$nil	–	75,000	–	–	75,000
		1,714,090	210,000	(152,378)	(1,184,287)	587,425
Deferred shares						
2014–03 Managing Director	$nil	36,217	–	–	(36,217)	–
2015–03 Managing Director	$nil	26,984	–	–	–	26,984
2016–03 Managing Director	$nil	–	41,895	–	–	41,895
		63,201	41,895	–	(36,217)	68,879
		1,807,291	**251,895**	**(152,378)**	**(1,250,504)**	**656,304**

There are no options outstanding at 30 June 2016.

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
2016–01 Executives	$6.17	$9.23	25%	3	5.3%	2.1%
2016–02 Managing Director	$5.19	$9.48	25%	3	5.3%	2.1%

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Performance Rights Series – Recipient	Exercise price	Earliest vesting date	Last tranche vesting date	Performance related vesting conditions
2013–05 Other Key Stakeholders	nil	30-Nov-14	n/a	Nil
2013–04 Other Key Stakeholders	nil	30-Nov-15	n/a	Compliance[1]
2013–03 Other Key Stakeholders	nil	30-Nov-15	n/a	Compliance[1]
2013–02 Managing Director	nil	30-Jun-15	n/a	TSR & RoE
2013–01 Executives	nil	30-Jun-15	n/a	TSR
2012–01 Managing Director	nil	01-Jul-14	01-Jul-16	TSR & RoE
2012–04 Executives	nil	30-Jun-14	n/a	TSR
2010–06 Managing Director	nil	23-Nov-13	23-Nov-15	TSR & RoE
2009–14 Managing Director	nil	27-Nov-12	27-Nov-14	TSR & RoE
2014–01 Executives	nil	30-Jun-16	n/a	TSR
2014–02 Managing Director	nil	30-Jun-16	n/a	TSR & RoE

1 The compliance condition requires maintenance of authorised representative status, attendance at professional development days, compliance with CPD requirements and the achievement of a minimum compliance audit score.

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	2016	2015
	$'000	$'000
Managing Director	726	764
Senior Management	806	1,014
Other Key Stakeholders	434	1,781
	1,966	3,559

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 period 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.

Notes to the financial statements

For the year ended 30 June 2016

6-3 Group subsidiaries

Set out below is a list of material subsidiaries of the Group.

	Country of incorporation	Ownership interest	
		2016	2015
		%	%
Parent entity			
IOOF Holdings Ltd	Australia		
Material subsidiaries			
AET SPV Management Pty Ltd	Australia	100.0	100.0
AET Structured Finance Services Pty Ltd	Australia	100.0	100.0
Australian Executor Trustees Ltd	Australia	100.0	100.0
Bridges Financial Services Pty Ltd	Australia	100.0	100.0
Consultum Financial Advisers Pty Ltd	Australia	100.0	100.0
Executive Wealth Management Financial Services Pty Ltd	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
Lonsdale Financial Group Ltd	Australia	100.0	100.0
Perennial Investment Partners Ltd	Australia	100.0	100.0
Questor Financial Services Ltd	Australia	100.0	100.0
SFG Australia Ltd	Australia	100.0	100.0
Financial Acuity Ltd	Australia	100.0	100.0
Shadforth Financial Group Ltd	Australia	100.0	100.0
Shadforth Business Advisory Services Pty Ltd	Australia	100.0	100.0
Perennial Investment Management Ltd	Australia	100.0	100.0
Actuate Alliance Services Pty Ltd	Australia	100.0	100.0
Wealth Managers Pty Ltd	Australia	100.0	100.0
Ord Minnett Ltd	Australia	70.0	70.0
Ord Minnett Financial Planning Pty Ltd	Australia	70.0	70.0
Ord Minnett Management Ltd	Australia	70.0	70.0

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, seed capital and fees from funds management activities. 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 fee revenue in note 2-3. 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 Remuneration of auditors

Auditors' remuneration paid or payable by members of the IOOF Holdings Ltd Group to the auditors of the corporate entities in relation to audit services of the corporate entities and products operated by the Group during the year and for the comparative prior period:

	2016	2015
	$	$
Audit services		
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	2,856,236	2,978,727
Other regulatory audit services	1,187,388	1,357,108
	4,043,624	4,335,835
Other services		
Auditors of the Company		
KPMG Australia		
Taxation services	267,585	126,485
Due diligence services	82,398	198,668
Other services	180,305	709,949
	530,287	1,035,102
	4,573,911	5,370,936

All amounts payable to the Auditors of the Company were paid by an IOOF Group subsidiary.

Notes to the financial statements

For the year ended 30 June 2016

6-5 Key management personnel

The key management personnel compensation comprised:

	2016	2015
	$	$
Short-term employee benefits	5,466,517	5,163,308
Post-employment benefits	186,372	240,724
Share-based payments	1,554,214	1,539,543
	7,207,103	6,943,575

Key management personnel compensation reconciles to disclosures in the remuneration report as follows:

Executive key management personnel	6,275,282	6,020,166
Non-executive Directors	931,821	923,409
	7,207,103	6,943,575

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 Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

6-6 Related party transactions

(a) Ultimate parent entity

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

(b) Loans to Directors and executives of associates and subsidiaries

	Financial year	Opening balance 1 July	Closing balance June	Interest paid and payable during the year	Highest balance during the year
		$	$	$	$
Interest free loans					
Perennial Value Management Ltd	**2016**	**2,286,717**	**2,286,717**	**–**	**2,286,717**
	2015	2,286,717	2,286,717	–	2,286,717
Interest bearing loans					
Perennial Value Management Ltd	**2016**	**6,183,013**	**6,263,882**	**250,543**	**6,393,615**
	2015	6,218,900	6,183,013	271,281	6,340,343
Perennial Growth Management Pty Ltd	**2016**	**1,962,811**	**–**	**17,046**	**1,967,430**
	2015	1,900,984	1,962,811	86,589	1,962,936
Perennial Fixed Interest Partners Pty Ltd	**2016**	**681,203**	**–**	**12,471**	**693,573**
	2015	119,678	681,203	29,702	681,203

The amounts above were advanced by Perennial Investment Partners Ltd and IOOF Investment Management Ltd for the specific purpose of assisting executives to acquire an equity interest in subsidiaries and associates of the Company. Secured interest bearing loans totalling $6,263,882 were made on commercial terms and conditions and loans totalling $2,286,717 are unsecured interest free loans.

(c) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in section 6-5 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 Group

There were no other transactions with key management personnel of the IOOF Group during the 2016 and 2015 financial years.

(d) Transactions with other related parties

Other related parties of the Group include associates listed in section 4-1 Associates.

	2016	2015
	$	$
Receipt of service charge revenue from associates	1,886,860	1,904,707
Payment of management fees to associates	8,096,435	9,420,584

Notes to the financial statements

For the year ended 30 June 2016

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 2016 or later years. We explain how these changes are expected to impact the financial position and performance of the IOOF Group.

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 2016 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 29 August 2016.

(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;
- available-for-sale financial assets are measured at fair value; and
- share-buy back liabilities are measured at fair value.

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. Amounts included in narratives are expressed as whole dollars but 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 period in which the estimates are revised and in any future periods 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(e) – Share buy-back liabilities;
- section 2-4 – (vii) 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;
- note 3-4 & 4-4 – contingencies and provisions; and
- note 2-2 – divestment group held for sale.

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

The IOOF Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 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 5-2 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 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 Plans 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.

Notes to the financial statements

For the year ended 30 June 2016

(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.

(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 (FCTR).

(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 objective evidence of impairment.

Financial assets measured at amortised cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected as an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (eg. a repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets 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 period, the fair value of an impaired available-for-sale debt security 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 available-for-sale equity security 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.

Notes to the financial statements

For the year ended 30 June 2016

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 periods 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.

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 period 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 in the IOOF Group's statement of financial position.

7-4 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The IOOF Group will apply the standards and amendments for the next reporting period commencing after the effective date. The impact of the adoption of these changes to the IOOF Group's financial statements or accounting policies has not been assessed.

New standards or amendments	Effective date
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

7-5 Subsequent events

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

IOOF annual report 2016

Shareholder information

Share Capital

IOOF has on issue 300,133,752 fully paid ordinary shares held by 63,797 holders as at 27 September 2016.

Voting Rights

IOOF's fully paid ordinary shares carry voting rights of one vote per share.

Twenty largest shareholders as at 27 September 2016

The following table sets out the top 20 registered holders of shares.

Rank	Holder Name	Balance at 27-09-2016	% of issued capital
1	THE TRUST COMPANY (AUSTRALIA) LIMITED <MR BRUCE WILLIAM NEIL A/C>	25,412,867	8.467
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,355,384	8.115
3	CITICORP NOMINEES PTY LIMITED	22,520,367	7.503
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	17,738,490	5.910
5	BNP PARIBAS NOMS PTY LTD <DRP>	16,616,080	5.536
6	NATIONAL NOMINEES LIMITED	6,290,394	2.096
7	AMP LIFE LIMITED	3,298,112	1.099
8	MR IAN GREGORY GRIFFITHS	2,760,419	0.920
9	SAM GANNON PTY LTD <THE J B GANNON FAMILY A/C>	2,265,506	0.755
10	MRS SALLY KELAHER	1,928,518	0.643
11	MILTON CORPORATION LIMITED	1,642,729	0.547
12	WPQ HOLDINGS PTY LTD	1,451,449	0.484
13	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	1,430,903	0.477
14	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,370,267	0.457
15	MR BRUCE WILLIAM NEILL	1,170,000	0.390
16	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	1,026,538	0.342
17	THANECORP AUSTRALIA PTY LTD <THANECORP INVESTMENT A/C>	1,000,000	0.333
18	SERJEANT NOMINEES PTY LTD <THE CRAIG SERJEANT FAM A/C>	957,883	0.319
19	BKI INVESTMENT COMPANY LIMITED	899,094	0.300
20	FAWG HOLDINGS PTY LTD <WELLS FAMILY A/C>	818,206	0.273
Total		**134,953,206**	**44.964**

113

IOOF annual report 2016

Distribution of members and their holdings

The following table summarises the distribution of our listed shares as at 27 September 2016.

Range	No of Holders	No of Units	% Issued Capital
1-1,000	35,970	14,200,938	4.732
1,001-5,000	22,120	50,966,698	16.981
5,001-10,000	3,724	26,553,328	8.847
10,001-100,000	1,835	39,046,239	13.010
100,001 +	148	169,366,549	56.430
Totals	**63,797**	**300,133,752**	**100.000**

There were 942 shareholders holding less than a marketable parcel of shares based on a market price of $9.07 at the close of trading on 27 September 2016 and there were 20 per cent of shareholders with registered addresses outside Australia.

Substantial Shareholdings

As at 3 October 2016 the following substantial shareholder notices have been lodged in accordance with section 671B of the Corporations Act 2001:

Name	Date of Notice	No of Ord Shares	% of Issued Capital
Sumitomo Mitsui Trust Holdings, Inc. (SMTH)	12 July 2016	18,244,886	6.08
UBS Group AG	23 May 2016	19,568,839	6.52
UBS Group AG	5 May 2016	16,380,053	5.46
UBS Group AG	17 March 2016	15,122,324	5.04
UBS Group AG	3 March 2016	16,139,682	5.38
Pacific Energy Limited	29 February 2016	18,715,750	5.057
UBS Group AG	20 January 2016	15,223,820	5.07
Sumitomo Mitsui Trust Holdings, Inc. (SMTH)	19 January 2016	15,068,689	5.02
UBS Group AG	14 January 2016	15,362,970	5.12

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.

114

This page has been left blank intentionally.

This page has been left blank intentionally.

Corporate directory

(as at 29 September 2016)

Directors

Dr Roger Sexton AM
B.Ec. (Hons), M.Ec. Ph.D (Econ), FAICD, FAIM. SFFin, C.P Mgr, C.Univ
Chairman

Mr Christopher Kelaher
B.Ec, LL.B, F Fin
Managing Director

Ms Elizabeth Flynn
LL.B, Grad Dip AppCorpGov, FAICD, FGIA, FCIS, F Fin

Ms Jane Harvey
B.Com, MBA, FCA, FAICD

Mr George Venardos
B.Com, FCA, FGIA, FAICD, FTIA

Mr Allan Griffiths
B.Bus, DipLi

Company Secretary

Mr A Paul M Vine
LL.B, FGIA, GAICD

Notice of Annual General Meeting

The Annual General Meeting of IOOF Holdings Ltd will be held at:

Verandah Room
Grand Hyatt
123 Collins Street
Melbourne, Victoria 3000

Time 9.30am

Date 24 November 2016

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
147 Collins Street Melbourne, VIC 3000

Solicitors

King & Wood Mallesons
Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Hall & Wilcox Lawyers
Level 30, 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-5999