Appendix 4E
Condensed Annual Financial Report
IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting Year — 30 June 2019

Prior year — 30 June 2018

2. Results for announcement to the market

	$'000	% change from prior year
Revenue from continuing Shareholder activities [1]	1,063,257	up 40%
Profit from ordinary activities after tax attributable to owners of the Company	28,560	down 68%
Underlying Net Profit After Tax (UNPAT) [2]	197,989	up 3%

		Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2018			
Paid:	04 September 2018	27.0	27.0
Interim dividend for the year ended 30 June 2019			
Paid:	15 March 2019	25.5	25.5
Final dividend for the year ended 30 June 2019			
Record date:	13 September 2019		
Payment date:	27 September 2019	12.0	12.0
Special dividend for the year ending 30 June 2020			
Record date:	13 September 2019		
Payment date:	27 September 2019	7.0	7.0

[1] Revenue from Shareholder activities excludes those revenues attributable to the activities of the consolidated benefit funds of IOOF Ltd.

[2] UNPAT excludes the impact of certain non-operational financial items. An UNPAT reconciliation is provided on the following page.

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2019

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

UNPAT Adjustments:

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

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

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

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

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

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

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

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

UNPAT Adjustments (continued):

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

Impairment of goodwill and related investment: A non-cash impairment of $9.5m has been recognised in relation to goodwill allocated to Perennial Investment Partners Limited (pcp: $28.36m). Additionally, an impairment of $4.4m has been recognised in relation to the Group's equity accounted investment in Perennial Value Management Limited. Reduced profitability from lower revenue led to its expected fair value less costs to sell declining to below the carrying value of the aggregate goodwill and investment balances. Revenue decline has arisen due to institutional outflows. These outflows reflect below benchmark performance in certain core products and changing market dynamics, where larger instiutions now weight a greater proportion of funds to indexed products.

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

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

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

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

Review of Strategy

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

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

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

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

Retail - privately operated trusts and other schemes. The majority of funds are channelled to administration services and investment management products through financial advisers. However, technological development is enabling an increasing range of offerings direct to fund members.
Industry Funds - superannuation entities which historically have provided for employees working in the same union, industry or group of related industries. Many industry funds now offer membership to members of the public. Industry funds generally administer these funds, but may outsource the management of investments.
Self-Managed - the fund member acts as Trustee for his or her pool of funds, which may include funds from a limited number of other family members and associates. These funds are predominantly utilised where the Trustee perceives they have the requisite time and expertise to manage their own investment strategy and a sufficient scale of funds to make the fixed administration costs economically justifiable.
Corporate - funds established for the benefit of employees of a particular entity or a group of related entities, with joint member and employer control.
Public Sector - funds which provide benefits largely for government employees or employees of statutory authorities, or are schemes established by a Commonwealth, State or Territory law.

Review of Strategy (continued)

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

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

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

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

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

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

Governance uplift

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

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

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

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

Governance uplift (continued)

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

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

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

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

Acquisitions and divestments

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

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

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

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

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

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

Acquisitions and divestments (continued)

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

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

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

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

Analysis of financial results - IOOF Group

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

Gross margin increased by $2.7m

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

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

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

Other revenue increased by $5.8m

There was no significant uplift absent the ANZ ADG contribution.

Operating expenditure increased by $44.1m

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

Net interest income increased by $57.7m

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

Other impacts decreased UNPAT by $5.1m

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

Income tax expense increased by $7.9m

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

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

	2019	2018	Movement	
Financial advice and distribution	**$'000**	**$'000**	**$'000**	**%**
Net operating revenue	191,892	199,613	(7,721)	(3.9%)
Other revenue (incl share of profits of associates)	4,007	3,847	160	4.2%
Operating expenditure	(108,185)	(109,175)	990	0.9%
Net financing	128	108	20	18.5%
Net non-cash items	(4,357)	(3,576)	(781)	(21.8%)
Income tax expense and non-controlling interest	(25,343)	(27,311)	1,968	7.2%
Underlying Profit after Tax	**58,142**	**63,506**	**(5,364)**	**(8.4%)**

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

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

Portfolio and estate administration	2019 $'000	2018 $'000	Movement $'000	Movement %
Net operating revenue	233,989	237,177	(3,188)	(1.3%)
Other revenue (incl share of profits of associates)	-	75	(75)	(100.0%)
Operating expenditure	(108,932)	(104,935)	(3,997)	(3.8%)
Net financing	5	3	2	66.7%
Net non-cash items	(7,700)	(5,079)	(2,621)	(51.6%)
Income tax expense and non-controlling interest	(35,885)	(38,450)	2,565	6.7%
Underlying Profit after Tax	**81,477**	**88,791**	**(7,314)**	**(8.2%)**

● Net operating revenue decreased as a result of net funds diminution in high priced legacy and transition platforms, partly offset by high growth in platforms priced at contemporary competitive fee scales.

● Increased operating expenditure resulted primarily from technology support enhancements and higher corporate recharges given efficiencies realised in other segments.

● Net non-cash items increased in line with group share based payment and depreciation impacts noted above.

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

● Net operating revenue improved in line with market based growth in average funds flowing largely from improved platform FUAdmin. Other revenue was affected by PVM performance.

● Decreased operating expenditure resulted from lower IT investment given deployment to platform segment.

● Net non-cash items increased in line with group share based payment and depreciation impacts noted above.

Financial Position

The IOOF Group held cash and cash equivalents of $97.4m at 30 June 2019 (30 June 2018: $125.6m). Cash is held to satisfy regulatory net asset requirements and also to ensure adequate liquidity given management fee receipts are less frequent than payroll and service fee cash outflows. This includes $5.8m cash held by the Group's statutory benefit funds at 30 June 2019 (30 June 2018: $4.2m) which is not available to shareholders.
The overall debt to equity ratio stood at 21% at 30 June 2019 (30 June 2018: 0%) following the issue of a debt note to ANZ, partly debt funded, as described in detail above.
Cash flow forecasting and monitoring of lending covenants is conducted monthly. This is principally to ensure sufficient liquidity for future needs and to monitor adherence to licence conditions.

Risks

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

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

Risks (continued)

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

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

(iv) Cyber security

There is a risk of significant failure in the IOOF Group's operations and/or material financial loss as a result of cyber attacks. To manage this risk, the IOOF Group has followed the recommendation of ASIC and adopted the United States government's National Institute of Standards and Technology cybersecurity framework. In doing so, the IOOF Group has implemented measures and controls that cover identification, detection, monitoring and response in relation to cyber threats. More broadly, the IOOF Group has developed and tested its disaster recovery capability and procedures, implemented high availability infrastructure and architectures, conducted mandatory staff training which is focused on cyber risk and continually monitor systems for signs of poor performance, intrusion or interruption. Cyber security controls are highly complementary to those employed to minimise information technology risks.

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

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

(vii) Operational risks

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

Risks (continued)

(viii) Conduct risk

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

(ix) Credit risk

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

(x) Cash flow and interest rate risk

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

(xi) Liquidity risk

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

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

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

(xiii) Insurance

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

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

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

Risks (continued)

(xiv) Unit pricing errors

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

(xv) Dependence on key personnel

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

(xvi) Dependence on financial advisers

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

(xvii) Acquisitions

Acquisition transactions involve inherent risks, including:

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

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

(xviii) Dilution

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

(xix) Regulatory and legislative risk and reform

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

Risks (continued)

(xx) Sustainability risk

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

(xxi) Financing risk

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

Shareholder returns

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

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

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

(1) Profit attributable to owners of the Company has been calculated in accordance with Australian Accounting Standards.
(2) Return on equity is calculated by dividing UNPAT by average equity during the year.
Returns to shareholders increase/decrease through both dividends and capital growth/decline. Dividends for 2019 and prior years were fully franked.

3. Net tangible assets

	30 June 2019 (cents)	30 June 2018 (cents)
Net tangible assets/(liabilities) per share *	127.2	160.0

* Net tangible assets equate to net assets excluding goodwill, intangible assets and deferred tax liabilities arising from acquisitions.

4. Entities over which control has been gained or lost

On 1 October 2018, control over the ANZ ADGs was gained following the transfer of full legal ownership from ANZ to IOOF. The Group held 100% of the shares on issue in the parent entity of the ANZ ADGs, Financial Investment Network Group Pty Limited, as at 30 June 2019, which was nil as at 30 June 2018.

Control over Ability One (WA/SA) Pty Ltd was gained during the period following the purchase of this entity. The Group held 100% of the shares on issue as at 30 June 2019, which was nil as at 30 June 2018.

Control over the entities that comprised the AET Corporate Trust business, AET Corporate Trust Pty Ltd, Australian Executor Trustees (SA) Pty Ltd, Australian Executor Trustees (NSW) Pty Ltd and AET SPV Management Pty Ltd was lost during the period. The Group held 100% of the shares on issue as at 30 June 2018 which is nil as at 30 June 2019.

5. Dividends

	Amount $'000	Cents per share	% Franked
Final dividend for the year ended 30 June 2018	94,791	27.0	100%
Interim dividend for the year ended 30 June 2019	89,524	25.5	100%
Final dividend for the year ended 30 June 2019	42,129	12.0	100%
Record date for determining entitlements to dividends	13 September 2019		
Payment date of final dividend	27 September 2019		
Special dividend for the year ending 30 June 2020	24,575	7.0	100%
Record date for determining entitlements to dividends	13 September 2019		
Payment date of final dividend	27 September 2019		

6. Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

7. Details of associates and joint venture entities

	Ownership interest at the end of year		Contribution to net profit	
	2019 %	2018 %	2019 $'000	2018 $'000
Equity accounted associates				
Perennial Value Management Ltd *	52.4	52.4	956	1,811
Thornton Group (SA) Pty Ltd **	56.7	43.1	127	387
Grow Super	12.1	7.1	(298)	(46)
Other associates			201	372
			986	2,524

* Due to voting rights associated with different classes of shares in Perennial Value Management Ltd, 52.4% ownership interest does not result in control as defined by AASB 10 *Consolidated Financial Statements.*
** The Group has determined that it does not have control of Thornton Group (SA) Pty Ltd as it has no representation on the Board and does not have power over the investee to direct its operations.

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2019

8. Earnings per share

	30 June 2019 (cents)	30 June 2018 (cents)
Basic earnings per share	8.1	26.4
Diluted earnings per share	8.1	26.4
UNPAT earnings per share	56.5	57.3

Weighted average number of ordinary shares	30 June 2019 No. '000	30 June 2018 No. '000
Basic and UNPAT earnings per share	350,456	334,072
Diluted earnings per share	351,438	334,822

At 30 June 2019, there were no options outstanding (2018: nil).

9. Other

The Directors of IOOF Holdings Limited confirm that the financial information and notes of the IOOF Group set out on pages 44 to 95 have been subject to audit by KPMG. The financial report is not subject to modification. A copy of the financial report is attached.
Further information regarding the IOOF Group and its business activities can be obtained at www.ioof.com.au

Mr Allan Griffiths
Chairman
Melbourne
26 August 2019