APPENDIX 4E

CONDENSED ANNUAL FINANCIAL REPORT

IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting year **30 June 2020**

Prior year 30 June 2019

2. Results for announcement to the market

	$'000	% change from prior year
Revenue from continuing Shareholder activities[1]	1,168,930	up 10%
Profit from ordinary activities after tax attributable to owners of the Company	146,964	up 415%
Underlying Net Profit After Tax (UNPAT)[2]	128,834	down 35%

		Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2019			
Paid:	27 September 2019	12.0	12.0
Special dividend for the year ending 30 June 2020			
Paid:	27 September 2019	7.0	7.0
Interim dividend for the year ended 30 June 2020			
Paid:	14 March 2020	16.0	16.0
Final dividend for the year ended 30 June 2020			
Record date:	8 September 2020	11.5	11.5
Payment date:	22 September 2020		

[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.

	Note	2020	2019
		$'000	$'000
Profit attributable to Owners of the Company		**146,964**	**28,560**
Discontinued operations	2-2	(88,166)	(58,374)
Profit/(Loss) from continuing operations attributable to Owners of the Company		**58,798**	**(29,814)**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Amortisation of intangible assets	2-4	36,749	37,651
Acquisition costs - Acquisition advisory	2-4	6,010	2,488
Acquisition costs - Integration preparation	2-4	24,955	20,766
Acquisition costs - Finance costs	2-4	65	416
Termination payments	2-4	2,865	2,043
Profit on divestment of assets	2-3	(1,528)	(368)
Non-recurring professional fees paid	2-4	6,426	2,027
Unwind of deferred tax liability recorded on intangible assets		(9,717)	(9,881)
Impairment of goodwill	2-4	4,344	-
IOOF AL remediation costs	2-4	1,511	235,278
Governance uplift costs	2-4	4,461	-
Other		1,444	875
Income tax attributable		(12,337)	(78,180)
UNPAT from continuing operations		**124,046**	**183,301**
UNPAT from discontinued operations		4,788	14,688
UNPAT		**128,834**	**197,989**

UNPAT adjustments:

Amortisation of intangible assets (excluding software development): Non-cash entry reflective of the value of intangible assets diminishing over their useful lives. While intangible assets are continuously generated within the IOOF Group they are only able to be recognised when acquired, such as brand names and customer relationships. The absence of a corresponding entry for intangible asset creation results in a one-sided decrement to profit as the acquired intangible assets are amortised. The amortisation of software development costs is not excluded from UNPAT as it represents the utilisation of these assets within the business.

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.

Acquisition costs - Acquisition advisory: One off payments to external advisers assisting in corporate transactions, such as the acquisition of the ANZ OnePath Pensions and Investments (ANZ P&I) business (prior comparative period (pcp): ANZ Advice Licensees (ANZ ALs)), which were not reflective of conventional recurring operations.

Acquisition costs - Integration preparation: Staff and specialist contractor costs related to integration preparation for the acquisition the ANZ P&I business (pcp: ANZ ALs). Costs include project labour costs, IT and other consultancy fees, outsourced hosting services, and Advisor recognition accruals.

Acquisition costs - Finance costs: Costs of securing finance for the acquisition of the ANZ P&I business.

Termination payments: Represents termination payments to staff which facilitates restructuring to ensure long term efficiency gains.

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

Non-recurring professional fees (recovered)/paid: Payment of specific legal costs that are not reflective of conventional recurring operations. Includes costs associated with assistance with APRA and ASIC related matters

Impairment of goodwill: A non-cash impairment of $4.3m has been recognised in relation to goodwill allocated to the Consultum business. Reduced profitability from lower revenue led to its expected fair value less costs to sell declining to below the carrying value of the goodwill. Revenue decline has arisen due to changes in the regulatory landscape and the impacts of COVID-19.

Remediation costs: Remediation costs that arose predominantly as a result of fees for no service and quality of advice remediation programs.

Governance uplift costs: Costs incurred in undertaking projects that are outside the ordinary course of business. Activities undertaken during the year that have resulted in governance uplift can be found in the Governance Uplift section on the following page. Costs predominantly relate to project labour costs and consultancy fees in relation to APRA MAP costs and RE/RSE separation costs.

Other: Impairment of customer related intangibles and losses on divestment of non-current assets.

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

Review of strategy

The IOOF Group currently has a transformational strategic focus. The key pillars to this are Advice 2.0, Evolve21 and P&I integration. These pillars are designed to focus, simplify and grow the business to deliver on the strategy of 'advice-led wealth management' with IOOF's ClientFirst methodology underpinning every aspect of the business.

Advice 2.0

The Advice 2.0 project is focussed on the long-term sustainability of the Advice division, an initiative that focusses on redesigning the advice experience. The core benefits of this project are to deliver more accessible and cost-effective financial advice, improve adviser efficiency and ensure a profitable division that is independent from product.

Changes in 2020 that have been building the foundation for Advice 2.0 are:

- Acquisitions of advice businesses to seed the expansion of the employed channel, such as Buyer of Last Resort in Bridges as well as embedding the purchases of Bendigo and financial arm of IMB Bank.
- Critical governance harmonisation work across each of the Licensees has been completed to ensure a consistent operating model, across multiple brands.
- Critical optimisation work across the self-employed Australian Financial Service Licensees has been rolled out that underpins the sustainability and future state of advice.

Evolve21

Evolve21 is a key enabler to IOOF's group strategy supporting the three business pillars, being our clients, our business, and our people. It is a programme of work that will simplify the platform suite to one contemporary and simplified platform offering by the end of the 2021 calendar year.

Evolve21 will enable significant simplification of our business, support the ClientFirst methodology and deliver for our people by reducing waste and complexity, allowing greater focus on service excellence. Evolve21 is critical to IOOF's ability to deliver improved client outcomes through efficiency, sustainability and our ability to innovate.

In 2020, the delivery of enhanced features has continued with the release of IDPS SMSF account structures, online corporate actions and Managed Discretionary Accounts functionality. These enhancements are important milestones to enable the ultimate consolidation. A dedicated Steering Committee made up of members of the IOOF Executive Team has been established. Several work streams are in operation to support the project and a dedicated project manager and engagement and communications manager have been recruited to help lead and support the project as activities ramp up.

P&I Integration

In January 2020 IOOF completed the purchase of ANZ's OnePath Pensions and Investments business. In doing so, IOOF has now moved to the next phase of separating the business from ANZ and realising the expected benefits via meaningful operating cost synergies. The Integration Program is responsible for managing and overseeing the delivery of these activities.

The separation from ANZ is primarily reliant on system separation, which is currently forecast to be delivered in early 2022. Until this time ANZ is supporting IOOF by providing transitional services under a Transitional Services Agreement (TSA). Key functions and staff under this TSA will be progressively transitioned on an as ready basis. This will ensure functions are both bedded down as early as possible and IOOF's reliance on the TSA services is reduced as soon as possible.

In parallel, IOOF are working towards realising the benefits of joining the businesses. Key areas of focus include rationalisation of products and services, optimisation of organisational structure, elimination of duplicate back office functions and leveraging the benefits of increased scale.

Governance and executive oversight have been implemented, with the key forums including (a) Executive Transformation and Integration Steering Committee and (b) Design Integration Group.

Right sized stream delivery teams have been, or are in the process of being, mobilised, with key milestones such as finalisation of the Joint Project Separation Planning and Phase 1 of an organisational redesign, system separation, transition of additional ANZ staff to IOOF, phase 2-3 of organisational redesign, product rationalisation roadmap and the entity rationalisation strategy. Underlying this is ensuring that IOOF's ClientFirst strategy is embedded in all aspects of integration.

Governance uplift

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

- separation of responsible entity and registrable superannuation entity duties to separate independent corporate entities;
- 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.

Effective 30 November 2019, IOOF met the requirement under the licence conditions to separate the Responsible Entity and Registrable Superannuation Entities duties into separate independent corporate entities. The OST was implemented and continues to independently support IOOF's APRA regulated entities and advance member outcomes, supporting SPS515.

The Australian Financial Services Licence of the newly appointed IOOF Responsible Entity and Service Operator contains additional conditions imposed by ASIC. These conditions included the establishment of the Office of Responsible Entity (ORE) and monitoring and reporting on progress on the conditions via an independent expert. The newly established ORE is an independent function focused on assessing service providers to IOOF's investment schemes, uplifting the investment governance framework and ensuring that IOOF's investment schemes are operated in the best interests of investors. IOOF is tracking well towards meeting all of its licensing conditions as required by ASIC and under the independent review process.

Response to COVID-19 pandemic

The IOOF Group Crisis Management Team (CMT) was convened in February 2020 to manage the Group's response to the COVID-19 global pandemic. The CMT undertook a review of critical processes, systems, third party providers and capital management to ensure continuity of business operations.

The CMT facilitated communication with IOOF Group staff to, among other things, impose restrictions on staff attending work premises, highlight increased risks of cybercrime during the pandemic, suspend work travel, and implement working from home arrangements as the Australian Federal and State Government responses to the pandemic progressed.

The IOOF Group quickly responded to the requirement to work from home and successfully maintained client service standards in line with the ClientFirst methodology while moving to and maintaining work from home arrangements.

While the IOOF Group has seen reduced revenues flowing from market volatility and Federal Government initiatives related to the pandemic, the Group has been able to manage operations without impacting debt covenants or longer-term viability. The Group has assessed sensitivities of key assumptions considering the impacts of market volatility and disclosed these where appropriate.

IOOF welcomed the Federal Government's initiatives to support those in our community most impacted by the current environment. This includes the ability to withdraw up to $20,000 from superannuation over two financial years. IOOF was well placed to support this initiative given high levels of investment liquidity as well as the diversified demographic nature of our members and clients.

Payments made under the Early Release of Superannuation scheme from 20 April to 28 June 2020 have impacted Q4 2020 net flows. IOOF (including P&I) has paid 99,174 requests totalling approximately $743 million in relation to the Early Access to Superannuation scheme:

- IOOF (excluding P&I) has paid 21,818 requests totalling $170 million.
- The P&I business has paid 77,356 requests totalling $573 million.

IOOF's ClientFirst approach ensured that 97% of all payments were paid to clients within 5 business days. For P&I, 83% of payments were made within 5 business days.

Remediation Provisions

Work has been progressing throughout the year as IOOF reviews advice remediation provisions and remediates clients. Information available to date indicates that:

- The current provisions around the IOOF advice remediation have not changed materially from the prior year, however, have reduced as a result of payment of program costs and customer remediation payments during the financial year.
- An increase in the ex-ANZ AL remediation provision of $80m is required, in addition, the provision has been drawn down by client remediation payments and program costs paid throughout the year. This increase is driven by a change in methodology relating to adviser categorisation, now aligning to that used by IOOF, and this is offset by a corresponding increase in the equivalent receivable from ANZ. The provision remains under the financial cap of the remediation program arrangements with ANZ.

As part of the acquisition of the ex-ANZ P&I business, additional remediation provisions have been taken on.

Acquisitions and divestments

The IOOF Group has a long-term strategy of pursuing growth through acquisitions and has completed several acquisitions in recent years. The IOOF Group will continue to pursue acquisitions within the Wealth Management sector on an opportunistic basis. Acquisitions will only be considered where they present a logical strategic fit with existing operations and are priced reasonably.

The following are material acquisitions and divestments in the 2019/20 financial year.

ANZ P&I acquisition

Final completion of the acquisition of the ANZ P&I business occurred on 31 January 2020. A renegotiated sale price of $850m (subject to net asset adjustment), down $125m (14.7%) from the original $975m, was announced on 17 October 2019.

Since completion on 31 January 2020, the P&I business has been impacted by the market volatility and government policy decisions in relation to the COVID-19 pandemic. Market volatility is highly correlated to revenue volatility in the P&I business, with market shocks causing equivalent percentage movements in net operating revenue in this business.

Estimated cost synergies were revised to $68m pre-tax per annum (from $65m pre-tax per annum) in January 2020, with $13m of those savings having been achieved prior to completion. The Group has committed to achieving these synergies and delivering on them in full from 1 July 2023.

Ord Minnett divestment

On 24 September 2019, IOOF completed the divestment of its 70% holding in the Ord Minnett business for a total purchase consideration of $115.0m, $10.0m of which was received in the previous financial year as a non-refundable deposit. The Group's recognised a post-tax profit on divestment of $83.7m.

Further detail on these divestments is provided at Note 2-2 of the financial statements.

Analysis of financial results - IOOF Group

On a continuing operations basis, the IOOF Group's UNPAT of $124.0m represented a $59.3m (32%) decrease on prior year. Inclusive of discontinued operations - Ord Minnett and AET Corporate Trust - UNPAT decreased by $69.2m (35%) to $128.8m. The variances below compare only the continuing operations of the IOOF Group.

	2020	2019	Movement	
	$'000	$'000	$'000	%
Gross margin	577,597	496,780	80,817	16.3%
Other net operating revenue	2,063	3,268	1,205	(36.9%)
Other revenue (incl share of profits of associates)	7,417	11,079	(3,662)	(33.1%)
Operating expenditure	(384,382)	(307,223)	(77,159)	(25.1%)
Net financing	(1,621)	65,558	(67,179)	(102.5%)
Net non-cash items	(26,931)	(13,874)	(13,057)	(94.1%)
Income tax expense and non-controlling interest	(50,097)	(72,287)	22,190	(30.7%)
Underlying Profit after Tax	**124,046**	**183,301**	**(59,255)**	**(32.3%)**

Gross margin increased by $80.8m

Excluding the $118.5m gross margin contribution from the ex-ANZ P&I business, gross margin declined by $37.7m. The following analysis discusses gross margin ex-ANZ P&I.

During the current year, average Funds Under Management, Administration and Advice (FUMA) were $136.7b, an increase of 21.3% on prior year. This increase was derived largely from the inclusion of the ex-ANZ AL average FUMA of $16.2b, excluded in the prior year due to its acquisition in October 2018 skewing the average. Equity market performance, driven by market volatility as a result of the COVID-19 pandemic has resulted in FUM outflows of $2.6b in the current year offsetting organic growth in advice and platform funds. Platform flows of $1.3b were broadly equivalent to $1.4b in the prior year. Financial advice flows of $0.7b were slightly up on the prior year ($0.5b). Investment management outflows of $0.4b were largely derived from pension payment based redemptions.

The higher level of market volatility impacted revenues across the entire business through lower FUMA. Within platform, the lower rates also reflected the continuing trend for funds to be directed towards more contemporary platforms with lower fees, but commensurately lower attributable overheads. 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 and the need to re-set fees in response had a negative impact on segment margin overall.

Other revenue decreased by $3.7m

The reduction in other revenue relates predominantly to lower conference revenue received as a result of the cancellation of conferences due to COVID-19 restrictions. Lower conference revenue is predominantly offset by lower conference costs included in operating expenditure.

Operating expenditure increased by $77.1m

ANZ P&I contributed an additional $64.0m in operating expenditure since completion on 31 January 2020. In addition to this, the full year impact of the ex-ANZ AL business contributed an additional $8.2m of costs compared to 9 months in the prior year. Outside the impact of the ex-ANZ P&I and ALs, operating expenditure increased $4.9m or 2% on prior year. The modest increase in operating expenditure excludes the impact of expenditure items reversed when calculating UNPAT. The introduction of AASB 16 meant there was a $13.9m favourable reclassification of occupancy expenses to interest ($2.8m) and depreciation ($15.8m) charges. Labour costs are the IOOF Group's most material at 73% of operating expenditure overall. These costs, ex-ANZ P&I and ALs, have increased by $9.2m chiefly due to an increased number of high salary employees required to uplift our governance activity in the Office of the Superannuation Trustee as well as a higher cohort of risk, compliance and governance professionals added. IT expenditure increased $3.0m due to the implementation of new systems in preparation for the acquisition of ANZ P&I and enhanced governance monitoring. Administration costs increased $1.4m principally due to increased licence fees and subscriptions. Professional fees increased $5.0m driven by increases in consultants and legal costs as a result of activity to uplift governance.

Net interest income decreased by $67.2m

Net interest income decreased largely in line with the 11 May 2019 12.4% step down of the coupon rate on the debt note of $800m issued to ANZ and an additional $2.8m in interest charges under AASB16.

Other impacts decreased UNPAT by $13.1m

Depreciation expenses have increased by $14.8m, predominantly reflecting the impact of adoption of AASB16. Share-based payments expense was $1.9m lower due to non-vesting of previously expensed grants.

Income tax expense decreased by $22.2m

Income tax expense relative to prior year principally reflects the decline in the IOOF Group's profitability driven in large part due to the reduction in interest revenue on the $800m debt note and the market volatility as a result of COVID-19. IOOF's effective tax rate is 32.5% (pcp 34.5%).

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

Financial advice and distribution	2020	2019	Movement	
	$'000	$'000	$'000	%
Net operating revenue	179,514	191,522	(12,008)	(6.3%)
Other revenue (incl share of profits of associates)	2,884	4,009	(1,125)	(28.1%)
Operating expenditure	(103,572)	(106,863)	3,291	(3.1%)
Net financing	(534)	130	(664)	(510.8%)
Net non-cash items	(9,690)	(4,320)	(5,370)	124.3%
Income tax expense and non-controlling interest	(20,175)	(25,117)	4,942	(19.7%)
Underlying Profit after Tax	**48,427**	**59,361**	**(10,934)**	**(18.4%)**

- Average funds growth through net inflows have been more than offset by the impact of market volatility through the COVID-19 pandemic and compounded by competitive pricing from third party administrators which IOOF has since matched with an equivalent offer. In addition, Shadforth advisers have increased their clients' weighting to IOOF administration. This results in the portfolio administration fee being increasingly apportioned to that segment whereas margin revenue from third party administration platforms was previously recognised in the advice segment.
- Operating expenditure has decreased slightly in line with an increasing share of managerial and compliance oversight occurring within the ex-ANZ segment.
- Net non-cash items increased in line with group share based payment and depreciation impacts noted above.

Portfolio and estate administration	2020	2019	Movement	
	$'000	$'000	$'000	%
Net operating revenue	211,430	231,952	(20,522)	(8.8%)
Other revenue (incl share of profits of associates)	-	-	-	n/a
Operating expenditure	(115,005)	(108,932)	(6,073)	5.6%
Net financing	(34)	-	(34)	(100.0%)
Net non-cash items	(11,385)	(7,700)	(3,685)	47.9%
Income tax expense and non-controlling interest	(26,918)	(35,932)	9,014	(25.1%)
Underlying Profit after Tax	**58,088**	**79,388**	**(21,300)**	**(26.8%)**

- Net operating revenue decreased as a result of net funds diminution as a result of market volatility through the COVID-19 pandemic, in addition to funds movement from higher priced legacy and transition platforms to contemporary platforms with competitive fees.
- Increased operating expenditure resulted primarily from increased governance via implementation of the Office of the Superannuation Trustee and additional Risk and Compliance FTE.
- Net non-cash items increased in line with depreciation impacts noted above.

Investment management	2020	2019	Movement	
	$'000	$'000	$'000	%
Net operating revenue	66,451	63,144	3,307	5.2%
Other revenue (incl share of profits of associates)	-	-	-	n/a
Operating expenditure	(10,537)	(10,698)	161	(1.5%)
Net financing	-	-	-	n/a
Net non-cash items	(1,863)	(1,799)	(64)	3.6%
Income tax expense and non-controlling interest	(16,396)	(15,538)	(858)	5.5%
Underlying Profit after Tax	**37,655**	**35,109**	**2,546**	**7.3%**

- Net operating revenue improved in line with higher average FUMA for the year. Volatility due to COVID-19 in Q4 did not offset the impact of higher FUMA for the majority of the year.
- Net non-cash items increased in line with depreciation impacts noted above.

Financial Position

The IOOF Group held cash and cash equivalents of $374.7m at 30 June 2020 (30 June 2019: $97.4m). 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. Restricted cash of $145.6m, relating to the Operating Risk Financial Reserve (ORFR) cash reserves, acquired as part of the net assets of the ex-ANZ P&I acquisition included on the corporate balance sheet and $3.7m cash held by the Group's statutory benefit funds at 30 June 2020 (30 June 2019: $5.8m) both of which are not available to shareholders.

On 27 October 2019, IOOF Group amended the syndicated facility agreement (SFA) with lenders to reduce the available facilities to reflect the reduced consideration for the ANZ P&I business. The amended SFA consists of the following facilities with the repayment term effective from 27 September 2018:

- $240m revolving cash advance facility with a 3-year repayment term, amended to 4 years post 30 June 2020.
- $375m revolving cash advance facility with a 5-year repayment term.
- $60m multi-option facility with a 3-year repayment term.

Proceeds from SFA borrowings were initially applied towards the subscription of a debt note with face value $800m from ANZ. The debt note was redeemed on 31 January 2020 and applied against the consideration owing for the ANZ P&I business.

The overall net debt to equity ratio stood at 25% at 30 June 2020 (30 June 2019: 0%) reflecting a net $430.9m in borrowings (including lease liabilities), principally $460m under the SFA.

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 exposure to risks in the course of conducting our everyday operations and implementing our strategy. The material risks faced by the IOOF Group include, but may not be limited to:

Strategic and Tactical

(i) Competition

In the markets in which the IOOF Group operates a variety of participants compete for investments from clients and for the provision of wealth management services. Competitive market conditions may limit the level of assets managed and earnings available to us. We manage this risk by continuously investing in client service, product design and stakeholder relationships, among other improvements.

(ii) Dependence on key personnel

The IOOF Group's continued ability to compete effectively depends on our capacity to attract, retain and motivate our employees. The loss of key executives or staff without suitable replacements could cause material disruption to our operations in the short to medium term. We undertake succession planning and offer competitive employment conditions and benefits to manage this risk.

(iii) Dependence on financial advisers

The success of the IOOF Group's advice and platform business is dependent on the quality of our relationships with financial advisers and, in turn, the quality of their relationships with their clients. Our ability to maintain productive adviser relationships is managed by monitoring and, where necessary, enhancing our service levels, technological capability, product offerings and professional training.

(iv) Acquisitions

Acquisitions involve inherent risks which could negatively impact the potential benefits of a new business and could have a material effect on the IOOF Group's financial position. Our prior experience with acquisitions means that we have a significant complement of experienced staff and relationships with specialist advisers to support the assessment of acquisition opportunities. This ensures the Board is fully informed of the risks and opportunities associated with any potential individual acquisition.

(v) Environmental, social and governance (ESG)

ESG risks can have a material impact on our ability to deliver good long-term outcomes for our clients, investors and the community. To ensure we fulfil our purpose, we consider a broad range of ESG risks and opportunities, including climate change, human capital management, modern slavery, diversity and inclusion and tax transparency, among others. Our ESG activities are discussed in the ESG section of the annual report.

Governance

(vi) Governance

IOOF applies the Three Lines of Defence governance model to govern risk management and compliance activities across the Group. All IOOF entities, including IOOF Holdings Ltd and its controlled entities are supported by a number of committees, including their respective designated Risk and Compliance and Audit Committees. These committees provide the required structure to manage governance issues such as conflicts of interest, board independence, appropriate audit and review, among others. If these are inadequate, we may not meet our legal, compliance and regulatory responsibilities, and the expectations the community has of a listed company.

In addition, IOOF has strengthened governance activities through the established the OST and the ORE. As independent functions, they are focussed on uplifting governance and ensuring member and investor driven outcomes.

Reputation

(vii) Brand and reputation

Actions which damage the IOOF Group's brand and reputation may impact our ability to attract and retain the support of clients, employees, financial advisers, and employers, as well as our future profitability and financial position. We actively monitor media and other public domain commentary on our affairs, proactively promote the value of our services, products and community initiatives and focus on building a ClientFirst culture.

Conduct

(viii) Conduct risk

Conduct risk is the risk of intentionally or unintentionally delivering poor outcomes for stakeholders (including clients, staff and shareholders) as a result of improper conduct (including conduct that is not consistent with our values, Code of Conduct and ClientFirst philosophy) or inadequate systems (including complexity). Conduct risk goes beyond our legal and regulatory obligations. It is about how we treat our stakeholders (includes fairness of outcomes) and whether our products and services meet our stakeholders' needs and expectations. Our management of conduct risk is supported by the IOOF Group Code of Conduct, which sets out the tenets of professional and personal conduct which apply to all our people. These include acting at all times within the law and in the best interests of our members, clients, shareholders and the IOOF Group.

(ix) Provision of investment advice

The IOOF Group's financial advisers and authorised representatives provide advice to clients and may be exposed to regulatory action or litigation if the advice is judged to be incorrect, if the authorised representative otherwise becomes liable for client losses, and in certain other circumstances. This risk is managed by having high professional, educational, compliance, assurance and training standards for our advisers. The potential financial impact is mitigated by taking out appropriate insurance cover.

The assurance and governance framework, used to monitor and supervise advisers, has been enhanced to ensure compliance with ASIC's 515 Report. It has also been assured by an external independent expert.

Financial and Liquidity

(x) Credit

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

(xi) Interest rate and cash flow

Interest rate risk is the risk to the IOOF Group's earnings and capital arising from changes in market interest rates. Financial instruments that may 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 may expose the Group to cash flow interest rate risk.

(xii) Liquidity

Liquidity risk relates to the IOOF Group having insufficient liquid assets to cover cash flow requirements. We manage liquidity risk by maintaining sufficient liquid assets and an ability to access a committed line of credit. The liquidity requirements for our licensed entities are regularly reviewed and carefully monitored in accordance with their licence requirements.

(xiii) 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 examining the relevant factors and circumstances prevailing at that time.

(xiv) Financing

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 our financial performance and prospects. To the extent that this occurs, we may not be able to take advantage of acquisition and other growth opportunities, develop new ideas or respond to competitive pressures, which may have an adverse impact on our financial position and performance. This risk is minimised through oversight by a dedicated Treasury function with established policies and procedures which are subject to continuous monitoring and review. Banking covenants are regularly reviewed to ensure any potential issues are identified well in advance.

Investment Governance

(xv) Changes in investment markets

The IOOF Group derives a significant proportion of its earnings from fees and charges based on the level of funds under management, administration, advice, and supervision (FUMAS). Among other factors, the level of FUMAS reflects the performance of investment markets. Changes in domestic or global investment market conditions could lead to a decline in FUMAS, adversely impacting the amount we earn in fees and charges, as well as reduced client interest in our financial products and services. To manage this risk, we offer a range of products and services suitable for different investment markets and establish comprehensive investment governance committees, policies and procedures that are subject to continuous monitoring and oversight.

Operational

(xvi) Operational

Operational risks may arise in the daily functioning of the IOOF Group's businesses, in connection with, investment management, tax and financial advice, legal and regulatory compliance, product commitments, process error, system failure, failure of security and unit pricing errors, among other functions. These risks are managed through IOOF's Risk Management Framework which includes systems, structures, policies, procedures and staff to identify, measure, evaluate, monitor, report, control and mitigate internal and external risks.

IOOF's response to the COVID-19 crisis resulted in the execution of the organisation's Crisis Management Plan, including pandemic planning process, which resulted in the deployment of the organisation's work from home strategy and has now become part of 'Our Work Life'.

(xvii) Unit pricing errors

A unit pricing error by the IOOF Group or its service providers could cause financial or reputation loss. This risk affects the broader funds management industry and may result in significant financial losses and brand damage to several financial services organisations. We minimise this risk through controls, procedures and contractual enforcement which are subject to continuous monitoring and oversight. We maintain a significant complement of experienced staff and utilise specialist service providers to maintain robust systems and accurate inputs.

(xviii) Information technology

The IOOF Group relies heavily on information technology (IT). A significant or sustained failure in the core technology systems could materially affect our operations, which could impact our future profitability and financial position. We have implemented a next-generation firewall, pursue continuous improvements to protect user devices and impose segregation of duties between technology environments. More broadly, we apply controls (including disaster recovery testing) and procedures which are subject to continuous monitoring and oversight, maintain a significant complement of experienced staff and employ specialist IT advisers. Our IT controls are aligned with our management of cyber security risks (below).

(xix) Cyber security

There is a risk of significant failure in the IOOF Group's operations or material financial loss as a result of cyber-attacks. We have implemented measures and controls that cover identification, detection, monitoring and response in relation to cyber threats. Cyber security controls are aligned with those employed to minimise IT risks.

(xx) COVID-19

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets.

There is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of correlation between IOOF's revenue and movements in the stock markets, there are potential unpredictable short or longer term financial impacts on the Company.

Insurance

(xxi) Insurance

If the IOOF Group incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected. To protect against this risk, we hold insurance policies, including 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 our assets, liabilities, officers and employees. However, there are some risks that are uninsurable (e.g. nuclear, chemical or biological incidents) and risk incidents where the insurance coverage is reduced (e.g. cyclone, earthquake, flood, fire). In addition, we face risks associated with the financial strength of our insurers to meet indemnity obligations when called on which could have an adverse effect on earnings.

Legal and Compliance

(xxii) Reliance on licences and authorities

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. Failure to comply with the general obligations and conditions of a licence could result in the suspension or cancellation of a licence, which would have a material adverse effect on our 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. Policies and procedures are in place across the organisation to ensure compliance with licences is monitored closely.

(xxiii) Regulatory and legislative reform

The financial services sector in which the IOOF Group operates is subject to extensive legislation, regulation and supervision by regulatory bodies across multiple jurisdictions. The regulatory regimes governing our business activities are complex and subject to change. If the amount and complexity of new regulation increases, so too may the costs of compliance and risks of non-compliance. We maintain an appropriately skilled and experienced staff and relationships with specialist advisers to minimise this risk.

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 11.5 cents per share, resulting in a total payout ratio of 75% for the financial year, is appropriate. Current year profits support the payout.

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 2020 was 1.8%, with a dividend yield of 6.7% (based on the financial year volume weighted average price) which was partially offset by share price decline of 4.8%. The market valuation of the IOOF Group remains reflective of uncertainty over the impacts of COVID-19 in addition to the long term effects of adoption of Royal Commission recommendations for 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 2015 was -4.2% 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. TSR figures for 2020 include the special dividend paid on 27 September 2019.

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2020

	2020	2019	2018	2017	2016
Profit attributable to owners of the Company ($'000s) (1)	146,964	28,560	88,301	115,990	196,846
Profit for the year for continuing operations ($'000s)	58,629	(29,993)	105,358	119,851	140,542
Basic EPS (cents per share)	42.0	8.1	26.4	38.7	65.7
Diluted EPS (cents per share)	41.9	8.1	26.4	38.6	65.4
Basic EPS (continuing operations) (cents per share)	16.8	(8.5)	31.6	38.7	46
UNPAT ($'000s)	128,834	197,989	191,417	169,357	173,367
UNPAT EPS (cents per share)	36.8	56.5	57.3	56.5	57.8
UNPAT EPS (continuing operations) (cents per share)	36.7	56.3	52.6	56.5	57.1
Dividends declared ($'000s) (2)	121,121	131,653	189,582	159,071	163,573
Dividends per share (cents per share) (2)	34.5	37.5	54	53	54.5
Opening share price	$5.17	$8.99	$9.80	$7.83	$8.99
Closing share price at 30 June	$4.92	$5.17	$8.99	$9.80	$7.83
Return on equity (non-statutory measure) (3)	7.59%	10.90%	11.30%	12.10%	12.30%

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

(2) Dividends declared and dividends per share are on an accruals basis.

(3) 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 2020 and prior years were fully franked.

3. Net tangible assets

	30 June 2020 (cents)	30 June 2019 (cents)
Net tangible assets/(liabilities) per share*	(33.9)	127.2

*Net tangible assets/(liabilities) equate to net assets excluding goodwill, intangible assets and deferred tax liabilities arising from acquisitions, but including right-of-use assets relating to leases.

4. Entities over which control has been gained or lost

The following are material acquisitions or divestments in the year ended 30 June 2020:

On 24 September 2019, IOOF completed the divestment of its shareholding in Ord Minnett Holdings Pty Ltd. The Group held 70% of the shares on issue as at 30 June 2019, and nil as at 30 June 2020.

Final completion of the acquisition of the ANZ P&I business occurred on 31 January 2020. As a result, the IOOF Group gained control of nine entities that make up the pensions and investments business.

5. Dividends

	$'000	Amount per share (cents)	% Franked
Final dividend for the year ended 30 June 2019	42,129	12.0	100%
Special dividend for the year ending 30 June 2020	24,575	7.0	100%
Interim dividend for the year ended 30 June 2020	56,172	16.0	100%
Final dividend for the year ended 30 June 2020	40,374	11.5	100%
Record date for determining entitlements to dividends		8 September 2020	
Payment date of final dividend		22 September 2020	

6. Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

7. Details of associates and joint venture entities

Associate	Ownership interest at the end of year		IOOF Group's share of profit/(loss)	
	2020	2019	2020	2019
	%	%	$'000	$'000
Perennial Value Management Ltd*	-	52.4	-	-
Thornton Group (SA) Pty Ltd	56.7	56.7	180	127
Grow Super	10.7	12.1	(866)	(298)
Other associates			207	201
			(479)	30

*Investment was divested in the current year. Share of profit has therefore been reclassified to discontinued operations.

** The Group has determined that it does not have control of Thornton Group (SA) Pty Ltd as it has no controlling interest over the appointment of the Board and as a result does not have power over the investee to direct its operations.

8. Earnings per share

	30 June 2020 (cents)	30 June 2019 (cents)
Basic earnings per share	42.0	8.1
Diluted earnings per share	41.9	8.1
UNPAT earnings per share	36.8	56.5

	30 June 2020 (No. '000)	30 June 2019 (No. '000)
Weighted average number of ordinary shares		
Basic and UNPAT earnings per share	350,122	350,456
Diluted earnings per share	350,803	351,438

At 30 June 2020, there were no options outstanding (2019: nil).

9. Other

The Directors of IOOF Holdings Ltd confirm that the financial information and notes of the IOOF Group set out on pages 53 to 127 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

31 August 2020