IOOF Holdings Ltd

ABN 49 100 103 722

30 June 2021

Annual Financial Report

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About IOOF

IOOF Holdings Ltd (the Company or Parent) is listed in the top 200 on the Australian Securities Exchange (ASX: IFL). The IOOF Group consists of the Company and its subsidiaries and the consolidated Group's interest in its associates. The Group has offices in Melbourne, Sydney, Adelaide, Brisbane, Perth and Hobart.

At 30 June 2021, Funds Under Management, Administration and Advice (FUMA) (ex-MLC) were $213.3b compared with FUMA of $202.3b at 30 June 2020. This reflects strong uplift due to market performance ($26.1b). Market movements were partly offset by net outflows of $8.6b, pension payments of $2.0b and combined one-off movements of $4.5b net outflow, including changes to external platform arrangements and early release of super. MLC Assets Under Management and Funds Under Administration (AUM/FUA) acquired were $301.2b.

In the opinion of the Directors, aside from matters as disclosed in this financial report, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

Underlying net profit after tax for the year ended 30 June 2021 was up $19.0m or 14.8% to $147.8m relative to the prior corresponding period (pcp).

Principal Activities

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

- Financial Advice – IOOF believes in the value of quality financial advice and that it should be more accessible, more affordable and more engaging for Australians. The financial advisers that we partner with are experienced professionals who help their clients identify, prioritise and achieve their financial and personal goals by building long-term trusted relationships, implementing tailored financial plans that are reviewed regularly and updated as the client's circumstances change. This is achieved through helping clients navigate their way through a range of financial products and services and educating clients to improve their financial literacy. Post MLC completion on 31 May 2021, the Financial Advice segment includes the advice operations acquired as part of the MLC Wealth transaction.
- Portfolio & Estate Administration – At IOOF, we recognise individuals have different needs, goals and ways of engaging with their superannuation and investments. To enable this, we offer a wide range of solutions to support our clients including investors, members, employers and advisers. Employer solutions currently service more than 15,000 employers and 300,000 members through IOOF Employer Super and ANZ Smart Choice Super. Adviser solutions provide advisers a broad selection of platform solutions, both wrap and master trust structures, to cater for individuals with simple or complex needs. Direct solutions allow clients to take control of their financial future through products such as ANZ Smart Choice Super and Pension and IOOF WealthBuilder.
- Investment Management – our highly-skilled investment team has a proven investment process that is focussed on delivering strong and consistent returns. The team accesses world-leading investment managers across a broad range of highly-rated single and multi-manager funds, combining them with other attractive investment opportunities, to offer an easy and effective way for our clients to achieve their investment goals. Principle products include: IOOF MultiMix, IOOF MultiSeries, OptiMix and OnePath Diversified.
- MLC Wealth – the MLC Wealth businesses were acquired from National Australia Bank (NAB) on 31 May 2021, including platform and asset management businesses across retail and corporate. These activities are similar to the activities described above in Portfolio & Estate Administration and Investment Management. MLC platform and asset management will be integrated into the existing IOOF business segments during the 2022 Financial Year.

Operating and financial review

Key strategic initiatives

The IOOF Group remains focussed on the delivery of Advice 2.0, Evolve21 and Transformation as the key strategic initiatives and the progress against these priorities are set out below:

Advice 2.0

The key strategic priority to make advice more affordable, accessible and engaging for Australians while helping businesses become more sustainable and profitable. It consists of three pillars:

Client Engagement includes goals-based advice that is accessible, affordable and engaging to Australians supported by clear and relevant client value propositions.

Adviser efficiency includes market leading, next generation best practice advice models that streamlines advice generation, servicing and governance making advisers more efficient while uplifting advice quality.

AFSL (Australian Financial Services Licence) sustainability involves offering compelling discrete value propositions across each advice channel providing advisers with choice reflecting value and risk and that are profitable without the need for cross subsidisation.

FY21 progress:

- AFSL model has been reshaped to optimise and streamline the management of the self-employed AFSLs and IOOF Alliances into two like-minded groups, based on alignment of value proposition and operating models. The new model reinforces our commitment to a multi-brand strategy, as we continue to recognise the value of our distinct advice brands and communities.
- The transition of Bridges to a wholly employed network and the closure of the Financial Service Partners AFSL, which was operating at sub scale. This process included a number of FSP and Bridges self-employed advisers joining other IOOF AFSLs.
- The acquisition of Wealth Central will play a key role in helping improve both client engagement and adviser efficiency. Wealth Central is a digital engagement platform that will help advisers deliver advice in a more efficient and engaging way, making it a unique differentiator and advantage for our adviser network.

Evolve21

Evolve21 is a cross functional program of work delivering one integrated platform – known as Evolve – to consolidate all heritage IOOF proprietary platforms into a single contemporary platform by the end of calendar year 2021. IOOF is on track to meet this target, having completed the phase one product migration in June 2021, migrating over 38,000 member accounts. Phase 2 is expected to be complete in December 2021.

Evolve21 will enable simplification of the 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.

Further platform projects will commence at the completion of Evolve21 to continue the rationalisation process to include P&I and MLC platforms.

Transformation

IOOF is bringing together the IOOF ex-ANZ P&I and MLC businesses to ensure client outcomes are paramount while synergy targets are reached via improved scale and efficiency.

In May 2021 and in line with stated timelines, IOOF completed the purchase of NAB's MLC business. IOOF is continuing work on the separation of the P&I business acquired in January 2020 from ANZ. IOOF has moved into the next phase of finalising remaining separation work on both P&I and MLC and realising the expected benefits via meaningful operating cost synergies.

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The separation from ANZ is primarily reliant on system separation, which is currently forecast to be delivered in late 2022. Until this time ANZ is supporting IOOF by providing transitional services under a Transitional Services Agreement (TSA). The MLC business was substantially more progressed in separation at the time of acquisition and as a result, IOOF's reliance upon NAB for similar TSA services is shorter in duration.

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. Key functions and staff under the ANZ 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 is working towards realising the benefits of joining the three businesses.

Governance and executive oversight is maintained through key forums including the Executive Transformation and Integration Steering Committee and the Design Integration Group. Delivery teams have been mobilised to ensure execution of key milestones such as system separation, organisational re-design, product and platform integration and entity rationalisation strategy. Underlying this is ensuring that IOOF's ClientFirst strategy is embedded in all aspects of integration.

The IOOF Group has a long-term strategy of pursuing growth through acquisitions and has completed several acquisitions in recent years. Acquisitions have been pursued where they present a logical strategic fit with existing operations and are priced reasonably for the expected value accretion to shareholders.

Key performance indicators

Underlying net profit after tax

The following table, which has not been audited, provides a reconciliation between the reported results of the IOOF Group and underlying net profit after tax pre-amortisation (UNPAT), with the results of the benefit funds excluded. UNPAT is a non-GAAP metric that is used by management to monitor the performance of the Group. In calculating UNPAT, the IOOF Group reverses the impact on profit of certain, predominantly non-recurring, items to enable a better understanding of its underlying operational result. It is the UNPAT result which will be analysed in detail in this section of the Directors' Report. The year ended 30 June 2020 is denoted as the prior comparative period or pcp.

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

Operating and financial review

	Note	2021	2020
		$'m	$'m
(Loss)/Profit attributable to Owners of the Company		**(143.5)**	**141.2**
Profit from discontinued operations attributable to Owners of the Company	2-2	-	(88.2)
(Loss)/Profit from continuing operations attributable to Owners of the Company		**(143.5)**	**53.0**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Amortisation of intangible assets	2-4	58.9	44.8
Unwind of deferred tax liability recorded on intangible assets		(15.4)	(12.1)
Transformation and integration costs	2-4	50.2	19.7
Impairment of goodwill	2-4	199.9	4.3
Project Evolve costs	2-4	12.6	11.4
Advice 2.0 costs	2-4	1.3	-
BT settlement income	2-3	(58.8)	-
Governance uplift costs	2-4	1.2	4.5
Legal provision	2-4	24.3	-
Remediation costs	2-4	28.2	1.5
Non-recurring professional fees paid	2-4	10.0	6.4
Termination payments	2-4	1.1	2.9
Unrealised loss on revaluation of embedded derivative	2-4	5.0	-
Other	2-3, 2-4	(2.5)	(0.1)
Income tax attributable	2-4	(24.7)	(12.3)
UNPAT from continuing operations		**147.8**	**124.0**
UNPAT from discontinued operations		-	4.8
UNPAT		**147.8**	**128.8**

UNPAT adjustments:

Amortisation of intangible assets: Non-cash entry reflective of declining intangible asset values over their useful lives. Intangible assets are recognised upon acquisition. Intangible assets (other than goodwill) are amortised over the expected useful life of the asset. The amortisation of software development costs is not reversed in calculating UNPAT.

Unwind of deferred tax liability recorded on intangible assets: Acquired intangible asset valuations for accounting are higher than the tax cost base. A deferred tax liability (DTL) is required to be recognised as there is an embedded capital gain should the assets be divested which represents the difference between accounting values and tax bases at 30%. 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.

Transformation and integration costs: As IOOF implements its transformation agenda post completion of the MLC and ANZ Pensions and Investments (P&I) acquisitions, this category includes transaction costs associated with external advisers, upfront costs of securing finance and internal staff and specialist contractor costs relating to integration. Costs include project labour costs, redundancy and termination costs, IT and other consultancy fees, outsourced hosting services and Adviser recognition program costs which are not reflective of recurring operations.

Impairment of goodwill: Non-cash impairment related to goodwill associated with Shadforth Financial Group, DKN Financial Group and Bridges Financial Services Group. Primarily reflecting the termination of the platform relationship with BT Portfolio Services Ltd and the cessation of grandfathered commission revenue in the advice business.

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Evolve: Project labour costs and IT consultancy fees associated with the Group's proprietary Evolve platform project. One-off cost to bring multiple heritage IOOF platforms together in preparation for integration and simplification of acquisitions.

Advice 2.0: One-off costs, including legal fees and consultancy fees in connection with the implementation of Advice 2.0.

BT settlement income: One-off settlement income in connection with the termination of the platform relationship with BT Portfolio Services Ltd.

Governance uplift costs: Costs incurred in undertaking projects that are outside the ordinary course of business. Costs predominantly relate to project labour costs and consultancy fees.

Legal provision: Expenditure predominantly in connection with settlement of the judgement in the Kerr v Australia Executor Trustees (SA) Ltd proceedings in excess of amounts covered by the Group's insurance.

Remediation costs: Movements in remediation provisions relating to IOOF's various structured remediation programs other than payments to clients or advisers which are recorded directly against the provision.

Non-recurring professional fees 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.

Termination payments: Represents termination payments to staff due to restructuring activities that deliver long term efficiency gains.

Unrealised loss on revaluation of embedded derivative: Movements in valuation of embedded derivative that forms part of the Subordinated Loan Notes. Gains and losses will be recognised as IOOF's share price moves with reference to the initial reference price on valuation. Refer to note 3-2.

Other: Losses on divestment of non-current assets and impairment of customer related intangibles.

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

Analysis of financial results - IOOF Group ex-MLC

On a continuing operations basis ex-MLC, the IOOF Group's UNPAT of $132.3m represented an $8.3m (6.7%) increase on prior year. Inclusive of discontinued operations, UNPAT increased (2.7%) to $132.3m. The variances below compare the continuing operations of the IOOF Group and include P&I operations from 1 February 2020.

IOOF Group - ex-MLC	2021	2020	Movement	
	$'m	$'m	$'m	%
Gross margin	695.3	577.2	118.1	20.5%
Net operating revenue	697.6	579.3	118.3	20.4%
Other revenue (incl share of profits of associates)	2.4	7.4	(5.0)	(67.6%)
Operating expenditure	(479.3)	(384.2)	(95.1)	24.8%
Net financing	(6.9)	(1.7)	(5.2)	305.9%
Net non-cash items	(31.3)	(26.9)	(4.4)	16.4%
Income tax expense and non-controlling interest	(50.2)	(49.9)	(0.3)	0.6%
Underlying Profit after Tax from continuing operations ex-MLC	**132.3**	**124.0**	**8.3**	**6.7%**
Underlying Profit after Tax from MLC	15.5	-	15.5	n/a
Underlying Profit after Tax from continuing operations	**147.8**	**124.0**	**23.8**	**19.2%**

Operating and financial review

Net operating revenue increased by $118.3m

P&I contributed an additional $168.0m in net operating revenue for the full year of operations as compared to the 5 months in the pcp. This results in an approximately 10% increase in net operating revenue on a run-rate basis for the P&I segment driven by strong market performance in FY21 with FUMA market growth of $10.7b offsetting net outflows and one off adjustments of $4.4b.

The increase in net operating revenue is partly offset by decreases in revenue in the following segments:

- $29.3m reduction in net operating revenue generated by the Financial Advice segment primarily driven by the cessation of grandfathered commissions and the cessation of the BT contract.
- Margin contraction in the platform segment of $11.4m due to clients moving between products.
- $7.3m reduction in net operating revenue generated by the ex-ANZ wealth management segment driven by regulatory changes with the cessation of grandfathered commissions and volume rebates from fund managers.
- Investment management net operating revenue was $1.9m lower than prior year due to slight reduction in margin compounded by a reduction in Funds Under Management (FUM).

Other revenue decreased by $5.0m

The reduction in other revenue relates predominantly to lower adviser conference revenue received as a result of the cancellation of advice/ adviser conferences due to COVID-19 restrictions.

Operating expenditure increased by $95.1m

P&I contributed an additional $86.6m in operating expenditure for the full year of operations as compared to the 5 months in the pcp. This results in an approximately 2% reduction in operating expenditure on a run-rate basis for the P&I segment. After adjusting for the annualisation of the P&I impact, there is an increase of 2% in operating expenditure (excludes the impact of expenditure items reversed when calculating UNPAT).

Labour costs are the IOOF Group's most material cost item at 79% of operating expenditure. These costs have increased by $7.0m (adjusted for annualised P&I impact) primarily due to increased bonus provisions in the current year after bonuses were significantly reduced in the pcp due to COVID-19 financial impacts.

Other net movements in operating expenditure relate predominantly to an increase in computer license fees and consultancy costs, partially offset by a reduction in travel and entertainment costs as a result of reduced travel due to COVID-19.

Net financing costs increased by $5.2m

Net Financing costs have increased predominantly due to lower interest income generated through lower interest rates on deposits. This is partially offset by lower interest expense driven by repayment of debt post MLC capital raise. Debt was redrawn to facilitate MLC completion on 31 May 2021.

Net non-cash items decreased UNPAT by $3.6m

Depreciation expense has increased $6.0m, predominantly reflecting the additional 7 months of P&I costs included in the current financial year, partially offset by $0.8m lower share-based payments expense due to non-vesting of previously expensed grants.

Operating and financial review

Financial Position

The IOOF Group held cash and cash equivalents of $670.7m at 30 June 2021 (30 June 2020: $374.7m). 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. With the acquisition of MLC, some reserves held to satisfy regulatory net asset requirements are designated as financial assets. ORFR reserve of $402.7m (comprising cash and financial assets) and $4.6m cash held by the Group's statutory benefit funds at 30 June 2021 (30 June 2020: $145.6m and $3.7m) are not available to shareholders.

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 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 comprising an ordinary dividend of 9.5 cents per share and a special dividend of 2.0 cents per share, resulting in a total ordinary dividend payout ratio of 75.8%, is appropriate. Current year profits support the payout.

Total Shareholder Return (TSR) measures the change in share value over a specified period and dividends received. The IOOF Group's TSR for the year ended 30 June 2021 was negative 8.5% reflecting a share price decline of 13.2% and partially offset by a dividend yield of 4.7% (based on the financial year volume weighted average price). TSR in the 5-year period from 1 July 2016 was negative 19.7% and negative 6.9% on a compounding annualised basis. The IOOF Group is in a strong financial position with significant free cash, borrowings within covenants and a low interest rate environment which reduces borrowing costs. All TSR figures quoted above include the final 2021 dividend but no other dividends that have been declared to be paid.

	2021	2020	2019	2018	2017
(Loss)/Profit attributable to owners of the Company ($'m) (1)	(143.5)	141.2	28.6	88.3	116.0
(Loss)/Profit for the year for continuing operations ($'m)	(143.5)	52.8	(30.0)	105.4	119.9
Basic EPS (cents per share)	(24.4)	40.3	8.1	26.4	38.7
Diluted EPS (cents per share)	(24.4)	40.2	8.1	26.4	38.6
Basic EPS (continuing operations) (cents per share)	(24.4)	15.1	(8.5)	31.6	38.7
UNPAT ($'m)	147.8	128.8	198.0	191.4	169.4
UNPAT EPS (cents per share)	25.1	36.8	56.5	57.3	56.5
UNPAT EPS (continuing operations) (cents per share)	25.1	35.4	56.3	52.6	56.5
Dividends declared ($'m) (2)	149.3	121.2	131.7	189.6	159.1
Dividends per share (cents per share) (2)	23.0	34.5	37.5	54.0	53.0
Opening share price	$4.92	$5.17	$8.99	$9.80	$7.83
Closing share price at 30 June	$4.27	$4.92	$5.17	$8.99	$9.80
Return on equity (non-statutory measure) (3)	5.92%	7.59%	10.90%	11.30%	12.10%

(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.

Dividends for 2021 and prior years were fully franked.

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Capital and liquidity management

In September 2020, the IOOF Group completed a capital raising for the purpose of acquiring MLC Wealth. The capital raising consisted of a fully underwritten institutional placement and accelerated non-renounceable entitlement offer and a non-underwritten share purchase plan. Under these offers, the Group raised additional capital of $1,043.9m, representing 298,248,329 ordinary shares and incurred transaction costs of $20.4m.

On 27 November 2020, the IOOF group entered into an additional accommodation agreement to provide an additional $250m cash advance under the syndicated facility agreement (SFA) for the acquisition of MLC Wealth. This facility has a 5-year repayment term from the SFA effective date. The amended SFA consists of the following facilities:

- $240m revolving cash advance facility with a 4-year repayment term from the SFA effective date.
- $625m revolving cash advance facility with a 5-year repayment term from the SFA effective date.
- Multi-option facility with a 3-year repayment term from the SFA effective date, comprising a contingent liability facility.

On 31 May 2021, the IOOF Group issued $200m SLNs to fund the acquisition of MLC Wealth. Key terms are:

- SLNs are unsecured subordinated debt obligations of IOOF.
- 1% per annum coupon payable semi-annually. Step up to 4% per annum if the noteholders request redemption more than 42 months after the issue date and IOOF does not redeem.
- 5-year term with an early redemption start period of 42 months from completion (31 May 2021).
- Equity linked redemption linked to any uplift in notional securities over a reference price (being a 15% premium to the theoretical ex rights price for the equity offer) and subject to adjustment.
- IOOF permitted to accelerate redemption after 3 years if the volume weighted average price is at least 150% of the reference price or in case of certain tax changes. Holder permitted to accelerate redemption at any time commencing 42 months after the issue date, subject to issuer consent, or upon change in control (acquisition by a person of beneficial ownership of 50% or more of the ordinary voting power of outstanding voting shares or delisting or 15 trading day suspension).

The net debt to equity ratio stood at 18.9% at 30 June 2021 (30 June 2020: 24.8%) reflecting net borrowings of $469.7m (30 June 2020: $430.9m), principally $476.0m under the SFA (30 June 2020: $460.0m).

Cash flow forecasting is conducted monthly, principally to ensure sufficient liquidity for future needs and to monitor adherence to licence conditions, and stress testing of lending covenants is conducted when assessing funding options for acquisition opportunities.

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Segment analysis

Financial advice - incl MLC	2021	2020	Movement	
	$'m	$'m	$'m	%
Net operating revenue	155.1	179.5	(24.4)	(13.6%)
Other revenue (incl share of profits of associates)	0.3	2.9	(2.6)	(89.7%)
Operating expenditure	(116.2)	(103.5)	(12.7)	12.3%
Net financing	(0.4)	(0.6)	0.2	(33.3%)
Net non-cash items	(8.8)	(9.7)	0.9	(9.3%)
Income tax expense and non-controlling interest	(9.9)	(20.2)	10.3	(51.0%)
Underlying Profit after Tax from continuing operations	**20.1**	**48.4**	**(28.3)**	**(58.5%)**

- Reduction in net operating revenue due to the loss of the BT contract and cessation of grandfathered commissions.
- MLC advisers transitioned into existing IOOF licensees on completion (31 May 2021). FY21 net operating revenue includes the results of one month ($5.2m) of revenue generated by MLC advisers incorporated into the advice segment result.
- Reduction in other revenue is due to lower adviser conference revenue as a result of conferences not returning to the pre-COVID-19 series of events.
- Increase in operating expenditure relates to one month of costs associated with MLC advisers ($12.7m). Excluding the MLC adviser costs, operating expenditure has remained consistent year on year.

Portfolio and estate administration	2021	2020	Movement	
	$'m	$'m	$'m	%
Net operating revenue	200.0	211.3	(11.3)	(5.3%)
Other revenue (incl share of profits of associates)	-	-	-	n/a
Operating expenditure	(123.8)	(115.0)	(8.8)	7.7%
Net financing	-	-	-	n/a
Net non-cash items	(11.0)	(11.4)	0.4	(3.5%)
Income tax expense and non-controlling interest	(20.1)	(26.9)	6.8	(25.3%)
Underlying Profit after Tax from continuing operations	**45.1**	**58.0**	**(12.9)**	**(22.2%)**

- Net operating revenue decreased as a result of gross margin reduction as clients move between products.
- Increased operating expenditure resulted primarily from increased computer licenses, administration fees and employee bonuses in the current year after bonuses were significantly reduced in the pcp as a result of COVID-19 financial impacts.

Investment management	2021	2020	Movement	
	$'m	$'m	$'m	%
Net operating revenue	64.5	66.4	(1.9)	(2.9%)
Other revenue (incl share of profits of associates)	-	-	-	n/a
Operating expenditure	(13.5)	(10.5)	(3.0)	28.6%
Net financing	-	-	-	n/a
Net non-cash items	(1.6)	(1.9)	0.3	(15.8%)
Income tax expense and non-controlling interest	(14.9)	(16.4)	1.5	(9.1%)
Underlying Profit after Tax from continuing operations	**34.5**	**37.6**	**(3.1)**	**(8.2%)**

- Net operating revenue decreased from the prior year due to slight reduction in margin and a reduction in FUM. This was a direct result of the liquidation of the Platform cash management funds, which were then invested in a Retail look-through agreement with an external party, in the best interest of members.
- Increase in operating expenditure is due to increased governance driven by the implementation of the Office of the Responsible Entity in mid FY20 and employee bonuses in the current year after bonuses were significantly reduced in the pcp as a result of COVID-19 financial impacts.

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Ex-ANZ ALs	2021	2020	Movement	
	$'m	$'m	$'m	%
Net operating revenue	13.2	20.4	(7.2)	(35.3%)
Other revenue (incl share of profits of associates)	1.9	2.9	(1.0)	(34.5%)
Operating expenditure	(41.0)	(49.9)	8.9	(17.8%)
Net financing	-	0.2	(0.2)	(100.0%)
Net non-cash items	(1.5)	(1.1)	(0.4)	36.4%
Income tax benefit and non-controlling interest	8.2	8.4	(0.2)	(2.4%)
Underlying Profit after Tax from continuing operations	**(19.2)**	**(19.1)**	**(0.1)**	**0.5%**

- Reduction in revenue driven by regulatory changes including the cessation of grandfathered commissions and volume rebates from fund managers.
- Reduction in other revenue is due to lower conference revenue as a result of conferences not returning to the pre-COVID-19 series of events.
- Reduction in operating expenditure is a result of a focus towards achieving break-even within this business. Cost reductions are seen across most areas of operating expenditure, especially salaries, consultants, conference expenses, travel and entertainment.

Ex-ANZ P&I	2021	2020	Movement	
	$'m	$'m	$'m	%
Net operating revenue	268.9	100.8	168.1	166.8%
Other revenue (incl share of profits of associates)	-	0.6	(0.6)	(100.0%)
Operating expenditure	(150.6)	(64.0)	(86.6)	135.3%
Net financing	0.5	9.9	(9.4)	(94.9%)
Net non-cash items	(7.9)	(2.7)	(5.2)	192.6%
Income tax expense and non-controlling interest	(33.3)	(13.4)	(19.9)	148.5%
Underlying Profit after Tax from continuing operations	**77.6**	**31.2**	**46.4**	**148.7%**

- P&I contributed an additional $168.0m in net operating revenue for the full year of operations as compared to the 5 months in the pcp. This results in approximately a 10% increase in net operating revenue on a run-rate basis for the P&I segment driven by strong market performance in FY21.
- Operating expenditure has increased by $86.6m representing a full year of operations. Operating expenditure is favourable to the pcp by 2% on a run-rate basis as a result of lower project spend and savings in property costs.

MLC Wealth	2021	2020	Movement	
	$'m	$'m	$'m	%
Net operating revenue	62.3	-	62.3	n/a
Other revenue (incl share of profits of associates)	1.5	-	1.5	n/a
Operating expenditure	(34.5)	-	(34.5)	n/a
Net financing	0.6	-	0.6	n/a
Net non-cash items	(0.8)	-	(0.8)	n/a
Income tax expense and non-controlling interest	(8.6)	-	(8.6)	n/a
Underlying Profit after Tax from continuing operations	**20.5**	**-**	**20.5**	**n/a**

- The table above shows the contribution of the MLC Asset Management and Retirement & Investment Solutions businesses for the one month post completion (June 2021).
- The IOOF Group completed the acquisition of the MLC Wealth businesses on 31 May 2021. Note 6-4 shows a proforma view of MLC's expected annualised contribution.

Operating and financial review

Risk management

The Board is responsible for establishing and overseeing the IOOF Risk Management Framework (RMF) and has delegated authority for the oversight and monitoring of the Framework to the Group Risk and Compliance Committee (GRCC) and the Executive team. The key pillars of the IOOF RMF include:

- the IOOF Risk Management Policy (RMP). The RMP provides direction to ensure material risks which are further defined in the Risk Management Strategies of the controlled entities are being consistently identified, assessed and managed. The RMP includes a description of each material risk including key roles and responsibilities for managing the risk, outlines the risk governance structure and promotes a proactive risk culture, with reference to the relevant policies, standards and procedures;
- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that IOOF is prepared to accept in pursuing its business objectives. Each regulated entity Board within the Group has its own RAS; and
- a Three Lines of Defence Governance Model to govern risk management and compliance activities across the Group. The Three Lines of Defence model is the foundation for effective risk management. The overarching principle is that risk management capability must be embedded into the business to be effective.

During the 2021 financial year, IOOF has maintained its focus on the governance uplift across the Group which includes the integration of the newly acquired businesses. Effort continues post MLC acquisition to identify opportunities to improve efficiency and ensuring risk management resource adequacy across the organisation.

Emerging Risks

The risk environment is continually changing and we are therefore assessing key emerging risks to consider their impact on the IOOF Group. Some emerging risks include:

Emerging risk	Our response to manage this risk
Integration of P&I and MLC businesses - Successful integration of the P&I and MLC businesses to realise the synergies and create an efficient business for the future. Failure to successfully integrate could give rise to unnecessary costs, increased complexity and regulatory burden and higher risks.	The Chief Transformation Officer role has been created as a direct report of the CEO, and the integrations will be managed as one joint program of work with appropriate governance structures. Detailed Integration plan with sufficient resourcing assigned to all business functions.
Volume and complexity of regulatory change - IOOF Group is required to implement large volumes of complex regulatory changes, at times within relative short time frames.	Appointment of a Chief Transformation Officer and dedicated team within ERC to oversee all regulatory change activities.

COVID-19

The COVID-19 pandemic has continued throughout the period. There is still uncertainty on the likely duration of the pandemic as well as the impact on the economy. For the IOOF Group, the impact is being able to maintain its service standards to clients, while also supporting our employees during the various lockdowns in each state. While there was a gradual return to the office during the second half of FY21, working from home for our people remains a key part of our new way of working at IOOF.

Operating and financial review

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

Key risk categories	Our response to manage this risk
Strategic and tactical	
(i) Competition The risk that IOOF does not keep pace with developments in the markets in which we operate may result in competitive conditions adversely impacting the level of assets managed and earnings available to us.	Continuously investing in client service, product design and stakeholder relationships, among other improvements.
(ii) Dependence on key personnel The risk that IOOF's continued ability to compete effectively is impacted by our capacity to attract, retain and motivate our people. The loss of key personnel without suitable replacement could disrupt our operations in the short term.	Undertake succession planning and offer competitive employment conditions and benefits to manage this risk.
(iii) Dependence on financial advisers The success of IOOF'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.	Monitor and, where necessary, enhance our service levels, technological capability, product offerings and professional training.
(iv) Acquisitions The risk that any acquired business is not effectively managed which may negatively impact the potential benefits of the new business and adversely affect the IOOF Group's financial position.	We have a significant complement of people experienced in acquisitions and specialist advisers to support the assessment and management of the acquisition and implementation risks.
(v) Environmental, social and governance (ESG) ESG risks can have a material impact on our ability to deliver sustainable 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. Our ESG activities are discussed in the ESG section of the annual report.
Governance	
(vi) Governance The risk that the governance framework is not adequate to manage conflicts of interest, member interests or our legal and regulatory obligations in line with regulatory and community expectations.	IOOF continues to strengthen the quality of its governance frameworks. This is supported by corporate structures with independent Boards and Committees aligned with their regulatory obligations. The Office of the Superannuation Trustee and Office of the Responsible Entity aligned with IOOF's RMF's three lines of defence model govern risk management and compliance activities across the Group.

Operating and financial review

Key risk categories	Our response to manage this risk
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, people, financial advisers, and employers, as well as our future profitability and financial position.	We have controls, processes and procedures in place to mitigate this risk. In particular we have a Complaints policy and procedure in place for our clients, and a Whistleblower policy to protect our people. We also proactively promote the value of our services, products and community initiatives and focus on building a ClientFirst culture.
Conduct	
(viii) Misconduct The risk of our conduct intentionally or unintentionally delivering poor outcomes for stakeholders (including clients, people and shareholders). It is about how we treat our stakeholders (including 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 values of professional and personal conduct which apply to all our people. These include acting within the law and in the best interests of our members, clients, shareholders and the IOOF Group at all times.
(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 and authorised representatives. The potential financial impact is mitigated by appropriate levels of insurance cover. IOOF also undertakes a rolling program of compliance reviews of advisers.
Financial and liquidity	
(x) Interest rate and cash flow This 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 include 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.
(xi) 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 of our licensed entities are regularly reviewed and carefully monitored in accordance with their licence requirements.

Operating and financial review

Key risk categories	Our response to manage this risk
Financial and liquidity (continued)	
(xii) 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 and mitigated to the extent necessary well in advance.
Investment governance	
(xiii) 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 and advice (FUMA). Among other factors, the level of FUMA reflects the performance of investment markets. Changes in domestic or global investment market conditions could lead to a decline in FUMA, 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	
(xiv) 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.	This is managed through IOOF's Risk Management Framework which includes systems, structures, policies, procedures, and people to identify, measure, evaluate, monitor, report, control and mitigate internal and external risks.
(xv) Remediation activities Remediation activities across various areas of the business - references the timely, effective and accurate execution of these remediation activities to ensure client detriment is resolved, meet the requirements of regulators and mitigate the risk of reputational damage.	To manage this risk, remediation exercises are adequately resourced. Governance structures are in place to consider and manage the issues and risks of remediation delivery. Regular updates are provided to regulators.
(xvi) 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, and 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, while ensuring there are experienced people and specialist IT advisers.

Operating and financial review

Key risk categories	Our response to manage this risk
Operational (continued)	
(xvii) 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 address identification, detection, monitoring and response in relation to cyber threats. Cyber security controls are aligned with those employed to minimise IT risks.

Dividends

In respect of the financial year ended 30 June 2021, the Directors declared the payment of a final dividend of 9.5 cents per share and a special dividend of 2.0 cents per share, both franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 22 September 2021. This dividend will be paid to all shareholders recorded on the Register of Members on 8 September 2021.

The Directors declared the payment of an interim dividend of 8.0 cents per ordinary share and a special dividend of 3.5 cents per ordinary share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares which was paid on 18 March 2021.

In respect of the financial year ended 30 June 2020, the Directors declared the payment of a final dividend of 11.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares, which was paid on 22 September 2020.

Directors' Report

The Directors present their report together with the financial report of IOOF Holdings Ltd (the "Company" or "Parent") and of the IOOF Group, being the Company and its subsidiaries and the consolidated Group's interest in associates for the financial year ended 30 June 2021 and the auditor's report thereon.

Directors

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

Name, qualifications and independence status	Experience, special responsibilities, listed and other significant directorships
Mr Allan Griffiths B.Bus, DipLI. Independent Non-Executive Director and Chairman Director since 14 July 2014 Chairman since 4 April 2019	More than 30 years' experience with a deep understanding of the financial services industry. Mr Griffiths has held a number of executive positions within the industry most notably as Chief Executive Officer Aviva Australia and later, Managing Director South Asia, Aviva Asia Pte Ltd based in Singapore. Prior to joining Aviva Mr Griffiths held executive positions with Colonial Ltd and Norwich Union. Mr Griffiths is Chairman of the Westpac/BT Insurance Boards and the Chairman of Metrics Credit Partners. Mr Griffiths is also Chair of the Group Nominations Committee and a member of the Group Audit, Group Risk and Compliance and Group People & Remuneration Committees.
Mr Renato Mota BComm(Hons), B.Bus Chief Executive Officer and Managing Director Director since 25 June 2020	With more than 20 years' experience in financial services, prior to being appointed CEO in June 2019, Mr Mota held a number of senior executive roles within IOOF. In December 2018, Mr Mota was appointed Acting CEO and prior to that was Group General Manager - Wealth Management since January 2016. During this time he was instrumental in leading IOOF through a series of forward-thinking, strategic initiatives including IOOF's advice-led strategy, the group's ClientFirst transformation and establishing the IOOF Advice Academy. Previously, he held numerous executive roles as General Manager of Distribution, Investor Solutions and Corporate Strategy and Communications. Before joining IOOF in 2003, Mr Mota worked for Rothschild and NAB in corporate finance roles with a focus on mergers and acquisitions where he was involved in wealth management transactions including the demerger of Henderson Group plc from AMP in 2003 and NAB's acquisition of MLC and Deutsche Financial Planning.
Mr Andrew Bloore Independent Non-Executive Director Director since 2 September 2019	Mr Bloore is an experienced Non-Executive Director, entrepreneur and farmer. He has designed, built and sold a number of businesses, focussed on the development of key disruptive technologies and distribution services in traditional markets, to create business efficiencies. Mr Bloore has been actively involved in, both as an Executive and/or as a Director and in the capacity of investment funding, development and leadership, include Smartsuper, SuperIQ, and Class Super. Mr Bloore has worked on a range of Senate and Treasury Committees, and with the Australian Taxation Office (ATO) Regulations Committee on regulation for the superannuation industry. In 2016, Mr Bloore sold his superannuation administration business to AMP, stepped down from the Senate and Treasury Committees and is now focussed on contributing to organisations as a Non-Executive Director. Mr Bloore was a non-executive director of FBR Ltd until November 2019. Mr Bloore is a Board Member and a Member of the Group Audit, Group Nominations, Group People & Remuneration and Group Risk and Compliance Committees.

Directors' Report

Name, qualifications and independence status	Experience, special responsibilities, listed and other significant directorships
Ms Elizabeth Flynn LLB, Grad Dip App Corp Gov, FAICD, FFin, FGIA, FCG. Independent Non-Executive Director Director since 15 September 2015	Ms Flynn has more than 35 years' experience in the financial services industry, including roles within law and corporate governance as well as executive responsibilities. From 1998 to 2010, Ms Flynn was the Chief Legal Counsel, Group Compliance Manager and Group Company Secretary of financial services group Aviva Australia, and a director of Aviva Australia's superannuation trustee company. Prior to her time at Aviva, Ms Flynn spent 18 years as a commercial lawyer with Minter Ellison, including eight years as a Partner, specialising in managed funds, banking, securitisation and superannuation. Ms Flynn was a non-executive director of Bennelong Funds Management from 2010 to 2015 and The Colonial Mutual Life Assurance Society Limited from November 2019 until April 2021 and is a non-executive director of AIA Australia Limited. Ms Flynn is Chair of the Group Risk and Compliance Committee, and a member of the Group Audit, Group People & Remuneration and Group Nominations Committees.
Mr John Selak Dip Acc, FCA, FAICD Independent Non-Executive Director Director since 14 October 2016	Mr Selak has over 40 years' experience in the financial and advisory services industry. From 2000 to 2016 Mr Selak was a Partner in the Corporate Finance Practice of Ernst & Young serving on their Global Corporate Finance Executive. From 2014 to 2017 Mr Selak was an advisory board member of Quest Apartment Hotels. From 2016 to 2020 Mr Selak was a non-executive director of National Tiles and was Chair of Corsair Capital until April 2021. Mr Selak is currently a non-executive director of Turosi Food Solutions and the IOOF Foundation. Mr Selak is Chair of the Group People & Remuneration Committee and a member of the Group Audit, Group Nominations and Group Risk and Compliance Committees.
Ms Michelle Somerville B Bus (Accounting), FCA, GAICD, Master Applied Finance Independent Non-Executive Director Director since 1 October 2019	Ms Somerville is an experienced Non-Executive Director, bringing deep and relevant finance, risk and governance experience to the Board, having worked in the financial services industry in both her executive and non-executive roles. Previously she was an audit partner with KPMG Australia for nearly 14 years, with a focus on the financial services industry in both Australia and overseas. Ms Somerville is currently a non-executive director of The GPT Group (since 2015). Ms Somerville is the Chair of the Group Audit Committee and a member of the Group Nominations, Group People & Remuneration and Group Risk and Compliance Committees.

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

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

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

Company secretary

The Company Secretary is Ms Adrianna Bisogni LLB (Hons) BA GAICD. Ms Bisogni was appointed to the position in November 2019. She is a lawyer with over 25 years' experience in corporate law.

Directors' Report

Additionally, Mr Bill Linehan LLB, BCom, FGIA is a Chartered Accountant, lawyer, and a Fellow of the Governance Institute with over 20 years' experience in corporate law was appointed to the role of Company Secretary in May 2021.

Directors' meetings

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

Director	Directors' Meetings		
	Status	Meetings attended	Meetings held
A Griffiths	Chair	24	24
R Mota	CEO & Managing Director	24	24
A Bloore	Director	24	24
E Flynn	Director	24	24
J Selak	Director	24	24
M Somerville	Director	24	24

Director	Committee Meetings Group Audit Committee		
	Status	Meetings attended	Meetings held
M Somerville	Chair	7	7
A Bloore	Member	7	7
E Flynn	Member	7	7
A Griffiths	Member	7	7
J Selak	Member	7	7

Director	Committee Meetings Risk and Compliance Committee		
	Status	Meetings attended	Meetings held
E Flynn	Chair	8	8
A Bloore	Member	8	8
A Griffiths	Member	8	8
J Selak	Member	8	8
M Somerville	Member	8	8

Director	Committee Meetings Nominations Committee		
	Status	Meetings attended	Meetings held
A Griffiths	Chair	5	5
E Flynn	Member	5	5
J Selak	Member	5	5
A Bloore	Member from 12 May 2021	1	1
M Somerville	Member from 12 May 2021	1	1

Director	Committee Meetings People & Remuneration Committee		
	Status	Meetings attended	Meetings held
J Selak	Chair	6	6
A Bloore	Member	6	6
E Flynn	Member	6	6
A Griffiths	Member	6	6
M Somerville	Member from 12 May 2021	1	1

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

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

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

Shares issued on exercise of options

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

Directors' Report

Unexercised options over shares, performance rights and deferred shares

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

Performance rights	
Performance period end date	**Number of rights**
30-Jun-21	343,271
30-Jun-22	349,800
30-Jun-23	340,560
30-Jun-24	886,512
	1,920,143

Deferred shares	
Vesting date	**Number of shares**
8-Apr-20	57,592
	57,592

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

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

Indemnification and insurance

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

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

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the IOOF Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage to themselves or someone else or to cause detriment to the Company.

Environmental regulation

The IOOF Group is not subject to significant environmental regulation.

Directors' Report

Events occurring after balance date

The Directors have declared the payment of a final dividend of 9.5 cents per share and a special dividend of 2.0 cents per share, both franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 22 September 2021.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, or the accompanying financial statements and notes thereto, that has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

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

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 43 of the annual financial report and forms part of the Directors' Report for the year ended 30 June 2021.

Rounding off of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that instrument amounts in the financial report are rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Non-audit services

The Directors are satisfied that the provision of non-audit services during the year of $1,291,431 by the auditor is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Non-audit services are managed as follows:

- fees earned from non-audit work undertaken by KPMG are capped at 0.5 times the total audit fee;
- services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- services do not undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the IOOF Group, acting as advocate for the IOOF Group or jointly sharing economic risks and rewards.

Further information regarding remuneration of auditors is included in section 6-5 of the financial report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Remuneration report

Letter from the People & Remuneration Committee Chair

Dear Shareholder

IOOF is pleased to present its Remuneration Report for 2021. The report is designed to provide shareholders with an understanding of the Group's remuneration principles, policies and programs and their link with the Group's strategy and financial performance.

The 2021 financial year has been truly transformational for IOOF with the successful completion on 31 May of the MLC acquisition. This acquisition provides a step-change in scale and reach across our organisation. The business also continued to implement significant changes across its advice and platforms businesses, and consolidation of the ANZ P&I acquisition.

Through the integration with MLC, we have seen additions to the Executive Team: Garry Mulcahy, Chief Asset Management Officer who joined with MLC at completion and Chris Weldon, Chief Transformation Officer who stepped into this newly created role from within IOOF. We also welcomed our Chief Corporate Affairs and Marketing Officer, Sawsan Howard who joined as an important member of the Executive Team in August. The additions to the Executive Team and changes in Board composition across the Group provides strong business and cultural foundations and the impetus for the organisation to move forward.

The impacts of COVID-19 pandemic continued to permeate through the year, requiring periods of remote working and the continuing need to support our clients and people through challenging times. I am proud of how our teams have seamlessly adapted and responded to the challenging and disruptive environment, and in fact, found some new and better ways to work.

In response to COVID-19, the Chairman and CEO took a 20% reduction in base pay for 6 months from 1 August 2020. All other IOOF Holdings Directors, along with the Chief Financial Officer, took a 10% reduction in base pay for the same period.

Evolving our Remuneration Framework

In 2021, we implemented our new executive incentive framework, the Executive Equity Plan (EEP). The plan, which delivers incentives wholly in equity vesting over four years, closely aligns executives with shareholders and encourages long-term sustainable decision making in the interests of shareholders. The incentive framework balances financial and non-financial priorities aligned with key strategic value drivers of the business, both short and long term, to enable enduring performance.

The new executive framework has been successful in driving strong alignment between the Executive Team and supporting the cultural and remuneration principles it was designed to address:

- supporting IOOF's strategic, cultural and talent agendas including the "advice-led" strategy and ClientFirst culture;
- aligning with best practice and stakeholder expectations; and
- considering pending regulatory developments.

Remuneration Governance

Our remuneration governance structures also evolved and strengthened through 2021. The Board, Committees and Management all recognise the need for strong governance and linkages to risk in our remuneration structures. We have taken steps forward this financial year to ensure these factors are more meaningfully embedded in our practices and frameworks, which is outlined in detail in section 2 of this report. This will continue to be a significant area of focus for IOOF to ensure we are proactively adapting our remuneration approach to best practices and in preparation for the Financial Accountability Regime (FAR).

Remuneration report

Executive Remuneration Outcomes

With the redesign of the executive framework having been undertaken, the new EEP took effect from 1 July 2020 for the 2020-2021 financial year. Performance against the measures established as part of the plan reflect the significant year for the business in terms of its transformation. This is outlined in section 1 of this report. Executive performance against the EEP follows two years of STIs not being awarded for the current Executive Team, with the exception of the Chief Investment Officer who maintained a portion of his remuneration as STI and the Chief Asset Management Officer (as explained in section 3 of this Report). The EEP is a prospective plan, with equity applied at the commencement of the four-year performance period, meaning the current 20/21 plan will not vest until 2024.

In relation to Non-Executive Director (NED) remuneration, no increases were made to NED fees for the fifth year in a row. A review of the NED remuneration framework is underway for financial year 2022.

A key strength of IOOF is our culture and our people are the centrepiece of this across all levels, including key management personnel. Their dedication, commitment and talent are reflected in the operational and financial achievements in FY2021, and the foundations that have been laid for future sustainable growth in shareholder value. On behalf of the Board, I thank you for your support and feedback, and commend this report to you.

Yours sincerely

John Selak

People & Remuneration Committee Chair

26 August 2021

Remuneration report

1. Executive Remuneration outcomes for the 2021 financial year

The new 2021 remuneration framework

As outlined in last year's report, a full review of the remuneration framework by the Group People & Remuneration Committee was undertaken last financial year, with independent recommendations provided by KPMG 3dc (executive remuneration and performance advisory). The People & Remuneration Committee approved a redesign of the executive remuneration framework, with the new incentive framework, called the Executive Equity Plan (EEP), fully implemented for first time for the 2021 financial year.

The EEP framework has replaced the LTI and STI programs for the CEO, Key Management Personnel (KMP) and the remaining Executive Team. The STI is removed under the framework except for the Chief Investment Officer and Chief Asset Management Officer who retain short term incentives which will closely tie a portion of variable remuneration to the performance of IOOF's investment and asset management portfolios.

The EEP is delivered wholly in equity to closely align Executives with shareholders and encourage long-term sustainable decision making in the interests of shareholders.

The EEP framework encompasses financial and non-financial measures. The EEP comprises:

- **A four-year performance measure (40%)** This will be based on Relative Total Shareholder Return (TSR), assessed at the end of the four year performance period.
- **Annual performance measures amounts not released until the end of the four-year performance period (60%)** Targets are set and assessed annually against five key areas, one of which is financial and four non-financial metrics. The areas assessed, which align with the key strategic drivers of the business, are:
    - **Financial (10%)**
    - **Non-financial measures (50%)** comprised of:
        - Environment, Social & Governance (ESG) (10%)
        - Client (10%)
        - People (10%)
        - Individual, role specific measures (20%)

The first allocation of EEP rights relating to the 2021 financial year was granted post the release of IOOF's full-year results in 2020. The annual performance measures set for the 2021 financial year for the CEO and Executives were assessed at the end of the financial year (as outlined in the table on the following page) but will not be eligible for release until 30 June 2024.

Remuneration report

FY21 Performance Outcomes

The table below highlights the performance outcomes for each of the measures set of the EEP.

		Area	Measures	FY 21 performance achievement
EXECUTIVE EQUITY PLAN	Gateway	Risk and compliance	Executives are required to meet all training and core risk requirements	All KMP achieved this gateway
		Culture principles	Executives must demonstrate the IOOF principles consistently in the way they work	All KMP achieved this gateway
	Annual Performance Measures Set and assessed annually - released after 4 years	Financial (40%)	**Delivering to shareholders** Long-term shareholder return as measured by TSR percentile ranking >50%	Assessed in 2024
		Financial (10%)	**Achieving the Annual Financial Plan** Measured by achievement of an annual financial plan (UNPAT) target	10% Achieved
		Non-financial performance measures		
		Environment, Social & Governance (ESG) (10%)	**Strengthening sustainability** Delivery against board endorsed ESG scorecard	10% Achieved
		Client (10%)	**Delivering what matters to Clients** Improving service delivery to members and advisers as measured through adviser and member NPS	10% Achieved
		People (10%)	**Connecting with employees** Uplift in employee engagement and experience to achieve top quartile engagement score	10% Achieved
		Individual (20%)	**Transforming the Organisation** Measures to be set on an individual basis. Will predominantly link to the successful delivery of key transformation programs against FY21 milestones, namely: Evolve 21, P&I Integration, and Advice 2.0.	20% Achieved

Remuneration report

2. Remuneration governance

Reshaping the People & Remuneration Committee

From 4 May 2021, the Remuneration Committee was renamed the People & Remuneration Committee to reflect its role in broader People matters such as talent and succession and diversity and inclusion, in addition to remuneration. The Group People & Remuneration committee is the governing body for developing, monitoring and assessing the remuneration strategy, policies and practices across IOOF and ensuring overall pay equity. The role of the Group People & Remuneration Committee is to review, challenge, assess and as appropriate, endorse the recommendations made by management for Board approval. It oversees the IOOF remuneration framework and assists the Board to ensure that IOOF's remuneration strategy and policy are appropriate and effective.

The People & Remuneration Committee met formally six times during the 2021 financial year with the following members (as at 30 June 2021). John Selak (Chair), Allan Griffiths, Elizabeth Flynn, Andrew Bloore and Michelle Somerville. This included a joint meeting with the Risk & Compliance and Audit committees as outlined below.

Strengthening Risk in Performance & Remuneration Governance

To continue our uplifting governance around our performance and remuneration practices, this year we introduced a joint meeting of the People & Remuneration, Risk & Compliance and Audit committees in May 2021. This meeting was initiated as part of the end of year performance and remuneration assessment process to ensure a heightened focus on risk in outcomes for the CEO, Senior Executives, Responsible Persons and Responsible Managers. This meeting provided the opportunity for the Committees to review and discuss relevant risk and audit matters that may warrant consideration in the People & Remuneration Committee's determination of remuneration outcomes, including any in-year malus adjustments. Feedback from across subsidiary boards and committees was sought as input into the assessment of these key people.

Remuneration report

IOOF's remuneration governance framework

IOOF Holdings Ltd Board

Risk & Compliance and Audit Committees
Detailing regulatory and legal matters, significant compliance and operational incidence, internal audit issues and other financial and non-financial matters.

People & Remuneration Committee
Establishment and maintenance of the IOOF Group's Remuneration Framework, including determination of KMP remuneration arrangements, ongoing review of incentive schemes, and assessment of performance against key performance indicators.

Joint Group People & Remuneration, Risk & Compliance and Audit Committees
The Board forum that is advised by the Group Chief Risk Officer on material risk matters that may impact remuneration outcomes for Senior Executives and below.

Independent Remuneration Consultants
The People & Remuneration Committee may engage external advisers to provide information to assist the Committee in making remuneration decisions.

Risk & Remuneration Governance
Incidents, breaches of policy and misconduct issues are regularly reported to Senior Executives. The Chief Risk Officer annually reports to the Joint People & Remuneration, Risk & Compliance and Audit Committees on the outcomes from the consequence management process and confirms that these matters have been considered in determining performance and remuneration outcomes where appropriate.

Risk and Remuneration

Our Remuneration Framework has continued to evolve over the past year, enabling us to achieve better alignment between risk, performance and remuneration and ensure we are aligned to regulator and market expectations.

The Board continues to oversee enhancements to IOOF's management of risk and remuneration, reinforcing the expectations of risk outcomes and behaviours in support of a positive risk culture through IOOF's practices and frameworks. This year, this included the introduction of the Exercise of Discretion in Remuneration Decision Making Policy, to guide the board in the application of discretion to variable remuneration and the Shareholding Policy (MSR), which outlines shareholding expectations of Executives.

Risk also plays a key role in performance and remuneration for our broader employee workforce in addition to executives, with financial year outcomes and reward being subject to meeting compliance expectations. Less than 1% of the total workforce failed to meet these risk and compliance gateways and as a result, no variable reward was awarded to these individuals.

Remuneration report

Embedding Risk in our Performance and Reward framework

Risk Culture The IOOF risk culture is a key business driver and seeks to create an environment where employees have a clear understanding of their responsibilities and accountabilities for managing risk. Employees are empowered to ask questions, report concerns, seek relevant information, challenge assumptions and take action when issues are identified as part of everyday work activities. Risk culture is underpinned by the new cultural principles, which are embedded in our business processes, including the performance framework.	**Alignment of risk to remuneration outcomes** The IOOF Group People & Remuneration Policy is designed to encourage and incentivise employees to act responsibly and with integrity in a manner consistent with the Policy. Reporting is provided to the Board to support oversight of remuneration and risk consequences to assist in informing performance and remuneration reviews.
Risk in the performance review process Risk assessments are increasingly a key consideration for the annual performance assessment process of the CEO and Senior Executives. As well as the commencement of a joint committee made up of the People & Remuneration, Risk & Compliance and Audit committees to ensure a clear link between risk, performance and remuneration outcomes, it is also supported by reporting and governance structures to ensure a holistic view of risk.	**Malus/clawback** Malus is the ability to reduce (including to zero) a variable remuneration award/or lapse or postpone vesting of variable remuneration awards granted, but not vested. Guidance and enhanced processes to support the application of malus have been implemented across IOOF during the 2021 financial year. Clawback will also apply to all CEO and Senior Executives variable remuneration from 2021 financial year.

People & Remuneration Committee

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

The Committee is comprised solely of NEDs, all of whom are independent. The members of the Committee for the year ended 30 June 2021 were J Selak – Chair (full year), A Griffiths (full year), E Flynn (full year), A Bloore (full year), and M Somerville (12 May 2021 - present).

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

People & Remuneration Committee Charter

The responsibilities of the People & Remuneration Committee are outlined in its Charter and reviewed annually. The Charter is available on the Corporate Governance page of the Company's website at www.ioof.com.au

Remuneration report

The table below shows IOOF's remuneration objectives and principles:

IOOF Purpose				
Understand **me**		Look after **me**		Secure **my** future
Remuneration Objectives Objectives of IOOF's remuneration framework:				
Attraction and retention of the best talent	**Strategy-led and supporting IOOF's purpose**	**Promote a sound risk management culture**	**Shareholder alignment**	**Meet regulatory and governance expectations and impacts on remuneration**
• Attract, motivate and retain key talent to drive the performance of the Company.	• Support our advice-led approach to delivering customer outcomes • Emphasis on delivering quality advice • Support IOOF's ClientFirst philosophy to deliver a sustainable competitive advantage.	• Sound management of non-financial and financial risk and individual and collective accountability • Meet the expectations of stakeholders in a fast-paced regulatory environment and upholding the highest governance standards.	• Align outcomes with the shareholder experience through allocation of equity and delivery of shareholder returns • Facilitate an 'ownership mindset' and long-term focus among participants.	• Consider the draft Financial Accountability Regime ("FAR") proposals and APRA's draft *Prudential Standards CPS 511 Remuneration* and their potential impact on remuneration.
Remuneration Principles These objectives are achieved by:				
• Being market competitive and reflect our broader employee value proposition.	• Creating a culture that underpins our principles – recognising what is achieved and the way in which it is achieved.	• Supporting Risk Management framework and culture, by encouraging appropriate risk behaviours, setting clean performance and risk accountabilities and enabling consequences through forfeiture of remuneration.	• Delivering on shareholder value through short term performance that builds into long-term performance.	• Determining an individual's variable remuneration based on a range of financial and non-financial factors that includes risk factors.

Remuneration report

The remuneration framework for the KMP are outlined below:

<table>
<tr><th colspan="5">Executive Remuneration Framework</th></tr>
<tr><th></th><th>Total Fixed Remuneration</th><th colspan="2">Short Term Variable Reward</th><th>Executive Equity Plan
(Long Term Variable Reward)</th></tr>
<tr><td>Participants</td><td>All Senior Executives</td><td colspan="2">Chief Asset Management Office and Chief Investment Officer</td><td>All Senior Executives except Chief Asset Management Officer</td></tr>
<tr><td>Rationale</td><td>• Provides market competitive remuneration to attract and retain high quality talent while reflecting role size and accountabilities</td><td colspan="2">• Aligned to specific individual, role specific targets associated with the investment and Asset Management portfolios</td><td>• Relative TFR against ASX 200 (40%) assessed over 4 years
• Financial Measure (10% measured by achieved of annual UNPAT target (released after 4 years)
• Non-financial component (50%) – set and assessed annually (released after 4 years) with one measure in each category being (1) ESG, (2) client (3) people (4) individual.</td></tr>
<tr><td>Structure</td><td>Base remuneration and superannuation</td><td>50%
Paid as cash</td><td>50%
Deferred equity for one-two year</td><td>Performance Rights to shares with no dividend equivalent payments, with vesting subject to performance over a four-year period.</td></tr>
<tr><td>Approach</td><td>• TFR is determined by taking into consideration expertise, responsibility, knowledge, experience and market competitiveness.
• Reviewed annually against relevant comparator group remuneration benchmarks.
• Primary comparator group is the other wealth management and superannuation businesses.
• Adjustments only made for changes in role or promotion, internal relativities and significant market changes.</td><td colspan="2">Quantum (% of TFR):
Maximum of 100%-130%

Business Performance Measures:
STIs are discretionary and determined for each individual KMP based on a balanced scorecard across business measures and including assessment of risk goals and behaviours.

Risk and Governance assessment (gate/modifier):
Outcomes subject to Board consideration of conduct and risk and reputation matters.</td><td>Quantum (% of TFR):
Maximum face value allocation of 133% (100% for Group CEO)

Business Performance Measures:
• Relative TSR against ASX 200 (40%) assessed over 4 years;
• Financial Measure (10% measured by achieved of annual UNPAT target (released after 4 years); and
• Non-financial component (50%) – set and assessed annually (released after 4 years) with one measure in each category being (1) ESG, (2) client (3) people (4) individual.

Risk and Governance assessment (gate/modifier):
Outcomes subject to Board consideration of conduct and risk and reputation matters.</td></tr>
</table>

Remuneration report

3. Key Management Personnel (KMP)

The Key Management Personnel (KMP) are defined as persons having authority and responsibility for planning directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

The table below outlines the Group's KMP for the financial year ended 30 June 2021. It also shows each individual's shareholding and corresponding progress against their Minimum Shareholding Requirement (MSR) as at 30 June 2021.

Name	Role	Term as KMP	Current shareholding	Progress against MSR[1]
Chairperson				
A Griffiths	Independent Non-Executive Director & Chairman	Full year	100,000	n/a
Non-Executive Directors				
E Flynn	Independent Non-Executive Director	Full year	49,021	n/a
J Selak	Independent Non-Executive Director	Full year	145,000	n/a
A Bloore	Independent Non-Executive Director	Full year	17,190	n/a
M Somerville	Independent Non-Executive Director	Full year	10,840	n/a
CEO & Managing Director				
R Mota	Chief Executive Officer and Managing Director (CEO)	Full year	347,328	100.0%
Current KMP				
D Chalmers	Chief Financial Officer	Full year	-	0.0%
F Lombardo	Chief Operating Officer	Full year	45,576	80.7%
D Whereat	Chief Advice Officer	Full year	10,000	15.5%
M Oliver	Chief Distribution Officer	Full year	-	0.0%
L Stewart	Chief Risk Officer	Full year	-	0.0%
G Mulcahy	Chief Asset Management Officer	1 June 2021 to present	-	n/a
Former KMP				
D Farmer	Chief Investment Officer	1 July 2020 to 31 May 2021	21,022	56.0%

[1]The MSR is required to be in place by 2024 or 4 years after commencing in the Executive Equity Plan. The share price is calculated based on the higher of the price at date of purchase/vesting and the current price. The MSR applies to executives only.

Disclosures of remuneration and other transactions with KMP who were appointed or ceased during the year are limited to those transactions occurring in the period of appointment as KMP.

Remuneration report

Executive KMP appointment arrangements

The Executive Team adjustments following the MLC acquisition that completed on 31 May 2021, has resulted in the following changes to KMP.

G Mulcahy	Chief Asset Management Officer Appointed 1 June 2021

Executive KMP exit arrangements

The following ceased to be KMP during 2021:

D Farmer	Chief Investment Officer Ceased as KMP 31 May 2021

Remuneration received by current Executive KMPs

The remuneration outcomes table below provides a summary of the remuneration that was received by the current executives in their KMP roles during the financial year ended 30 June 2021. We believe that presenting this information provides shareholders with greater clarity and transparency of executive remuneration. This table differs from the statutory remuneration table included in Note 6-6, which presents remuneration in accordance with accounting standards (i.e. on an accrual basis). All remuneration presented in this report is in Australian dollars.

	Total Fixed Remuneration[(1)]		STI[(2)]		LTI[(3)]		EEP[(4)]	Total value of remuneration received	
Name	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2021**	**2020**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
CEO & Managing Director									
R Mota	**1,080,676**	1,206,778	**54,103**	68,969	**68,801**	83,625	**1,200,000**	**2,403,579**	1,359,372
Current KMP									
D Chalmers[(5)]	**761,702**	215,385	**-**	-	**-**	-	**600,000**	**1,361,702**	215,385
F Lombardo	**551,620**	550,000	**47,608**	60,690	**68,801**	41,813	**412,000**	**1,080,029**	652,502
D Whereat[(5)]	**553,599**	211,541	**-**	-	**-**	-	**275,000**	**828,599**	211,541
M Oliver[(5)]	**503,594**	219,286	**-**	-	**-**	-	**250,000**	**753,594**	219,286
L Stewart[(5)]	**620,000**	23,846	**-**	-	**-**	-	**186,000**	**806,000**	23,846
G Mulcahy[(6)]	**47,659**	-	**92,158**	-	**-**	-	**-**	**139,817**	-
Former KMP									
D Farmer[(7)]	**389,583**	433,218	**359,773**	208,599	**-**	54,600	**212,500**	**961,856**	696,417
D Coulter[(8)]	**-**	320,773	**-**	102,011	**-**	83,625	**-**	**-**	506,409
G Riordan[(8)]	**-**	336,565	**-**	139,761	**-**	83,625	**-**	**-**	559,951
A Noble[(9)]	**-**	143,147	**-**	-	**-**	-	**-**	**-**	143,147
Total	**4,508,433**	3,517,392	**553,642**	580,030	**137,601**	347,288	**3,135,500**	**8,335,176**	4,587,856

(1) Includes base salary, non-monetary and superannuation.

(2) Deferred STI awarded in a prior year calculated using the closing share price at the date of transfer of shares. STI for G Mulcahy and D Farmer represent cash STI accrued during the year.

(3) Tenure-based LTI value calculated using closing share price at date of transfer of shares.

(4) EEP value represents the total amount that the KMP was granted at the commencement of the plan, subject to a 4-year performance period as described in Section 1.

(5) Appointed as KMP during the prior financial year.

(6) Appointed as KMP from 1 June 2021.

(7) Ceased as KMP 31 May 2021.

(8) Ceased as KMP 28 February 2020.

(9) Appointed as KMP from 26 July 2019 to 12 November 2019.

Remuneration report

Prior Year LTI

For performance rights plans pre-dating the EEP, vesting of 50% of performance rights is subject to serving a three year employment period commencing on the date of grant. 50% of the grant is subject to a Total Shareholder Return (TSR) progressive vesting scale over three years. TSR was chosen as the most appropriate comparative measure as it focuses on the delivery of shareholder value. TSR represents the change in the value of a share plus the value of dividends paid.

Year	Performance period	Grant date	IOOF TSR for the period %	Ranking relative to ASX200	Vesting status at 30 June 2021	Performance period end date
2020 LTI performance rights	2020-2022	17 Dec 19	Performance period not complete			30 Jun 22
2019 LTI performance rights	2019-2021	17 Aug 18	-37.40%	154th	0% vested	30 Jun 21

The performance period for the 2019 LTI performance rights was completed in 2021. With a TSR ranking of 154th relative to the ASX 200, no performance rights vested under the TSR performance hurdle for any KMP. R Mota, F Lombardo, and D Farmer remained employed during the three-year period. G Riordan is considered a “good leaver” and remained eligible for the 2019 LTI performance rights.

Accordingly, the following shares vested for KMP under the 2019 LTI performance rights:

Name	Type of instrument	Employment condition - 50%	TSR Performance hurdle - 50%	% vested in year	% forfeited in year
		Number of shares vested			
R Mota	2019 LTI performance rights	25,000	-	50.0%	50.0%
F Lombardo	2019 LTI performance rights	22,000	-	50.0%	50.0%
Former KMP					
D Farmer	2019 LTI performance rights	12,500	-	50.0%	50.0%
G Riordan	2019 LTI performance rights	15,000	-	50.0%	50.0%

Remuneration report

4. Non-Executive Director remuneration

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

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

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

The Board has reviewed NED fees for 2021 and, for the fifth year, has determined not to increase their fees. A review of NED's fees is being undertaken in FY22.

NED fees

Elements	Details	
NED fees (no change to 2020)	**2020/21 Fees per annum were:**	
	IOOF Holdings Ltd Board Chair fee	$285,000
	IOOF Holdings Ltd Board NED fee	$170,000
Post-employment benefits	Superannuation contributions are made at a rate of 9.5% (up to the Government's prescribed maximum contributions limit) and are included in the NED fee.	

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

2021 Statutory remuneration – NEDs

NED		Short-term benefits	Post-employment	
		Directors' fees[4] $	Superannuation $	Total $
A Griffiths[3]	**2021**	**256,500**	**-**	**256,500**
	2020	274,499	10,501	285,000
E Flynn[3]	**2021**	**161,500**	**-**	**161,500**
	2020	162,626	7,374	170,000
J Selak	**2021**	**147,489**	**14,011**	**161,500**
	2020	155,251	14,749	170,000
A Bloore	**2021**	**147,489**	**14,011**	**161,500**
	2020	152,185	14,458	166,643
M Somerville	**2021**	**147,542**	**13,958**	**161,500**
	2020	113,453	10,778	124,231
G Vernados[1]	2020	65,086	7,597	72,683
J Harvey[2]	2020	99,259	9,430	108,689
Total	**2021**	**860,520**	**41,980**	**902,500**
	2020	1,022,359	74,887	1,097,246

(1)Resigned as a Non-Executive Director on 28 November 2019

(2)Resigned as a Non-Executive Director on 19 February 2020.

(3)Directors' fees include any fees sacrificed into superannuation funds.

(4)Directors took a reduction in fees for 6 months in acknowledgement of the impact of COVID-19.

Remuneration report

Equity holdings of NEDs

Name	Balance as at 1 July 2020	Changes during the year	Balance as at 30 June 2021	Balance as at report sign-off date
A Griffiths	41,428	58,572	100,000	100,000
E Flynn	33,157	15,864	49,021	49,021
J Selak	55,000	90,000	145,000	145,000
A Bloore	5,830	11,360	17,190	17,190
M Somerville	-	10,840	10,840	10,840

Terms of appointment

All NEDs have letters of appointment detailing the terms under which they are engaged. The term of appointment for each is open-ended, subject to the provisions of the Corporations Act and the Company's Constitution. Under the Constitution, one-third of Directors must retire from office each year and may seek re-election by shareholders at the Annual General Meeting of the Company.

Remuneration report

5. Company performance and remuneration impacts

In considering the IOOF Group's financial performance and impacts on shareholder wealth for the residual LTI (excluding for the 2020 financial year as no LTI was awarded in respect of the year ended 30 June 2020), and for the new EEP determination, the Committee has regard to the following financial metrics in respect of the current financial year and the previous four financial years.

5-year Group performance

	2021	2020	2019	2018	2017
Profitability measures					
Profit attributable to owners of the Company ($'m)	(143.5)	141.2	28.6	88.3	116.0
UNPAT ($'m)[(1)]	147.8	128.8	198.0	191.4	169.4
UNPAT EPS (cents per share)	25.1	36.8	56.5	57.3	56.5
Share information					
Basic EPS (cents per share)	(24.4)	40.3	8.1	26.4	38.7
Basic EPS (continuing operations) (cents per share)	(24.4)	15.1	(8.5)	31.6	38.7
Share price at start of year	4.92	5.17	8.99	9.80	7.83
Share price at end of year	4.27	4.92	5.17	8.99	9.80
Change in share price	(0.65)	(0.25)	(3.82)	(0.81)	1.97
Dividends per share (cents per share)	23.0	34.5	37.5	54.0	53.0
Ratios					
Return on equity (non-statutory measure)[(2)]	5.92%	7.59%	10.89%	11.30%	12.10%
Total shareholder return	(8.5)%	1.8%	(36.8)%	(2.8)%	31.9%
STIs paid to KMP					
Total STIs paid to KMP ($'000s)	434	173	143	2,046	1,900

(1) UNPAT is reconciled to profit attributable to owners of the Company in the Operating and Financial Review at page 6 of the Directors' Report.

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

Remuneration report

6. Key Management Personnel remuneration – Additional statutory disclosure

Additional statutory disclosure

The following table sets out the remuneration received by KMP for the year ended 30 June 2021. The share-based payments shown below are not amounts actually received by KMP during the year, as in accordance with accounting standards, they include accounting values for unvested share awards. Actual share-based payment amounts received are shown as cash remuneration.

		Short-term benefits			Post-employ-ment	Share-based payments[2]				
Element of Remuneration		Salary	Bonus - cash	Non-monetary[1]	Super-annuation	Performance rights	Termination benefits	Total	Component as a % of total remuneration	
Component of Remuneration		Fixed $	Variable $	Fixed $	Fixed $	Variable $	Fixed $	$	Fixed %	Variable[3] %
R Mota[6]	**2021**	**1,058,306**	**-**	**676**	**21,694**	**417,433**	**-**	**1,498,109**	**72**	**28**
	2020	1,182,459	-	3,316	21,003	280,677	-	1,487,455	81	19
D Chalmers[4][6]	**2021**	**738,306**	**-**	**1,702**	**21,694**	**68,451**	**-**	**830,153**	**92**	**8**
	2020	209,730	-	-	5,655	-	-	215,385	100	-
F Lombardo	**2021**	**528,306**	**-**	**1,620**	**21,694**	**237,769**	**-**	**789,389**	**70**	**30**
	2020	528,997	-	-	21,003	227,484	-	777,484	71	29
D Whereat[4]	**2021**	**528,306**	**-**	**3,599**	**21,694**	**74,729**	**-**	**628,328**	**88**	**12**
	2020	203,461	-	2	8,078	17,936	-	229,477	92	8
M Oliver[4]	**2021**	**478,306**	**-**	**3,594**	**21,694**	**71,877**	**-**	**575,471**	**88**	**12**
	2020	209,392	-	1,008	8,886	17,936	-	237,222	92	8
L Stewart[4]	**2021**	**598,306**	**-**	**-**	**21,694**	**21,220**	**-**	**641,220**	**97**	**3**
	2020	23,038	-	-	808	-	-	23,846	100	-
KMP appointed during 2021										
G Mulcahy[4][5]	**2021**	**47,659**	**92,158**	**-**	**-**	**-**	**-**	**139,817**	**34**	**66**
Former KMP										
D Farmer[4]	**2021**	**369,697**	**331,876**	**-**	**19,886**	**121,726**	**-**	**843,185**	**46**	**54**
	2020	403,997	173,036	8,218	21,003	93,908	-	700,162	62	38
D Coulter[4]	2020	303,321	-	3,316	14,136	(8,783)	472,165	784,155	101	(1)
G Riordan[4]	2020	322,025	75,000	-	14,540	75,121	438,312	924,998	84	16
A Noble[4]	2020	132,076	-	-	11,071	-	57,212	200,359	100	-
Total	**2021**	**4,347,192**	**424,034**	**11,191**	**150,050**	**1,013,205**	**-**	**5,945,672**		
	2020	3,518,496	248,036	15,860	126,183	704,279	967,689	5,580,543		

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

[2]Share-based payments include accruals in relation to the Executive Performance Share Plan and accruals in relation to other grants of performance rights over shares in the Company. The value of the number of shares and options expected to vest has been apportioned over the term from grant date to vesting date.

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

[4]Amounts represent payments relating to the period during which the individuals were identified as KMP.

[5]Short-term incentive paid to G Mulcahy post 30 June 2021 of $503,180. Short-term incentive deferred for 3 years of $335,453. A liability of $746,477 for this incentive was assumed upon the acquisition of MLC Wealth on 31 May 2021, and the amount of $92,158 represents the expense relating to the period 1 June 2021 to 30 June 2021. No superannuation was paid in respect of G Mulcahy as he is a member of a defined benefit plan which is in a payment holiday. Disclosure of the defined benefit plan is made at note 6-8.

[6]Individual took a reduction in salary for 6 months in acknowledgement of the impact of COVID-19.

Remuneration report

7. Other information

Equity holdings

The table below sets out details of deferred shares and rights that were granted to KMP during the 2021 financial year or in prior years and that then vested, were exercised/sold or which lapsed/were forfeited during the 2021 financial year.

Name	Type of instrument	Grant date	Fair value per right at grant date	Number granted[1]	Balance at 1 July 2020	Granted as compensation	Exercised/ Vested	Forfeited/ Lapsed	Balance at 30 June 2021	Financial year of performance period end
CEO & Managing Director										
R Mota	2018 deferred shares[2]	30-Jun-18	$8.58	13,112	13,112	-	(13,112)	-	-	2021
	2021 Executive Equity Plan	18-Dec-20	$2.29	239,597	-	239,597	-	-	239,597	2024
	2020 LTI performance rights	17-Dec-19	$5.90	75,000	75,000	-			75,000	2022
	2019 LTI performance rights	26-Sep-18	$4.93	50,000	50,000	-	-	-	50,000	2021
Total R Mota					**138,112**	**239,597**	**(13,112)**	**-**	**364,597**	
Current KMP										
D Chalmers	2021 Executive Equity Plan	18-Dec-20	$2.29	119,799	-	119,799	-	-	119,799	2024
Total D Chalmers					**-**	**119,799**	**-**	**-**	**119,799**	
F Lombardo	2018 deferred shares[2]	30-Jun-18	$8.58	11,538	11,538	-	(11,538)	-	-	2021
	2021 Executive Equity Plan	18-Dec-20	$2.29	82,262	-	82,262	-	-	82,262	2024
	2020 LTI performance rights	17-Dec-19	$5.90	44,000	44,000	-	-	-	44,000	2022
	2019 LTI performance rights	26-Sep-18	$4.93	44,000	44,000	-	-	-	44,000	2021
Total F Lombardo					**99,538**	**82,262**	**(11,538)**	**-**	**170,262**	
D Whereat	2021 Executive Equity Plan	18-Dec-20	$2.29	54,908	-	54,908	-	-	54,908	2024
	2020 LTI performance rights	17-Dec-19	$5.90	10,000	10,000	-	-	-	10,000	2022
	2019 LTI performance rights	26-Sep-18	$4.93	10,000	10,000	-	-	-	10,000	2021
Total D Whereat					**20,000**	**54,908**	**-**	**-**	**74,908**	
M Oliver	2021 Executive Equity Plan	18-Dec-20	$2.29	49,916	-	49,916	-	-	49,916	2024
	2020 LTI performance rights	17-Dec-19	$5.90	10,000	10,000	-	-	-	10,000	2022
	2019 LTI performance rights	26-Sep-18	$4.93	10,000	10,000	-	-	-	10,000	2021
Total M Oliver					**20,000**	**49,916**	**-**	**-**	**69,916**	
L Stewart	2021 Executive Equity Plan	18-Dec-20	$2.29	37,138	-	37,138	-	-	37,138	2024
Total L Stewart					**-**	**37,138**	**-**	**-**	**37,138**	

Continued on next page.

Remuneration report

Name	Type of instrument	Grant date	Fair value per right at grant date	Number granted[1]	Balance at 1 July 2020	Granted as compensation	Exercised/ Vested	Forfeited/ Lapsed	Balance at 30 June 2021	Financial year of performance period end
Former KMP										
D Farmer	2018 deferred shares[2]	30-Jun-18	$8.58	6,761	6,761	-	(6,761)	-	-	2021
	2021 Executive Equity Plan	18-Dec-20	$2.29	42,429	-	42,429	-	-	42,429	2024
	2020 LTI performance rights	17-Dec-19	$5.90	25,000	25,000	-	-	-	25,000	2022
	2019 LTI performance rights	26-Sep-18	$4.93	25,000	25,000	-	-	-	25,000	2021
Total D Farmer					**56,761**	**42,429**	**(6,761)**	**-**	**92,429**	
Total KMP					**334,411**	**626,049**	**(31,411)**	**-**	**929,049**	

[1]Exercise price at grant date is $nil.

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

[3] G Mulcahy has not been awarded any performance rights since his appointment as KMP. Therefore, this individual is not included in the above table.

Remuneration report

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

Ordinary shares[1]		Balance at 1 July 2020 No.	Received on vesting of performance rights No.	Net other change No.	Balance at 30 June 2021 No.
CEO & Managing Director					
R Mota	**2021**	**204,227**	**28,112**	**114,989**	**347,328**
	2020	122,115	28,112	54,000	204,227
Current KMP					
D Chalmers[2]	**2021**	**-**	**-**	**-**	**-**
	2020	-	-	-	-
F Lombardo	**2021**	**19,038**	**26,538**	**-**	**45,576**
	2020	-	19,038	-	19,038
D Whereat[2]	**2021**	**-**	**-**	**10,000**	**10,000**
	2020	-	-	-	-
M Oliver[2]	**2021**	**-**	**-**	**-**	**-**
	2020	-	-	-	-
L Stewart[2]	**2021**	**-**	**-**	**-**	**-**
	2020	-	-	-	-
G Mulcahy[2]	**2021**	**-**	**-**	**-**	**-**
Former KMP					
D Farmer[3]	**2021**	**14,261**	**6,761**	**-**	**21,022**
	2020	-	14,261	-	14,261
D Coulter[3]	2020	300,971	28,112	-	329,083
G Riordan[3]	2020	72,500	23,324	-	95,824
A Noble[2][3]	2020	-	-	-	-

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

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

[3]Closing balance is number of shares held at the time of cessation as KMP.

Contract terms

The term of each KMP's contract is ongoing. Either IOOF or the individual KMP (excluding the CEO) can terminate their contract on 6 months' notice. In the case of the CEO, either IOOF or the CEO can terminate his contract on 12 months' notice.

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

Payments to persons before taking office

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

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

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

John Selak

People & Remuneration Committee Chair

26 August 2021

Directors' Declaration

For the year ended 30 June 2021

1 In the opinion of the Directors of the Company:

a the consolidated financial statements and notes set out on pages 52 to 128 and the Remuneration Report, set out on pages 23 to 41 in the Directors' Report, are in accordance with the *Corporations Act 2001* including:

i giving a true and fair view of the IOOF Group's financial position as at 30 June 2021 and its performance for the financial year ended on that date; and

ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.

3 The Directors draw attention to section 7-2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Mr Allan Griffiths

Chairman

Melbourne

26 August 2021

Lead Auditor’s Independence Declaration under

Section 307C of the Corporations Act 2001

To the Directors of IOOF Holdings Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of IOOF Holdings Ltd for the financial year ended 30 June 2021 there have been:

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

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

KPMG

Chris Wooden

Partner

Melbourne

26 August 2021

KPMG

Independent Auditor's Report

To the shareholders of IOOF Holdings Ltd

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2021
- Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

- Valuation of Goodwill and Indefinite life intangible assets
- Provision for client remediation and related costs
- Information technology related controls
- Accounting for business combinations

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

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

Valuation of Goodwill and Indefinite life Intangible Assets - $2,137.9 million and $51.5 million

Refer to Note 4-3 Goodwill and 4-2 Intangible Assets to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill and indefinite life intangible assets for impairment, given the size and judgement of the balance (being 37% and 0.9% of total assets respectively). We focused on the significant forward-looking assumptions the Group applied in their value in use models, including: • Forecast operating cash flows, growth rates and terminal growth rates – the Group has experienced reduced revenue in the current year, as a result of the termination of a third platform relationship and the cessation of grandfathered revenue. These conditions increase the possibility of goodwill and indefinite life intangible assets being impaired, plus the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. • Discount rate – this is complicated in nature and varies according to the conditions and environment the specific Cash Generating Unit (CGU)/intangible is subject to from time to time as well as the approach to incorporating risks into the cash flows or discount rates. The Group uses complex models to perform their annual testing of goodwill and indefinite life intangibles for impairment. The models are largely manually developed, adjusted for historical performance, and use a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking	Working with our valuation specialists, our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the test of goodwill and indefinite life intangibles impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • We compared forecast cash flows contained in value in use models to approved forecasts. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • We used our knowledge of the Group, its past performance, business and customers, and our industry experience to challenge the Group's forecast cash flows. We compared key events to the approved plan and strategy. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations and evaluated differences for the Group's operations. • We assessed the Group's determination of CGU assets for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards.

assumptions, tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. In addition to the above, the Group recorded an impairment charge of $199.9 million against goodwill. This further increased our audit effort in this key audit area.	• We assessed the Group's allocation of corporate assets and costs to CGUs for reasonableness and consistency based on the requirements of the accounting standards. • We independently developed a discount rate range using publicly available data for comparable entities, adjusted by risk factors specific to the Group's CGUs and the industry they operate in. • We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates and discount rates, within a reasonably possible range. We considered key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures. • We recalculated the impairment charge against the recorded amount disclosed. • We assessed the disclosures in the financial report using our understanding obtained from our testing, discussions with management and the Board and against the requirements of the accounting standards.

Provisions for client remediation and related costs - $658.9 million	
Refer to Note 4-4 Provisions to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The provisions for client remediation and related costs is a Key Audit Matter due to the judgments required by us in assessing the Group's determination of: • The existence of a present legal or constructive obligation as a basis for recognition of a provision against the criteria in the accounting standards. • Reliable estimates of amounts which may be paid arising from the present obligation, including estimates of the number of affected customers, expected average remediation payments and related costs.	Working with our regulatory specialists, our procedures included: • We obtained an understanding of the Group's process for identifying and assessing the potential impact of the ongoing reviews into client remediation activities. • We assessed the integrity of the model used, including the accuracy of the underlying calculation formulas. • We inquired with the Group regarding ongoing reviews into other remediation activities. • We read the minutes and other relevant documentation of the Company's Board of Directors, Board Committees, various management

KPMG

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- The potential for legal proceedings and external reviews leading to a wider range of estimation outcomes for us to consider.

The Group uses a complex model to estimate the amount which may be paid in future periods. The model is manually developed and uses a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions, tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, to address the objectivity of sources used for assumptions, and their consistent application.

We involved regulatory specialists to supplement our senior audit team members in assessing this key audit matter.

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committees, and attended the Company's Audit Committee and Risk and Compliance Committee meetings.

- We inspected correspondence with regulatory bodies and reports from management's experts to the Group.
- We assessed the scope, objectivity and competency of management's experts engaged by the Group.
- We challenged the Group's basis for recognition of a provision and associated costs against the requirements of the accounting standards. We did this by understanding the provisioning methodologies and challenging underlying assumptions including expected average remediation payments and related costs.
- We tested a sample of customer files to assess the accuracy of the Group's expected number of affected customers included in the provisions and where required detriment calculations.
- We assessed the appropriateness of the Group's conclusions against the requirements of the accounting standards where estimates were unable to be reliably made for a provision to be recognised.
- We assessed the disclosures in the financial report using our understanding obtained from our testing, discussions with management and the Board and against the requirements of the accounting standards.

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<th colspan="2">Information Technology related controls</th>
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The Information Technology (IT) related controls are a key audit matter as the Group's key financial accounting and reporting processes are highly dependent on the automated controls over the Group's IT systems. There is a risk that gaps in the change management, segregation of duties or user access management controls (in relation to key financial accounting and reporting systems) may undermine our ability to place some reliance thereon in our audit. Our audit approach could significantly differ depending on the effective operations of the Group's IT controls.

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Working with our IT specialists we challenged the design of General IT controls and sample tested the operation of key controls (in relation to financial accounting and reporting systems) including:

- Change management control operation: Inspected the Group's change management policies and for a sample of system changes during the year, checked the consistency of the system changes to the Group's policy.

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We involved IT specialists to supplement our senior audit team members in assessing this key audit matter.	• Segregation of duties control operation: Sample tested key automated controls designed to enforce segregation of duties. • User access management controls operation: We assessed the Group's evaluation of the user access rights, including privileged user access rights granted to application systems. We checked for evidence of resolution of exceptions. We also assessed the operating effectiveness of management approval controls over the granting and removal of access rights, including privileged access rights.

Accounting for Business Combinations	
Refer to Note 6-4 Acquisition of subsidiary to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group completed the acquisition of National Australia Bank's wealth management business (MLC Wealth) for a total consideration of $1,440 million. The purchase price accounting for this acquisition was provisional at the date of authorisation of the financial report. In addition, the Group finalised the accounting for the previous year's acquisition of ANZ's Pension and Investments business (Ex-ANZ Wealth). We determined that the accounting for business combinations was a key audit matter due to the financial significance of the purchase price considerations, net assets acquired and resultant goodwill arising on the acquisitions, as well as the judgement involved in the preliminary Purchase price allocation ("PPA") calculations.	Our procedures in relation to the acquisition of MLC Wealth included: • We inspected the sale and purchase agreement ("SPA") between the relevant parties to assess whether the basis and composition of the purchase consideration in the executed contracts were consistent with the Group's accounting for the acquisition. • We tested the initial consideration paid for the acquisition to the bank statements and SPA and assessed the impact of funding the acquisition on the Group's compliance with covenants. • We assessed the Group's provisional estimate of the fair value of assets and liabilities acquired including the Group's basis for determination of goodwill. • We assessed the business combination disclosures in the financial report using our understanding obtained from our testing, discussions with management and the Board and against the requirements of the accounting standards. Working with our valuation specialists, for the Ex- ANZ Wealth acquisition, which was finalised in the current year, we performed the following procedures:

	• Agreed the fair value of assets and liabilities acquired to valuation reports prepared by the Group's valuation expert. • Assessed the valuation of customer relationship intangible assets recognised as part of the PPA calculations. • Assessed the mathematical accuracy of the Group's calculation of the resulting goodwill arising on the PPA calculations. • We assessed whether the PPA disclosures in the financial statements were complete and accurate, and in line with our understanding of the business.

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and the Remuneration Report. The remaining other information is expected to include: About IOOF, Our Diversified Business Model, Chairman's Commentary, CEO and Managing Directors Commentary, 2021 Results At A Glance, 2021 Strategic Priorities, Environmental, Social & Governance Report, IOOF Foundation and Shareholder Information and is expected to be made available to us after the date of the Auditor's Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of IOOF Holdings Ltd for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

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

KPMG

KPMG

Chris Wooden

Partner

Melbourne

26 August 2021

KPMG

KPMG

Maria Trinci

Partner

Melbourne

26 August 2021

Consolidated statement of comprehensive income

For the year ended 30 June 2021

	Note	2021 $'m	2020** $'m
Revenue	2-3	1,332.4	1,078.6
Expenses	2-4	(1,447.5)	(985.2)
Share of losses of associates accounted for using the equity method	4-1	(1.0)	(0.5)
Finance costs		(11.1)	(14.2)
(Loss)/Profit before tax		(127.2)	78.7
Income tax expense	2-6	(16.3)	(25.9)
Statutory fund			
Statutory fund revenue*	5-1	73.8	21.7
Statutory fund expenses*	5-1	(28.2)	(31.7)
Income tax (expense)/benefit - statutory*	5-1	(45.6)	10.0
Statutory fund contribution to profit, net of tax		-	-
(Loss)/Profit after tax for the year from continuing operations		(143.5)	52.8
Discontinued operations			
Profit after tax for the year from discontinued operations	2-2	-	89.8
(Loss)/Profit after tax for the year		(143.5)	142.6
Other comprehensive (loss)/income - items that will not be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income		(27.9)	95.7
Remeasurements of defined benefit asset		0.8	-
Income tax (expense)/benefit on other comprehensive income		8.3	(28.7)
		(18.8)	67.0
Other comprehensive (loss)/income - items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		0.2	(0.1)
Income tax (expense)/benefit on other comprehensive income		(0.1)	-
		0.1	(0.1)
Other comprehensive (loss)/income for the year, net of income tax		(18.7)	66.9
Total comprehensive (loss)/income for the year		(162.2)	209.5
(Loss)/Profit attributable to:			
Owners of the Company		(143.5)	141.2
Non-controlling interest		-	1.4
(Loss)/Profit for the year		(143.5)	142.6
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(162.2)	208.1
Non-controlling interest		-	1.4
Total comprehensive (loss)/income for the year		(162.2)	209.5
Earnings per share - continuing and discontinued operations:			
Basic earnings per share (cents per share)	2-8	(24.4)	40.3
Diluted earnings per share (cents per share)	2-8	(24.4)	40.2
Earnings per share - continuing operations:			
Basic earnings per share (cents per share)	2-8	(24.4)	15.1
Diluted earnings per share (cents per share)	2-8	(24.4)	15.1

Notes to the consolidated financial statements are included on pages 57 to 128.

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

**Restated – refer to note 7-3.

Consolidated statement of financial position

As at 30 June 2021

	Note	2021 $'m	2020* $'m
Assets			
Cash	1-1(d)	670.7	374.7
Receivables	1-1(d)	666.7	579.9
Other financial assets	1-1(d)	1,391.6	1,116.8
Current tax assets		1.8	23.6
Prepayments		20.0	16.1
Deferred acquisition costs		0.8	1.0
Net defined benefit asset	6-8	17.2	-
Associates	4-1	37.6	12.9
Property and equipment	4-5	145.8	134.4
Deferred tax assets	2-6	114.2	-
Intangible assets	4-2	505.5	525.1
Goodwill	4-3	2,137.9	1,465.5
Total assets		5,709.8	4,250.0
Liabilities			
Payables	1-1(d)	238.7	120.5
Other financial liabilities	1-1(d)	1,303.1	1,065.4
Borrowings and lease liabilities	3-2	773.5	572.3
Provisions	4-4	901.5	733.1
Deferred tax liabilities	2-6	-	20.3
Deferred revenue liability		0.9	0.9
Total liabilities		3,217.7	2,512.5
Net assets		2,492.1	1,737.5
Equity			
Share capital	3-3	2,996.0	1,965.8
Reserves	3-5	3.8	91.3
Accumulated losses		(507.5)	(319.4)
Total equity attributable to equity holders of the Company		2,492.3	1,737.7
Non-controlling interest		(0.2)	(0.2)
Total equity		2,492.1	1,737.5

Notes to the consolidated financial statements are included on pages 57 to 128.

*Restated – refer to note 7-3.

Consolidated statement of changes in equity

For the year ended 30 June 2021

For the year ended 30 June 2021	Ordinary shares	Treasury shares	Reserves	Accumulated losses	Total	Non-controlling interest	Total equity
	$'m	$'m	$'m	$'m	$'m	$'m	$'m
Balance at 1 July 2020	1,970.8	(5.0)	91.3	(319.4)	**1,737.7**	(0.2)	**1,737.5**
Total comprehensive loss for the year							
Loss for the year attributable to owners of the Company	-	-	-	(143.5)	**(143.5)**	-	**(143.5)**
Other comprehensive (loss)/income for the year, net of income tax	-	-	(19.3)	0.6	**(18.7)**	-	**(18.7)**
Total comprehensive loss for the year	-	-	(19.3)	(142.9)	**(162.2)**	-	**(162.2)**
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Issue of shares	1,043.9	-	-	-	**1,043.9**	-	**1,043.9**
Transaction costs of issuing new shares (net of tax)	(14.3)	-	-	-	**(14.3)**	-	**(14.3)**
Dividends paid	-	-	-	(115.0)	**(115.0)**	-	**(115.0)**
Share-based payments expense	-	-	2.2	-	**2.2**	-	**2.2**
Transfer from employee equity-settled benefits reserve on exercise of performance rights	0.6	-	(0.6)	-	**-**	-	**-**
Treasury shares transferred to recipients during the year	(0.4)	0.4	-	-	**-**	-	**-**
Transfer of lapsed performance rights to retained earnings	-	-	(0.4)	0.4	**-**	-	**-**
Transfer from revaluation of financial assets reserve to retained earnings, net of tax	-	-	(69.4)	69.4	**-**	-	**-**
Total transactions with owners	1,029.8	0.4	(68.2)	(45.2)	**916.8**	-	**916.8**
Balance at 30 June 2021	3,000.6	(4.6)	3.8	(507.5)	**2,492.3**	(0.2)	**2,492.1**

Notes to the consolidated financial statements are included on pages 57 to 128.

Consolidated statement of changes in equity

For the year ended 30 June 2021

For the year ended 30 June 2020**	Ordinary shares	Treasury shares	Reserves	Accumulated losses	Total	Non-controlling interest	Total equity
	$'m	$'m	$'m	$'m	$'m	$'m	$'m
Balance at 1 July 2019	1,971.0	(7.9)	25.2	(339.1)	**1,649.2**	7.7	**1,656.9**
Total comprehensive income for the year							
Profit for the year attributable to owners of the Company	-	-	-	141.2	**141.2**	1.4	**142.6**
Other comprehensive income for the year, net of income tax	-	-	66.9	-	**66.9**	-	**66.9**
Total comprehensive income for the year	-	-	66.9	141.2	**208.1**	1.4	**209.5**
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends paid	-	-	-	(122.5)	**(122.5)**	-	**(122.5)**
Share-based payments expense	-	-	2.9	-	**2.9**	-	**2.9**
Transfer from employee equity-settled benefits reserve on exercise of performance rights	2.7	-	(2.7)	-	**-**	-	**-**
Treasury shares transferred to recipients during the year	(2.9)	2.9	-	-	**-**	-	**-**
Transfer of lapsed performance rights to retained earnings	-	-	(1.0)	1.0	**-**	-	**-**
Divestment of non-controlling interest	-	-	-	-	**-**	(9.3)	**(9.3)**
Total transactions with owners	(0.2)	2.9	(0.8)	(121.5)	**(119.6)**	(9.3)	**(128.9)**
Balance at 30 June 2020**	1,970.8	(5.0)	91.3	(319.4)	**1,737.7**	(0.2)	**1,737.5**

Notes to the consolidated financial statements are included on pages 57 to 128.

**Restated – refer to note 7-3.

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	2021 $'m	2020 $'m
Cash flows from operating activities			
Receipts from customers		1,406.1	1,322.7
Non-recurring BT settlement fee		80.0	-
Payments to suppliers and employees		(1,139.9)	(1,124.1)
Transformation and integration costs		(45.9)	(26.6)
Dividends from associates		0.2	0.4
Legal settlements paid		(21.5)	(5.6)
Legal settlements recovered		-	3.3
Remediation costs		(103.1)	(15.8)
Coupon interest received on debt note		-	9.4
Income taxes paid - corporate		(39.0)	(42.7)
Receipts from customers - statutory		3.4	2.6
Payments to suppliers and employees - statutory		(8.6)	(10.3)
Contributions received - statutory		135.0	119.0
Withdrawal payments - statutory		(130.4)	(117.6)
Dividends and distributions received - statutory		1.7	1.8
Proceeds from divestment of financial instruments - statutory		148.9	150.4
Payments for financial instruments - statutory		(134.5)	(125.8)
Amounts advanced to other entities - statutory		(15.5)	(17.0)
Income taxes paid - statutory		0.9	(5.2)
Net cash provided by operating activities	2-5	137.8	118.9
Cash flows from investing activities			
Dividends and distributions received		0.4	1.5
Interest received		3.5	4.4
Interest and other costs of finance paid		(7.4)	(10.1)
Redemption of debt note		-	800.0
Proceeds on divestment of subsidiaries		-	93.0
Acquisition of subsidiary, net of cash acquired		(857.2)	(678.8)
Net proceeds on purchase and divestment of financial and other assets		102.2	84.5
Net proceeds from/(payment for) financial instruments		28.7	(30.2)
Payments for property and equipment		(9.3)	(8.2)
Payments for intangible assets		(7.1)	(13.1)
Repayment of loan principal (related parties)		-	7.3
Net cash (used in)/provided by investing activities		(746.2)	250.3
Cash flows from financing activities			
Borrowings repaid		(575.0)	(85.0)
Drawdown of borrowings		591.0	115.0
Proceeds from issue of shares	3-3	1,043.9	-
Transaction costs of issuing new shares		(20.4)	-
Repayment of lease liabilities		(21.7)	(14.3)
Dividends paid to owners of the Company		(115.0)	(122.5)
Net cash provided by/(used in) financing activities		902.8	(106.8)
Net increase/(decrease) in cash and cash equivalents		294.4	262.4
Cash and cash equivalents at the beginning of year		374.7	97.4
Cash divested classified in assets held for sale at the beginning of the year		-	15.0
Effects of exchange rate changes on cash and cash equivalents		1.6	(0.1)
Cash and cash equivalents at the end of year		**670.7**	**374.7**

Notes to the consolidated financial statements are included on pages 57 to 128.

Notes to the financial statements

For the year ended 30 June 2021

IOOF Holdings Ltd (the "Company" or "Parent") is a listed public company incorporated in Australia. The IOOF Group comprises the Company and its subsidiaries, and the consolidated Group's interest in associates.

Section 1 - Financial instruments and risk management

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

1-1 Risk Management

IOOF Risk Management Framework

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

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

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

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

Management continues to monitor the impact of the COVID-19 pandemic to the business environment including ongoing assessment of market risk, credit risk and liquidity risk associated with the business.

Notes to the financial statements

For the year ended 30 June 2021

Impact of COVID-19 on financial reporting

In preparing the financial report the Group has considered the ongoing impact of COVID-19 in its adoption of significant assumptions and market inputs used in:

- valuing the Group's financial instruments;
- preparing disclosures for the fair value of financial assets and liabilities and financial risk management.

The Group's financial instruments include fixed income securities measured at fair value through profit and loss and values may have been impacted by a variety of factors arising from changed business conditions. As a general principle, quoted prices in active markets provide the best available evidence of fair value. The Group's financial instruments are valued using directly observable inputs as at the reporting date and these are considered to be the most reliable and appropriate evidence of fair value.

We have reviewed the appropriateness of inputs to the valuation of financial instruments and the disclosures for the fair value of financial instruments.

Non-financial risks emerging from global movement restrictions including remote working for staff, counterparties and service providers have been identified, assessed, managed and governed through timely application of the Company's risk management policies.

Management has determined that there is no material uncertainty that casts doubt on the Group's ability to continue as a going concern.

Financial risk

The financial risk management objectives, policies and processes and the quantitative data about the exposure to risk at the reporting date, as set out in the remainder of this note, includes the benefit funds and the controlled trusts. The risks associated with financial instruments held by the benefit funds and controlled trusts are borne by the policyholders and members of those funds and trusts, and not the shareholders of the IOOF Group. There is no direct impact on the net profit or the equity of the IOOF Group as a consequence of changes in markets as they apply to financial instruments held by those funds and trusts at the reporting date. Further information in relation to the benefit funds is included in Section 5 Statutory funds.

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

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

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

Notes to the financial statements

For the year ended 30 June 2021

a Market risk

i Price risk

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

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

IOOF Group sensitivity

At 30 June 2021, had the price of the units or underlying equity exposure held by the IOOF Group in financial instruments measured at FVTPL increased/decreased by 5% (2020: 5%) with all other variables held constant, gains / losses recorded through profit or loss would increase / decrease by $37.9m (2020: $32.4m), and financial assets at FVOCI reserves would increase / decrease by $0.3m (2020: $4.9m).

ii Currency risk

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

iii Cash flow and interest rate risk

Interest rate risk is the risk to the IOOF Group's earnings and capital arising from changes in market interest rates. The financial instruments held that are impacted by interest rate risk consist of interest-bearing financial assets measured at fair value through profit or loss and borrowings.

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

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

IOOF Group sensitivity

For interest-bearing financial assets measured at fair value through profit or loss, a +/- 50 basis points change in the interest rate at the reporting date would have decreased/increased post tax profit by $2.8m (2020: nil), with all other variables held constant. Equity would have been lower/higher by the same amount.

At 30 June 2021, if interest rates on borrowings had changed by +/- 50 basis points (2020: +/- 50 basis points) from the year-end rates with all other variables held constant, post tax profit for the year would have increased/decreased by $1.9m (2020: $1.6m). Equity would have been higher/lower by the same amount.

Notes to the financial statements

For the year ended 30 June 2021

b Credit risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss to the IOOF Group. Credit risk arises for the IOOF Group from cash, debt note, financial assets at fair value through profit or loss, receivables and loans.

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

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

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

Expected credit loss assessment

As at 30 June 2021, $10.6m trade receivables of the IOOF Group were past due but not impaired (2020: $9.8m). The amount of the impairment provision was $0.4m (2020: $0.4m).

Collectability of trade receivables is reviewed on an ongoing basis. The IOOF Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the IOOF Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the IOOF Group's historical experience and informed credit assessment and including forward-looking information.

The IOOF Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the IOOF Group in full, without recourse by the IOOF Group to actions such as realising security, or the financial asset is more than 90 days past due. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the IOOF Group is exposed to the credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the IOOF Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Notes to the financial statements

For the year ended 30 June 2021

Impaired receivables

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

Movements in the provisions for impairment of trade receivables are as follows:	2021	2020
	$'m	$'m
Carrying value at 1 July	0.4	0.6
Provision for impairment provided/(written back) during the year	0.0	(0.2)
Carrying value at 30 June	0.4	0.4
Ageing of trade receivables that were not impaired at 30 June		
Neither past due nor impaired	139.6	69.4
Past due 31-60 days	5.8	4.5
Past due 61-90 days	3.7	3.5
Past due 91-120 days	1.2	1.8
	150.3	79.2

c Statutory Fund Risk

Financial risks are monitored and controlled by selecting appropriate assets to back policy liabilities. The assets are regularly monitored by the Investment Management Committee to ensure there are no material exposures and that liability mismatching issues and other risks such as liquidity risk and credit risk are maintained within acceptable limits. The Investment Management Committee is chaired by an independent expert and its membership is drawn from appropriately skilled senior management. There are two Non-Executive Directors on this Committee.

The IOOF Group's friendly society operations are subject to regulatory capital requirements which prescribe the amount of capital to be held depending on the type, quality and concentration of investments held. Procedures are in place to monitor compliance with these requirements. Refer to Section 5 - Statutory funds for further details.

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

Notes to the financial statements

For the year ended 30 June 2021

d Liquidity risk

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

The IOOF Group had access to undrawn bank borrowing facilities at the balance date, on the terms described and disclosed in note 3-2 Borrowings and lease liabilities. The liquidity requirements for licensed entities in the IOOF Group are regularly reviewed and carefully monitored in accordance with those licence requirements. The IOOF Group continuously monitors actual and forecast financial results to determine compliance with banking covenants.

Maturities of financial liabilities

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

Notes to the financial statements

For the year ended 30 June 2021

2021	Carrying Amount			Contractual cash flows			
	Current	Non-Current	Total	1 year or less	1-5 years	5+ years	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m
Financial liabilities							
Payables - corporate	231.7	1.2	232.9	231.7	1.2	-	232.9
Payables - statutory	5.8	-	5.8	5.8	-	-	5.8
Total payables	237.5	1.2	238.7	237.5	1.2	-	238.7
Provisions							
Advice remediation provisions[(1)]	360.0	17.2	377.2	360.0	17.2	-	377.2
Product remediation provisions[(1)]	223.1	58.6	281.7	223.1	58.6	-	281.7
Other provisions	27.4	-	27.4	27.4	-	-	27.4
Total provisions	610.5	75.8	686.3	610.5	75.8	-	686.3
Other financial liabilities - corporate							
Ex-ANZ AL remediation settlement	110.4	-	110.4	110.4	-	-	110.4
Deferred purchase consideration	15.2	7.9	23.1	15.2	7.9	-	23.1
Derivatives - corporate	0.1	40.7	40.8	0.1	36.5	4.2	40.8
Other financial liabilities - statutory							
Insurance contract liabilities	171.8	-	171.8	171.8	-	-	171.8
Investment contract liabilities	957.0	-	957.0	957.0	-	-	957.0
Total other financial liabilities	1,254.5	48.6	1,303.1	1,254.5	44.4	4.2	1,303.1
Borrowings - corporate	-	648.6	648.6	-	648.6	-	648.6
	2,102.6	774.2	2,876.7	2,102.6	770.0	4.2	2,876.7
Financial assets available to meet the above financial liabilities							
Cash							
Cash - corporate	501.2	-	501.2	501.2	-	-	501.2
Cash restricted ORFR[(2)]	164.9	-	164.9	164.9	-	-	164.9
Cash - statutory	4.6	-	4.6	4.6	-	-	4.6
Total cash	670.7	-	670.7	670.7	-	-	670.7
Receivables - corporate							
Trade receivables (net of provisions)	149.9	-	149.9	149.9	-	-	149.9
Other receivables	186.1	3.1	189.3	186.1	3.1	-	189.3
Ex-ANZ AL remediation indemnity	285.5	-	285.5	285.5	-	-	285.5
Security bonds	-	0.3	0.3	-	-	0.3	0.3
Receivables - statutory							
Trade receivables	0.5	-	0.5	0.5	-	-	0.5
Other receivables	1.5	-	1.5	1.5	-	-	1.5
Dividends and distributions	39.7	-	39.7	39.7	-	-	39.7
Total receivables	663.3	3.4	666.7	663.3	3.1	0.3	666.7
Other financial assets							
Fixed income - corporate[(2)]	60.5	177.0	237.5	60.5	97.9	79.1	237.5
Derivatives - corporate[(3)]	0.4	9.9	10.3	0.4	2.4	7.5	10.2
Unlisted unit trusts - corporate	-	9.3	9.3	-	9.3	-	9.3
Unlisted unit trusts - statutory	1,058.4	-	1,058.4	1,058.4	-	-	1,058.4
Equity investments at FVOCI	-	9.4	9.4	-	-	9.4	9.4
Loans to policyholders - statutory	66.7	-	66.7	66.7	-	-	66.7
Total other financial assets	1,186.0	205.6	1,391.6	1,186.0	109.6	96.0	1,391.6
	2,520.0	209.0	2,729.0	2,520.0	112.7	96.3	2,729.0
Net financial assets/(liabilities)	417.4	(565.2)	(147.7)	417.4	(657.3)	92.1	(147.7)

(1) Maturity of remediation provisions is not based on contractual maturity but rather expected payment dates.

(2) ORFR financial assets - not available to shareholders.

(3) Includes $0.3m current derivative assets held for ORFR purposes and not available to shareholders.

Notes to the financial statements

For the year ended 30 June 2021

2020	Carrying Amount			Contractual cash flows			
	Current	Non-Current	Total	1 year or less	1-5 years	5+ years	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m
Financial liabilities							
Payables - corporate	118.7	0.1	118.8	118.7	0.1	-	118.8
Payables - statutory	1.7	-	1.7	1.7	-	-	1.7
Total payables	120.4	0.1	120.5	120.4	0.1	-	120.5
Provisions							
Advice remediation provisions(1)	220.9	211.8	432.7	220.9	211.8	-	432.7
Product remediation provisions(1)	107.5	67.2	174.7	107.5	67.2	-	174.7
Other provisions	56.2	-	56.2	56.2	-	-	56.2
Total provisions	384.6	279.0	663.6	384.6	279.0	-	663.6
Other financial liabilities - corporate							
Ex-ANZ AL remediation settlement	31.0	17.0	48.0	31.0	17.0	-	48.0
Deferred purchase consideration	5.6	1.2	6.8	5.6	1.2	-	6.8
Other financial liabilities - statutory							
Insurance contract liabilities	187.1	-	187.1	187.1	-	-	187.1
Investment contract liabilities	823.5	-	823.5	823.5	-	-	823.5
Total other financial liabilities	1,047.2	18.2	1,065.4	1,047.2	18.2	-	1,065.4
Borrowings - corporate	-	457.9	457.9	-	457.9	-	457.9
	1,552.3	755.1	2,307.4	1,552.3	755.1	-	2,307.4
Financial assets available to meet the above financial liabilities							
Cash							
Cash - corporate	225.4	-	225.4	225.4	-	-	225.4
Cash restricted ORFR(2)	145.6	-	145.6	145.6	-	-	145.6
Cash - statutory	3.7	-	3.7	3.7	-	-	3.7
Total cash	374.7	-	374.7	374.7	-	-	374.7
Receivables - corporate							
Trade receivables (net of provisions)	78.5	-	78.5	78.5	-	-	78.5
Other receivables	201.1	3.8	204.9	201.1	3.8	-	204.9
Ex-ANZ AL remediation indemnity	161.9	101.8	263.7	161.9	101.8	-	263.7
Security bonds	-	0.3	0.3	-	-	0.3	0.3
Receivables - statutory							
Trade receivables	0.3	-	0.3	0.3	-	-	0.3
Other receivables	8.9	-	8.9	8.9	-	-	8.9
Dividends and distributions	23.3	-	23.3	23.3	-	-	23.3
Total receivables	474.0	105.9	579.9	474.0	105.6	0.3	579.9
Other financial assets							
Fair value through profit or loss							
Unlisted unit trusts - corporate	-	0.9	0.9	-	0.9	-	0.9
Unlisted unit trusts - statutory	925.3	-	925.3	925.3	-	-	925.3
Equity investments at FVOCI	-	139.4	139.4	-	-	139.4	139.4
Loans and other receivables							
Loans to policyholders - statutory	51.2	-	51.2	51.2	-	-	51.2
Total other financial assets	976.5	140.3	1,116.8	976.5	0.9	139.4	1,116.8
	1,825.2	246.2	2,071.4	1,825.2	106.5	139.7	2,071.4
Net financial assets/(liabilities)	273.0	(508.9)	(236.0)	273.0	(648.6)	139.7	(236.0)

(1) Maturity of remediation provisions is not based on contractual maturity but rather expected payment dates.

(2) ORFR financial assets - not available to shareholders.

Notes to the financial statements

For the year ended 30 June 2021

e Accounting policies and fair value estimation

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

Offsetting assets and liabilities

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

Financial assets

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

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

The IOOF Group has the following financial assets:

- cash;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- loans and receivables.

Cash

Cash includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Restricted ORFR cash relates to cash for the operating risk financial reserves acquired with the ex-ANZ P&I and MLC Wealth acquisitions. This cash is not available to shareholders.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include derivative assets (futures, interest rate derivatives and foreign exchange rate derivatives), investments in fixed income and investments in unlisted unit trusts. A financial asset is classified as FVTPL if the associated cash flows are not solely payments of principal and interest. Financial assets at FVTPL also include financial assets acquired principally for the purpose of selling or repurchasing in the near term or managed as part of a portfolio where there is evidence of short-term profit taking.

Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial assets at FVTPL are measured at fair value, and changes therein are recognised in profit or loss.

Notes to the financial statements

For the year ended 30 June 2021

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

For investments in fixed income and derivative assets where no quoted prices in an active market exist, valuation techniques using observable market inputs for financial assets with similar credit risk, maturity and yield characteristics are used.

Units in unlisted trusts are measured at the redemption price.

Equity investments at fair value through other comprehensive income

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

Equity investments at FVOCI are recognised initially at fair value plus any directly attributable transaction costs, and are revalued through other comprehensive income (OCI) each reporting period. Dividends are recognised in profit or loss unless it clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the IOOF Group provides money, assets, or services directly to a debtor with no intention of selling the receivable. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method if it is held to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Certificates of deposit

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

Financial liabilities

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

The IOOF Group has the following financial liabilities:

- payables;
- borrowings and lease liabilities;
- financial liabilities at fair value through profit or loss (FVTPL); and
- other financial liabilities.

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

Notes to the financial statements

For the year ended 30 June 2021

Payables

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

Borrowings and lease liabilities

Borrowings and lease liabilities are further explained in note 3-2 Borrowings and lease liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include interest rate and foreign exchange rate derivatives, issued investment protection derivatives and a compound embedded derivative. The IOOF Group uses valuation techniques to estimate the fair value of financial liabilities where no quoted prices in an active market exist.

Issued investment protection derivatives are term-based investment protection products issued by an IOOF Group company. These products provide protection to investors over the investors' capital or a minimum level of income each year for a term of 10 or 20 years. This is further discussed in note 1-2 Financial instruments and note 3-1 Capital management.

The compound embedded derivative is associated with the Subordinated Loan Notes and is discussed in detail in note 3-2 Borrowings and lease liabilities. Its fair value is determined using a Monte-Carlo simulation to simulate different scenarios of the underlying equity prices.

Contingent consideration

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

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

Assets and liabilities relating to statutory funds

Assets held in the Statutory Funds (including the Benefit Funds) are subject to the distribution and transfer restrictions and other requirements of the *Life Insurance Act 1995*. Monies held in the benefit funds and controlled trusts are held for the benefit of the members of those funds, and are subject to the constitution and rules of those funds.

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

Assets relating to statutory funds

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

Notes to the financial statements

For the year ended 30 June 2021

Liabilities relating to statutory funds

Policy liabilities have been determined in accordance with applicable accounting standards. Policy liabilities for life insurance contracts are valued in accordance with AASB 1038, whereas life investment contracts are valued in accordance with AASB 9 and AASB 15. There are differences between the valuation requirements of the accounting standards and those of the *Life Insurance Act 1995*.

Contract classification relating to statutory funds

The accounting treatment of certain transactions varies depending on the nature of the contract underlying the transaction. The major contract classifications are insurance contracts and investment contracts.

i Insurance contracts

Insurance contracts with a discretionary participation feature ('DPF') are those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Life insurance contract liabilities are calculated in accordance with actuarial standards.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the year.

ii Investment contracts

Contracts not considered insurance contracts are classified as investment contracts. The accounting treatment of investment contracts depends on whether the investment has a discretionary participation feature ('DPF'). A DPF represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total benefits;
- distributed at the discretion of the insurer; and
- are based on the performance of a specified pool of assets.

Deposits collected and benefits paid under investment contracts with DPF are accounted for through profit or loss. The gross change in the liability to these policyholders for the year, which includes any participating benefits vested in policyholders and any undistributed surplus attributed to policyholders, is also recognised in profit or loss.

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

Where contracts contain both an investment component and an insurance component and the deposit component can be separately measured, the underlying amounts are unbundled. Premiums relating to the insurance component are accounted for through profit or loss and the investment component is accounted for as a deposit through the statement of financial position as described above.

Notes to the financial statements

For the year ended 30 June 2021

1-2 Financial Instruments

Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
30 June 2021	**$'m**	**$'m**	**$'m**	**$'m**
Financial assets measured at fair value				
FVOCI - corporate	9.4	-	-	9.4
Fixed income - corporate	-	237.5	-	237.5
Derivatives - corporate	0.4	9.9	-	10.3
Unlisted unit trusts - corporate	-	9.3	-	9.3
Unlisted unit trusts - statutory	-	1,058.4	-	1,058.4
	9.8	1,315.1	-	1,324.9
Financial liabilities measured at fair value				
Derivatives - corporate	-	31.8	9.0	40.8
Deferred purchase consideration - corporate	-	-	23.1	23.1
	-	31.8	32.1	63.9
30 June 2020				
Financial assets measured at fair value				
FVOCI - corporate	139.4	-	-	139.4
Unlisted unit trusts - corporate	-	0.9	-	0.9
Unlisted unit trusts - statutory	-	925.3	-	925.3
	139.4	926.2	-	1,065.6
Financial liabilities measured at fair value				
Deferred purchase consideration - corporate	-	-	6.8	6.8
	-	-	6.8	6.8

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

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

The IOOF Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 30 June 2021.

Notes to the financial statements

For the year ended 30 June 2021

Reconciliation of movements in level 3 financial instruments	Issued investment protection derivatives		Debt note		Deferred purchase consideration	
	2021 $'m	2020 $'m	2021 $'m	2020 $'m	2021 $'m	2020 $'m
Opening balance as at 1 July	-	-	-	800.0	6.8	0.8
Acquisition through business combination	8.5	-	-	-	-	-
Redemption of debt note	-	-	-	(800.0)	-	-
Take up of deferred consideration liability	-	-	-	-	19.3	6.8
Fair value movement	0.5	-	-	-	(0.2)	-
Settlement of contingent consideration	-	-	-	-	(2.8)	(0.8)
Closing balance as at 30 June	9.0	-	-	-	23.1	6.8

There were no transfers into or out of Level 3 of the fair value hierarchy during the year ended 30 June 2021.

Level 3 financial assets consist of:

- A debt note carried at fair value in prior year. The debt note was valued via a discounted cash flow, which incorporates unobservable inputs such as discount rates, counterparty credit, and probability-adjusted revenues expected to be received under the arrangement. An increase in the discount rate used in isolation would result in a decrease to the fair value of the debt note. An increase in the probability adjusted revenues in isolation would result in an increase in the fair value of the debt note. The debt note was redeemed on 31 January 2020 to fund the acquisition of the Pensions and Investments businesses from ANZ.

Level 3 financial liabilities consist of:

- Deferred purchase consideration in respect of client lists purchased by the IOOF Group, which is valued at best estimate of the amount payable under the relevant contracts. The amount of deferred consideration payable is linked to the retention of clients, which is an unobservable input and may decrease the value of the liability.
- Issued investment protection derivatives. These derivatives are measured using market standard valuation models and assumptions. Significant unobservable inputs include the underlying investments' growth rate and the risk-free interest rate assumptions.

  A 1% (-1%) increase (decrease) in the underlying investments' growth rate assumption would result in a decrease (increase) in fair value by $0.1m (2020: nil), holding all other variables constant. A 1% (-1%) increase (decrease) in the risk-free interest rate assumption would result in a decrease (increase) in fair value by $6.7m (2020: nil), holding all other variables constant.

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For the year ended 30 June 2021

Section 2 – Results for the year

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

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

2-1 Operating Segments

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

Financial advice

The provision of financial planning advice and stockbroking services supported by services such as investment research, training, compliance support and access to financial products. Advice operations acquired with the MLC Wealth transaction are included in the Financial advice segment. MLC advisers transitioned to IOOF AFSLs upon acquisition, and results are included in this segment for the period 1 June 2021 to 30 June 2021.

Portfolio and estate administration

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

Investment management

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

Ex-ANZ wealth management advice licensees

Ex-ANZ Wealth Management Advice Licensees (ex-ANZ ALs) acquired from ANZ during 2019, which provide financial planning advice services.

Ex-ANZ pensions and investments

Ex-ANZ Pensions and Investments (P&I) businesses which have platform businesses across retail and corporate. These businesses were acquired from 1 February 2020. This is also inclusive of the debt note revenue up until its redemption on 31 January 2020.

MLC Wealth

MLC Wealth (MLC) businesses which have platform and asset management businesses servicing retail corporate and institutional clients. The MLC Wealth business was acquired from 31 May 2021.

Corporate and other

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

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

Notes to the financial statements

For the year ended 30 June 2021

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

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

Notes to the financial statements

For the year ended 30 June 2021

	Financial advice**	Portfolio and estate administration	Investment management	Ex-ANZ ALs	Ex-ANZ P&I	MLC Wealth*	Corporate and other	Total
	2021 $'m	2021 $'m	2021 $'m	2021 $'m	2021 $'m	2021 $'m	2021 $'m	2021 $'m
Management and service fees revenue	306.7	216.4	96.5	190.7	319.9	77.7	-	1,207.9
External other fee revenue	17.4	8.7	5.0	9.3	7.7	1.2	0.2	49.5
Service fees and other direct costs	(172.6)	(24.3)	(35.0)	(188.0)	(57.8)	(16.6)	(0.1)	(494.4)
Deferred acquisition costs	-	(0.2)	-	-	-	-	-	(0.2)
Gross Margin	151.5	200.6	66.5	12.0	269.8	62.3	0.1	762.8
Stockbroking revenue	3.3	-	-	-	-	-	-	3.3
Stockbroking service fees expense	(1.0)	-	-	-	-	-	-	(1.0)
Stockbroking net contribution	2.3	-	-	-	-	-	-	2.3
Inter-segment revenue(i)	3.1	5.5	-	1.2	1.5	-	1.0	12.3
Inter-segment expenses(i)	(1.8)	(6.1)	(2.0)	-	(2.4)	-	-	(12.3)
Net Operating Revenue	155.1	200.0	64.5	13.2	268.9	62.3	1.1	765.1
Other revenue	1.7	-	-	1.9	-	1.1	0.2	4.9
Finance income	0.1	-	-	-	1.0	0.7	3.0	4.8
Share of (loss)/profits of associates	(1.4)	-	-	-	-	0.4	-	(1.0)
Operating expenditure	(116.2)	(123.8)	(13.5)	(41.0)	(150.6)	(34.5)	(46.9)	(526.5)
Share-based payments expense	(0.4)	(0.9)	(0.3)	(0.1)	-	-	(0.5)	(2.2)
Finance costs	(0.5)	-	-	-	(0.5)	(0.1)	(10.0)	(11.1)
Depreciation of property & equipment	(8.4)	(9.3)	(1.3)	(1.4)	(7.9)	(0.8)	-	(29.1)
Amortisation of intangible assets - IT Development	-	(0.8)	-	-	-	-	-	(0.8)
Income tax benefit/(expense)	(9.9)	(20.1)	(14.9)	8.2	(33.3)	(8.6)	22.3	(56.3)
UNPAT from continuing operations	20.1	45.1	34.5	(19.2)	77.6	20.5	(30.8)	147.8
UNPAT from continuing operations								**147.8**
Impairment losses recognised in profit or loss	(199.9)	-	-	-	-	-	-	(199.9)
Other UNPAT adjustments from continuing operations	3.0	(42.3)	(2.1)	(10.6)	(25.9)	(0.2)	(13.3)	(91.4)
NPAT from continuing operations	(176.8)	2.8	32.4	(29.8)	51.7	20.3	(44.1)	(143.5)
NPAT from continuing operations								**(143.5)**

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

*Represents results for the period 1 June 2021 to 30 June 2021.

**Advice operations acquired with the MLC Wealth transaction are included in the Financial advice and distribution segment. MLC advisers transitioned to IOOF AFSLs upon acquisition, and results are included in this segment for the period 1 June 2021 to 30 June 2021.

***UNPAT adjustments are described in the Key Performance Indicators section of the Directors Report.

Notes to the financial statements

For the year ended 30 June 2021

	Financial advice	Portfolio and estate administration	Investment management	Ex-ANZ ALs	Ex-ANZ P&I*	MLC Wealth	Corporate and other	Total
	2020** $'m	2020** $'m	2020** $'m	2020** $'m	2020** $'m	2020** $'m	2020** $'m	2020** $'m
Management and service fees revenue	351.0	240.0	98.3	198.5	114.2	-	-	1,002.0
External other fee revenue	17.3	8.7	7.3	14.8	3.0	-	0.2	51.3
Service fees and other direct costs	(195.2)	(33.8)	(36.6)	(198.1)	(12.3)	-	-	(476.0)
Deferred acquisition costs	-	(0.1)	-	-	-	-	-	(0.1)
Gross Margin	173.1	214.8	69.0	15.2	104.9	-	0.2	577.2
Stockbroking revenue	3.3	-	-	-	-	-	-	3.3
Stockbroking service fees expense	(1.2)	-	-	-	-	-	-	(1.2)
Stockbroking net contribution	2.1	-	-	-	-	-	-	2.1
Inter-segment revenue(i)	5.0	7.2	-	5.2	0.1	-	0.7	18.2
Inter-segment expenses(i)	(0.7)	(10.7)	(2.6)	-	(4.2)	-	-	(18.2)
Net Operating Revenue	179.5	211.3	66.4	20.4	100.8	-	0.9	579.3
Other revenue	3.4	-	-	2.9	0.6	-	1.0	7.9
Finance income	0.1	-	-	0.2	10.2	-	2.1	12.6
Share of (loss)/profits of associates	(0.5)	-	-	-	-	-	-	(0.5)
Operating expenditure	(103.5)	(115.0)	(10.5)	(49.9)	(64.0)	-	(41.3)	(384.2)
Share-based payments expense	(1.0)	(1.1)	(0.6)	(0.1)	-	-	(0.1)	(2.9)
Finance costs	(0.7)	-	-	-	(0.3)	-	(13.3)	(14.3)
Depreciation of property & equipment	(8.7)	(9.5)	(1.3)	(1.0)	(2.7)	-	-	(23.2)
Amortisation of intangible assets - IT Development	-	(0.8)	-	-	-	-	-	(0.8)
Non-controlling interest	-	-	-	0.2	-	-	-	0.2
Income tax benefit/(expense)	(20.2)	(26.9)	(16.4)	8.2	(13.4)	-	18.6	(50.1)
UNPAT from continuing operations	48.4	58.0	37.6	(19.1)	31.2	-	(32.1)	124.0
Discontinued operations								4.8
UNPAT								**128.8**
Impairment losses recognised in profit or loss	(4.3)	-	-	-	-	-	-	(4.3)
Other UNPAT adjustments from continuing operations	(19.5)	(15.0)	(2.1)	(10.6)	(24.0)	-	4.5	(66.7)
NPAT from continuing operations	24.6	43.0	35.5	(29.7)	7.2	-	(27.6)	53.0
UNPAT adjustments from discontinued operations								83.4
NPAT from discontinued operations	-	-	-	-	-	-	-	88.2
NPAT								**141.2**

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

*Represents results for the period 1 February 2020 to 30 June 2020.

**Restated - refer to note 7-3.

Notes to the financial statements

For the year ended 30 June 2021

2-2 Discontinued operations

The following operations of the IOOF Group were divested in the prior year.

a Ord Minnett business

On 27 June 2019, the Directors announced the divestment of the Group's 70% holding in Ord Minnett Holdings Pty Ltd (Ord Minnett). The disposal is consistent with the Group's long-term strategy to focus on its core wealth management capabilities. The Group entered into a contract with a consortium of private investors led by current Ord Minnett management to dispose of its stake in Ord Minnett for sale consideration of $115m, $10m of which was received in the previous financial year as a non-refundable deposit. The Group recognised a post-tax profit on sale of $83.7m in respect of the Ord Minnett business upon completion of the transaction. Completion of the sale occurred on 24 September 2019.

b Investment in Perennial Value Management (PVM)

On 10 October 2019, the IOOF Group divested its equity accounted investment in Perennial Value Management Limited. The book value of the Group’s investment in PVM was $7.8m at the time of divestment.

c IOOF New Zealand business

On 16 April 2020, the IOOF Group announced that IOOF New Zealand Ltd had entered into an agreement to sell all client rights relating to the IOOF Integral Master Trust to Britannia Financial Services Limited. IOOF New Zealand Ltd closed effective 15 April 2020.

Notes to the financial statements

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d Analysis of profit for the year from discontinued operation

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

	Year ended 30 June 2021 $'m	Year ended 30 June 2020 $'m
Results of discontinued operations		
Revenue	-	49.7
Expenses	-	(42.0)
Results from operating activities	-	7.7
Income tax	-	(2.2)
Results from operating activities, net of tax	-	5.5
Gain on sale of discontinued operation	-	83.6
Income tax on gain on sale of discontinued operation	-	0.7
Gain on disposal of discontinued operation, net of tax	-	84.3
Profit for the period	-	89.8
Profit for the period attributable to:		
Owners of the entity	-	88.2
Non-controlling interest	-	1.6
Profit for the period	-	89.8
Basic earnings per share (cents per share)	-	25.2
Diluted earnings per share (cents per share)	-	25.1
Cash flows from discontinued operations		
Net cash provided by/(used in) operating activities	-	59.5
Net cash (used in)/provided by investing activities	-	(0.8)
Net cash flow for the period	-	58.7
Profit for the period from discontinued operations	**-**	**88.2**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:		
Amortisation of intangible assets	-	0.4
Termination payments	-	0.5
Profit on divestment of assets	-	(83.6)
Impairment of non-current assets	-	0.1
Unwind of deferred tax liability recorded on intangible assets	-	(0.1)
Income tax attributable	-	(0.7)
UNPAT from discontinued operations	-	4.8

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2-3 Revenue

	Policy note	2021	2020*
		$'m	$'m
Management and service fees revenue	(i)		
Financial planning revenue		469.9	477.8
Management fees		662.6	462.0
Other management and service fees revenue		75.4	62.2
		1,207.9	1,002.0
Stockbroking revenue	(ii)	3.3	3.3
External other fee revenue	(ii)	49.5	51.3
Finance income	(iii)		
Interest income on loans to related entities		-	0.1
Interest income on financial assets measured at fair value		0.3	-
Interest income from non-related entities		3.5	11.2
Dividends and distributions received		0.7	1.4
Net fair value gains/(losses) on other financial assets at fair value through profit or loss		0.3	(0.1)
		4.8	12.6
Other revenue			
BT settlement income	(iv)	58.8	-
Sundry income		4.9	7.9
Other		3.2	1.5
		66.9	9.4
Total revenue		1,332.4	1,078.6

*Restated - refer to note 7-3.

Accounting policies

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

i Management and service fees revenue

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

Revenue from the provision of financial planning services together with revenue from the rendering of services are recognised as performance obligations are satisfied over time.

ii Stockbroking revenue and external other fee revenue

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

iii Finance income

Finance income comprises interest income on funds invested (including financial assets measured at fair value), dividend income, gains on the divestment of financial assets and changes in the fair value of financial assets and financial liabilities at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is

Notes to the financial statements

For the year ended 30 June 2021

recognised in profit or loss on the date that the IOOF Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

iv BT settlement income

One-off settlement income in connection with the termination of the platform relationship with BT Portfolio Services Ltd, net of debtors previously recognised.

2-4 Expenses

	Note	2021	2020
		$'m	$'m
Service fees and other direct costs	(i)		
Service and marketing fees expense		444.7	439.7
Stockbroking service fees expense		1.0	1.2
Other direct costs		49.8	36.3
		495.5	477.2
Operating expenditure			
Salaries and related employee expenses (excluding superannuation)	(ii)	389.1	266.7
Employee defined contribution plan expense	(ii)	24.3	18.5
Information technology costs		44.5	39.8
Professional fees		24.4	17.3
Marketing		6.1	9.3
Office support and administration		28.0	21.3
Occupancy related expenses		9.4	6.8
Travel and entertainment		0.4	4.5
Other		0.3	-
		526.5	384.2
Other expenses			
Share-based payments expense	(iii)	2.2	2.9
Transformation and integration costs		50.2	19.7
Legal provision		24.3	-
Advice 2.0 costs		1.3	-
Evolve costs		12.6	11.4
Termination payments	(iv)	1.1	2.9
Depreciation of property and equipment		29.1	23.2
Amortisation of intangible assets	(v)	58.9	44.8
Amortisation of intangible assets - IT development	(v)	0.8	0.8
Deferred acquisition costs	(vi)	0.2	0.1
Non-recurring professional fees		10.0	6.4
Governance uplift		1.2	4.5
Remediation costs		28.2	1.5
Impairment of goodwill	(v), 4-3	199.9	4.3
Unrealised loss on revaluation of embedded derivative		5.0	-
Other		0.5	1.4
		425.5	123.9
Total expenses		**1,447.5**	**985.2**

Notes to the financial statements

For the year ended 30 June 2021

Accounting policies

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

i Service fees and other direct costs

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

ii Salaries and related employee expenses

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

Short-term employee benefits

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

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

Short-term incentive plans

A provision for employee benefits in the form of an incentive plan is recognised when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Annual and long service leave benefits

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

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

In determining the liability for employee entitlements, consideration is given to future increases in wage and salary rates, experience with employee departures and years of service.

Employee defined contribution plan expense

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

Notes to the financial statements

For the year ended 30 June 2021

recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iii Share-based payments expense

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

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

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

Further information is included in Note 6-2.

iv Termination payments

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

v Amortisation and impairment

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

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

vi Deferred acquisition costs

Deferred acquisition costs relate to service fees paid and are deferred as an asset in recognition that they relate to a future economic benefit. Deferred acquisition costs are initially measured at historical cost and are written down immediately to their recoverable amount if the carrying amount is greater than its estimated recoverable amount.

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

Notes to the financial statements

For the year ended 30 June 2021

2-5 Net cash provided by operating activities

Cash includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

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

	2021	2020
	$'m	$'m
(Loss)/Profit after tax for the year	(143.5)	142.6
Depreciation of property and equipment	29.2	24.5
Amortisation of intangible assets	59.6	45.9
Impairment of goodwill	199.9	4.3
Impairment of other non-current assets	-	0.6
Profit on divestment of assets	(0.4)	(0.1)
Profit on divestment of subsidiary	-	(84.3)
Interest and other costs of finance	11.1	14.3
Interest received and receivable	(3.5)	(1.9)
Dividends and distributions received and receivable	(0.4)	(1.5)
Dividends received from associates	0.2	0.4
Share of profits of associates accounted for using the equity method	1.0	(0.5)
Share-based payments expense	2.2	2.9
Other	2.9	(0.7)
Changes in net operating assets and liabilities:		
(Increase)/decrease in receivables	41.7	(84.6)
(Increase)/decrease in other assets	6.4	(0.9)
(Increase)/decrease in other financial assets	(160.0)	21.0
(Increase)/decrease in deferred acquisition costs	0.2	0.2
Increase/(decrease) in payables	(1.4)	13.3
Increase/(decrease) in deferred revenue liabilities	(0.1)	(0.2)
Increase/(decrease) in provisions	(49.3)	66.3
Increase/(decrease) in income tax payable	(0.4)	(10.6)
Increase/(decrease) in policyholder liabilities	118.3	(12.2)
Increase/(decrease) in deferred taxes	24.2	(19.9)
Net cash provided by operating activities	137.8	118.9

Notes to the financial statements

For the year ended 30 June 2021

2-6 Income taxes

	2021	2020
	$'m	$'m
Current tax expense		
Current year	25.2	42.9
Adjustment for prior years	(4.9)	(0.6)
Taxable losses not recognised	-	0.1
	20.3	42.4
Deferred tax expense		
Origination and reversal of temporary differences	(7.5)	(16.9)
Adjustments recognised in the current year in relation to the deferred tax of prior years	3.5	0.4
	(4.0)	(16.5)
Total income tax expense	**16.3**	**25.9**

Income tax recognised directly in equity	2021	2020
	$'m	$'m
Equity raising costs:		
Before tax	(20.5)	-
Tax benefit	6.1	-
Net of tax	**(14.4)**	**-**

Income tax recognised in other comprehensive income	2021 $'m			2020 $'m		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets through OCI	(27.9)	8.5	(19.4)	95.7	(28.7)	67.0
Remeasurement of defined benefit asset	0.8	(0.2)	0.6	-	-	-
Exchange differences on translating foreign operations	0.2	(0.1)	0.1	(0.1)	-	(0.1)
	(26.9)	**8.2**	**(18.7)**	**95.6**	**(28.7)**	**66.9**

	2021		2020	
	%	$'m	%	$'m
Reconciliation of effective tax rate				
(Loss)/Profit before tax from continuing operations		(127.2)		78.7
Tax (benefit)/expense using the IOOF Group's domestic tax rate	30.0%	(38.2)	30.0%	23.6
Tax effect of:				
Share of tax credits with statutory funds		1.4		1.5
(Non-assessable income)/Non-deductible expenses		3.1		0.7
Capital loss not previously recognised		(6.7)		-
Impairment of goodwill		60.0		1.3
Share of net profits of associates		0.3		0.2
Assessable associate and subsidiary dividends		(0.6)		0.2
Revenue loss not recognised		-		0.1
Imputation and foreign tax credits		(0.3)		(0.6)
Other		(1.3)		(0.9)
Under/(over) provided in prior years		(1.4)		(0.2)
		16.3		**25.9**

Notes to the financial statements

For the year ended 30 June 2021

For statutory reporting purposes, IOOF Group had an effective tax rate of negative 12.8% on its continuing operations for the year ended 30 June 2021 (2020: 32.9%) compared to a statutory corporate tax rate of 30%. This rate difference is primarily due to impairment of goodwill, tax benefit on prior year capital losses not previously recognised, research and development (R&D) tax offsets, non-deductible subsidiary acquisition costs, prior period amendments, and the transfer of deductions to the statutory funds in accordance with the Taxation of Insurance Companies. For the year ended 30 June 2020, the rate difference was primarily due to similar factors, with the exception of subsidiary acquisition costs and prior year capital losses. Excluding these items the IOOF Group's effective tax rate would be 30.4% and 29.7% respectively.

	2021	2020
	$'m	$'m
Deferred tax assets and liabilities		
Deferred tax asset balance comprises temporary differences attributable to:		
Salaries and related employee expenses	61.8	20.8
Provisions, accruals and creditors	211.6	200.0
Carry forward capital and revenue losses	0.2	9.9
Lease liability	35.9	32.7
Other	9.1	1.5
Deferred tax asset balance as at 30 June	318.6	264.9
Set-off of deferred tax liabilities pursuant to set-off provisions	(204.4)	(264.9)
Net deferred tax asset balance as at 30 June	**114.2**	**-**
Deferred tax liability balance comprises temporary differences attributable to:		
Unrealised gains - corporate	41.5	23.3
Unrealised gains - statutory*	(6.7)	8.6
Customer relationships	117.8	133.5
Property and equipment	(5.5)	28.3
Customer remediation indemnity	55.3	64.7
Other	2.0	26.8
Deferred tax liability balance as at 30 June	204.4	285.2
Set-off of deferred tax assets pursuant to set-off provisions	(204.4)	(264.9)
Net deferred tax liability balance as at 30 June	**-**	**20.3**
Reconciliation of movements		
Net carrying amounts at the beginning of the year	(20.3)	(5.9)
Acquisitions and divestments	122.2	(5.3)
Credited to profit or loss	4.0	16.5
(Charged)/Credited to profit or loss - statutory*	(35.2)	15.4
Temporary differences directly attributable to equity	43.5	(28.8)
Discontinued operations	-	(12.2)
Carrying amount at the end of the year	**114.2**	**(20.3)**
Unrecognised deferred tax assets		
Tax losses	10.1	5.3
Potential tax benefit at the Australian tax rate of 30%	**3.0**	**1.6**

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

Notes to the financial statements

For the year ended 30 June 2021

Accounting policies

Income tax

Income tax comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the IOOF Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority.

Tax consolidation

IOOF Holdings Ltd and its wholly owned Australian resident entities (including IOOF Ltd benefit funds) are part of a tax-consolidated group under Australian taxation law. As a consequence, all members of the tax-consolidated group are taxed as a single entity.

Tax transparency

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

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

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

Notes to the financial statements

For the year ended 30 June 2021

Information about international related party dealings

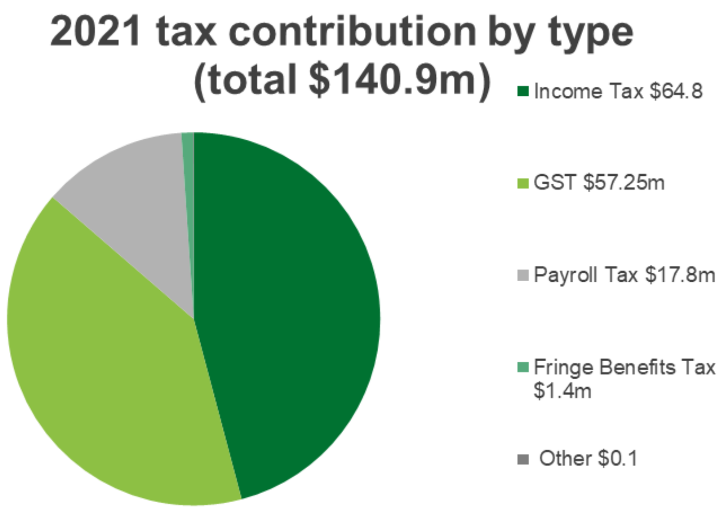
The IOOF Group largely conducted all activities in Australia for the current financial year. Minor operations were acquired in foreign jurisdictions on 31 May 2021 and each of those entities is subject to the local tax regime. The effective tax rates for these entities will be disclosed with the IOOF Group's effective tax rate from next year. Related party dealings between the IOOF Group's Australian and foreign jurisdictions are supported by transfer pricing documentation.

Approach to tax strategy and governance

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

Tax contribution analysis

The IOOF Group contributed a total of $140.9m in taxes to the Australian governments (state and federal) in the 2021 tax year. The below table provides an analysis of the types of taxes the IOOF Group is liable for.



Further taxes paid by the IOOF Group on behalf of others, including employees and members, are not directly borne by the Group. These include income tax, GST, pay-as-you-earn withholding taxes, and local duties, which total a further $410.8m (2020: $94.9m).

Notes to the financial statements

For the year ended 30 June 2021

2-7 Dividends

After 30 June 2021 the following fully franked dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total	Date of payment	Franked/ unfranked
		$'m		
Final 2021 dividend	9.5	61.7	22 September 2021	Franked
Special 2021 dividend	2.0	13.0	22 September 2021	Franked

	2021	2020
	$'m	$'m
Dividend franking account		
30 per cent franking credits available to shareholders of IOOF Holdings Ltd for subsequent financial years	74.3	73.3

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- a franking credits that will arise from the payment of the current tax liabilities; and
- b franking credits that the IOOF Group may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends declared after the balance date but not recognised as a liability is to reduce it by $32.0m (2020: $17.3m).

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

	Cents per share	Total	Date of payment	Franked/ unfranked
		$'m		
2021				
Interim 2021 dividend	8.0	51.9	18-Mar-21	Franked
Special 2021 dividend	3.5	22.7	18-Mar-21	Franked
Final 2020 dividend	11.5	40.4	22-Sep-20	Franked
	23.0	115.0		
2020				
Interim 2020 dividend	16.0	56.2	16-Mar-20	Franked
Special 2020 dividend	7.0	24.6	27-Sep-19	Franked
Final 2019 dividend	12.0	42.1	27-Sep-19	Franked
	35.0	122.9		

The total dividends declared relating to earnings for the year ended 30 June 2021 amounted to 23.0 cents per share (2020: 34.5 cents per share).

Franked dividends declared or paid during the year were franked at the tax rate of 30 per cent.

Dividend amounts shown are inclusive of any dividends paid on treasury shares.

Notes to the financial statements

For the year ended 30 June 2021

2-8 Earnings per share

	2021	2020
	Cents per share	Cents per share
Basic earnings per share		
From continuing operations	(24.4)	15.1
From discontinued operations	-	25.2
Total basic earnings per share	(24.4)	40.3
Diluted earnings per share		
From continuing operations	(24.4)	15.1
From discontinued operations	-	25.1
Total diluted earnings per share	(24.4)	40.2

Basic and diluted earnings per share

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

	2021	2020
	$'m	$'m
Profit/(Loss) for the year attributable to owners of the Company	(143.5)	141.2
Earnings used in the calculation of basic and diluted EPS	(143.5)	141.2
Profit for the year from discontinued operations used in the calculation of basic and diluted EPS from discontinued operations	-	88.2
Earnings used in the calculation of basic and diluted EPS from continuing operations	(143.5)	53.0

	2021	2020
	No. ’m	No. ’m
Weighted average number of ordinary shares		
Weighted average number of ordinary shares (basic)	589.3	350.1
Effect of unvested performance rights	1.3	0.7
Weighted average number of ordinary shares (diluted)	590.6	350.8

Accounting policies

The IOOF Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares held.

Diluted earnings per share is determined by adjusting the basic earnings per share for the effects of all dilutive potential ordinary shares, which comprise performance rights granted to employees.

At 30 June 2021, there were no options outstanding (2020: nil).

The average market value of the Company's shares for purposes of calculating the dilutive effect of performance rights was based on quoted market prices for the year.

Notes to the financial statements

For the year ended 30 June 2021

Section 3 - Capital management and financing

This section outlines how the IOOF Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The IOOF Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal structure to reduce the cost of capital.

3-1 Capital management

In order to maintain or adjust the capital structure, the IOOF Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back its shares on market, issue new shares, sell assets, or otherwise adjust debt levels.

The IOOF Group monitors capital on the basis of investment capital, working capital and regulatory capital.

Investment capital is the IOOF Group's capital that is not required for regulatory and working capital requirements of the business. The investment capital is invested in:

- bank deposits and debt note;
- subsidiaries;
- financial assets at fair value through other comprehensive income;
- unit trusts, as investments; and
- IOOF Group operated unit trusts, as seed capital.

Investment capital

The investment capital is available to support the organic development of new businesses and products and to respond to investment and growth opportunities such as acquisitions, as they arise. Seed capital is primarily available to support the business in establishing new products and is also used to support capital adequacy requirements of the benefit funds.

Working capital

Working capital is the capital that is required to meet the day to day operations of the business.

Regulatory capital

Regulatory capital is the capital which the IOOF Group holds to meet minimum legislative and regulatory requirements in respect of its friendly society, issued term-based investment protection products and Australian financial services (AFS) licensed operations. During the year, the IOOF Group has complied with all externally imposed capital requirements.

Notes to the financial statements

For the year ended 30 June 2021

The Board of each operational subsidiary manages its own capital required to support planned business growth and meet regulatory requirements. Australian Prudential Regulation Authority (APRA) regulated subsidiaries have their own capital management plan which specifically addresses the regulatory requirements of that entity and sets a target surplus over minimum regulatory requirements.

As part of the MLC Wealth acquisition discussed in note 6-4, the IOOF Group acquired a number of MLC wealth subsidiaries with externally imposed regulatory capital requirements. These include the capital requirements for Registrable Superannuation Entities (RSE) licensees and AFS licensees.

In addition, capital is held for risks relating to the term-based investment protection products issued by one of the MLC subsidiaries:

	2021	2020
	$'m	$'m
Capital requirements on issued investment protection products		
Regulatory capital requirement	22.1	-
Cash available to meet the capital requirement	36.8	-
Cash surplus	14.7	-

Regular monitoring of regulatory requirements ensures sufficient capital is available and appropriate planning is made to retain target surpluses to reduce the risk of beaching regulatory capital requirements. IOOF Holdings Ltd is primarily the provider of equity capital to its subsidiaries. Such investment is funded by IOOF Holdings Ltd's own investment capital, through capital issues, profit retention and, in some instances, by debt.

Subsidiary capital generated in excess of planned requirements is returned to IOOF Holdings Ltd, usually by way of dividends.

A standby facility is in place as a safeguard against a temporary need for funds and to provide a short-term funding facility that allows the business to take advantage of acquisition opportunities as they arise. The weighted average cost of capital is regularly monitored. Funding decisions take into consideration the cost of debt versus the cost of equity with emphasis on the outcome that is best for shareholder interests.

The IOOF Group's capital risk management strategy was not changed during the year.

Further information in relation to capital adequacy requirements imposed by the *Life Insurance Act 1995* is provided in note 5-4 Capital adequacy position.

3-2 Borrowings and lease liabilities

This note provides information about the contractual terms of the IOOF Group's interest-bearing liabilities, which are measured at amortised cost.

	2021	2020
	$'m	$'m
Cash advance & working capital facility	474.5	457.9
Subordinated loan notes (SLNs)	174.1	-
Total borrowings	648.6	457.9
Lease liabilities	124.9	114.4
Total borrowing and lease liabilities	773.5	572.3

For more information about the IOOF Group's exposure to interest rate and liquidity risk, see note 1-1 Risk management.

Notes to the financial statements

For the year ended 30 June 2021

On 27 November 2020, the IOOF Group entered into an additional accommodation agreement to provide an additional $250m cash advance under the Syndicated Facility Agreement (SFA) for the acquisition of MLC Wealth. The amended SFA consists of the following facilities:

- $240m revolving cash advance facility with a 4-year repayment term from 27 September 2018 (being the SFA effective date).
- $625m revolving cash advance facility with a 5-year repayment term from the SFA effective date.
- Multi-option facility with a 3-year repayment term from the SFA effective date, comprising a contingent liability facility.

The SFA facilities have a debt duration profile of approximately 2.0 years (calculated on a facility limit basis) (30 June 2020: 2.5 years).

On 31 May 2021, the IOOF Group issued $200m SLNs to fund the acquisition of MLC Wealth. Key terms are:

- SLNs are unsecured subordinated debt obligations of IOOF.
- 1% per annum coupon payable semi-annually. Step up to 4% per annum if the noteholders request redemption more than 42 months after the issue date and IOOF does not redeem.
- 5-year term with an early redemption start period of 42 months from completion (31 May 2021).
- Equity linked redemption linked to any uplift in notional securities over a reference price (being a 15% premium to the theoretical ex rights price for the equity offer) and subject to adjustment.
- IOOF permitted to accelerate redemption after 3 years if the volume weighted average price is at least 150% of the reference price or in case of certain tax changes. Holder permitted to accelerate redemption at any time commencing 42 months after the issue date, subject to issuer consent, or upon change in control (acquisition by a person of beneficial ownership of 50% or more of the ordinary voting power of outstanding voting shares or delisting or 15 trading day suspension).

For financial reporting purposes, these SLNs contain a host contract and a compound embedded derivative that is required to be recognised separately. The host contract is initially recognised at fair value and subsequently measured at amortised cost, and it will accrete to the face value of the notes using the effective interest rate. The compound embedded derivative is measured at fair value and is included in other financial liabilities.

The net debt to equity ratio stood at 18.9% at 30 June 2021 (30 June 2020: 24.8%) reflecting net borrowings of $469.7m (30 June 2020: $430.9m), principally $476.0m under the SFA (30 June 2020: $460.0m). All banking covenants have been met at 30 June 2021.

(a) Cash advance & working capital facility

The unsecured cash advance facilities and working capital facility is provided under an Australian dollar line of credit facility, to which unrestricted access was available at balance date as follows:

	2021	2020
	$'m	$'m
Total facilities	865.0	615.0
Used at 30 June	476.0	460.0
Unused at 30 June	389.0	155.0

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

Notes to the financial statements

For the year ended 30 June 2021

	2021	2020
	$'m	$'m
Revolving Cash Advance Facility		
Opening balance 1 July	457.9	426.5
Net drawdowns	16.0	30.0
Amortised capitalised establishment fees	0.6	1.4
Closing balance 30 June*	474.5	457.9

*Facilities were repaid in full during the year and redrawn for the purposes of the MLC Wealth acquisition.

(b) Lease liabilities

The Group initially adopted AASB 16 Leases from 1 July 2019. AASB 16 introduced significant changes to the lessee accounting by requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

	2021	2020
	$'m	$'m
Lease liabilities		
Opening balance 1 July	114.4	-
Lease liabilities recognised on adoption of AASB 16	-	81.8
Net lease liabilities acquired	13.5	35.4
Interest charge	(3.0)	(2.8)
Closing balance 30 June	124.9	114.4

(c) Other facilities

In addition to the revolving cash advance and working capital facilities, the IOOF Group has additional contingent liability facilities. The aggregate of the contingent liability facilities is $55.0m (2020: $55.0m) of which $30.6m was used at 30 June 2021 (30 June 2020: $51.9m).

(d) Reconciliation of movements of liabilities to cash flows from financing activities

	Borrowings		Lease liabilities	
	2021	2020	2021	2020
	$'m	$'m	$'m	$'m
Opening balance 1 July	457.9	426.5	114.4	-
Changes from financing cash flows				
Repayment of borrowings	(575.0)	(85.0)	-	-
Drawdowns and issuance	591.0	115.0	-	-
Repayment of lease liabilities	-	-	(21.7)	(14.3)
Total changes from financing cash flows	16.0	30.0	(21.7)	(14.3)
Other changes				
SLNs issuance (net settled)	174.1	-	-	-
Interest expenses and borrowing costs	0.6	1.4	3.0	2.8
Lease liabilities recognised on adoption of AASB 16	-	-	-	81.8
Net leases acquired	-	-	29.2	44.2
Closing balance 30 June	648.6	457.9	124.9	114.4

Accounting policies

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Notes to the financial statements

For the year ended 30 June 2021

3-3 Share capital

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	2021	2020
	$'m	$'m
649,324,356 fully paid ordinary shares (2020: 351,076,027)	3,000.6	1,970.8
792,719 treasury shares (2020: 861,715)	(4.6)	(5.0)
	2,996.0	1,965.8

	2021		2020	
	No. 'm	$'m	No. 'm	$'m
Ordinary shares				
On issue at 1 July	351.1	1,970.8	351.1	1,971.0
Issue of shares	298.2	1,043.9	-	-
Transaction costs of issuing new shares (net of tax)	-	(14.3)	-	-
Transfer from employee equity-settled benefits reserve on exercise of performance rights	-	0.6	-	2.7
Treasury shares transferred to recipients during the year	-	(0.4)	-	(2.9)
On issue at 30 June	649.3	3,000.6	351.1	1,970.8
Treasury shares				
On issue at 1 July	(0.9)	(5.0)	(1.2)	(7.9)
Treasury shares transferred to recipients during the year	0.1	0.4	0.4	3.6
Treasury shares returned from recipients during the year	-	-	(0.1)	(0.7)
On issue at 30 June	(0.8)	(4.6)	(0.9)	(5.0)
	648.5	2,996.0	350.2	1,965.8

Capital raise

In September 2020, the IOOF Group completed a capital raising for the purposes of the acquisition of the MLC Wealth businesses. The capital raising consisted of a fully underwritten institutional placement and accelerated non-renounceable entitlement offer, a retail entitlement offer, and a non-underwritten share purchase plan. Under these offers, the Group raised total additional capital of $1,043.9m, representing 298,248,329 ordinary shares, and incurred transaction costs of $20.4m ($14.3m net of tax).

Accounting policies

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and share options are shown in equity as a deduction, net of any tax effects.

Treasury shares

Shares in the Company which are purchased on-market by the IOOF Equity Plans Trust are classified as treasury shares and are deducted from share capital. Treasury shares are excluded from the weighted average number of ordinary shares used in the earnings per share calculations. The IOOF Equity Plans Trust is controlled by the IOOF Group and is therefore consolidated. Dividends received on treasury shares are eliminated on consolidation.

Notes to the financial statements

For the year ended 30 June 2021

3-4 Capital commitments and contingencies

The only capital commitments entered into by the IOOF Group are operating lease commitments disclosed in section 4-6 Leases.

Other commitments

	2021	2020
	$'m	$'m
Guarantees and underwriting commitments		
Rental bond guarantees	22.0	18.3
Other guarantees	0.4	0.4
	22.4	18.7

Contingent liabilities

Contingent liabilities of the IOOF Group exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where appropriate. The IOOF Group does not consider that the outcome of any other current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

Buyer of Last Resort Facility

Two subsidiaries of the IOOF Group have contractual agreements with its planners to provide a put option "Buyer of Last Resort Facility" should a planner wish to sell their business and on the satisfaction of certain specific requirements. The terms and conditions provide that where the specific requirements have been met, a predetermined purchase price will be payable for the business as agreed by all parties over a predetermined period. Where certain terms and conditions have not been met, the predetermined purchase price will be discounted accordingly. As at 30 June 2021, the IOOF Group had received requests from planners which satisfied requirements to exercise its obligation. The resale value of such businesses purchased may differ from the cost to the IOOF Group. Where confirmation notices have been received, the IOOF Group has a fixed obligation to purchase the businesses at market value, the aggregate value of this fixed obligation is $4.78m (2020: $5.32m).

Class Actions and Potential Regulatory Investigations

Contingent liabilities of the IOOF Group exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. For example, the IOOF Group is currently defending a number of class actions in the Federal and Supreme Courts of Australia. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim by claim basis, and specific provision is made where appropriate.

Based on the current information available the IOOF Group does not consider that the outcome of any other current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

Other remediation matters

There are a number of remediation matters under investigation. The potential outcomes and total costs associated with these matters remain uncertain.

Notes to the financial statements

For the year ended 30 June 2021

3-5 Reserves

	2021	2020
	$'m	$'m
Equity investment revaluation reserve (i)	2.4	91.3
Business combinations reserve (ii)	(0.3)	(0.3)
Foreign currency translation reserve (iii)	0.2	-
Operating risk financial reserve (iv)	2.7	2.6
Share-based payments reserve (v)	(1.2)	(2.3)
	3.8	91.3

Nature and purpose of reserves

(i) Equity investment revaluation reserve comprises the cumulative net change in fair value of equity securities designated at FVOCI, net of tax.

(ii) Business combinations reserve reflects historic acquisitions of non-controlling interests, net of tax.

(iii) Foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of the IOOF Group's foreign operations, net of tax.

(iv) The operating risk financial reserve is held for certain superannuation products that were previously held under Australian Executor Trustees Limited and have been transferred to I.O.O.F. Investment Management Limited as Superannuation Trustee in the prior year. Other similar reserves exist within the IOOF Group, however these are generally held by the relevant funds.

(v) The share-based payments reserve arises on the grant of performance rights and share options to executives and senior employees under the employee share plan. Amounts are transferred out of the reserve and into issued capital when the shares are transferred to employees.

Notes to the financial statements

For the year ended 30 June 2021

Section 4 - Operating assets and liabilities

This section shows the assets used to generate the IOOF Group's trading performance and the liabilities incurred as a result. Liabilities relating to the IOOF Group's financing activities are addressed in Section 3.

4-1 Associates

Associates are those entities over which the IOOF Group has significant influence, but not control, over the financial and operating policies.

Details of the IOOF Group's material associates at the end of the reporting period are as follows:

Associate	Year-end	Country of incorporation	Ownership interest		Carrying value		Share of profit/(loss)	
			2021	2020	2021	2020	2021	2020
			%	%	$'m	$'m	$'m	$'m
Intermede Investment Partners Limited	31-Dec	UK	40.0	-	15.1	-	0.5	-
JANA Investment Advisers Pty Ltd	30-Sep	Australia	45.0	-	9.1	-	0.5	-
Other associates					13.4	12.9	(2.1)	(0.5)
					37.6	12.9	(1.0)	(0.5)

The IOOF Group's investments in Intermede Investment Partners Limited (Intermede) and JANA Investment Advisers Pty Ltd (JANA) were acquired with the MLC Wealth acquisition, effective 31 May 2021. Intermede is an institutional global equity fund manager focused on global equity strategy. JANA is an Australian based investment consulting company which provides investment consulting services to institutional clients including corporate, industry and public sector superannuation funds as well as charities, insurers, foundations and endowment funds.

The following table summarises the 2021 financial information of the IOOF Group's material associates. All fair values and accounting policies of the associates are consistent with those of the IOOF Group.

	Intermede		JANA	
	2021	2020	2021	2020
	$'m	$'m	$'m	$'m
Beneficial ownership interest	**40%**	**0.0%**	**45%**	**0.0%**
Current assets	20.5	-	15.2	-
Non-current assets	0.6	-	4.5	-
Current liabilities	(8.2)	-	(13.2)	-
Non-current liabilities	-	-	(2.1)	-
Net assets (100%)	**12.8**	**-**	**4.4**	**-**
IOOF Group's share of net assets (40% / 45%)	5.1	-	2.0	-
Intangibles on investment	10.0	-	7.1	-
Carrying value of interest in associates	**15.1**	**-**	**9.1**	**-**
Revenue (100%)	2.6	-	4.6	-
Profit and total comprehensive income (100%)	1.2	-	1.1	-
Profit and total comprehensive income (40% / 45%)	0.5	-	0.5	-
Total profit and total comprehensive income (40% / 45%)	**0.5**	**-**	**0.5**	**-**

None of the IOOF Group's equity-accounted investees are publicly listed entities and consequently do not have published price quotations.

Notes to the financial statements

For the year ended 30 June 2021

Dividends received from associates

During the year, the IOOF Group has received dividends of $0.2m (2020: $0.4m) from its associates.

Accounting policies

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes any transaction costs. Subsequent to initial recognition, the consolidated financial statements include the IOOF Group's share of the profit or loss and other comprehensive income of the associates, until the date on which significant influence ceases.

Impairment

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

4-2 Intangible assets (other than goodwill)

	2021	2020*
	$'m	$'m
Cost	896.6	856.7
Accumulated amortisation	(391.1)	(331.6)
	505.5	525.1

*Restated - refer to note 7-3.

	IT develop -ment	Computer software	Customer relationships	Brand names	Other intangibles	Total
	$'m	$'m	$'m	$'m	$'m	$'m
Carrying value at 1 July 2019	2.2	3.3	294.3	59.4	5.6	364.8
Acquisition through business combination *	-	2.0	192.1	-	-	194.1
Additions	1.5	-	-	-	10.9	12.4
Impairment	-	-	(0.4)	-	(0.2)	(0.6)
Amortisation expense attributable to continuing operations	(0.8)	(1.1)	(41.5)	(0.8)	(1.4)	(45.6)
Carrying value at 30 June 2020	2.9	4.2	444.5	58.6	14.9	525.1
Acquisition through business combination	-	30.5	4.0	-	-	34.5
Additions	1.1	-	-	-	4.5	5.6
Amortisation expense	(0.8)	(3.3)	(52.5)	(0.8)	(2.3)	(59.7)
Carrying value at 30 June 2021	3.2	31.4	396.0	57.8	17.1	505.5

*Restated - refer to note 7-3.

Accounting policies

Intangible assets are non-physical assets used by the IOOF Group to generate revenues and profits. These assets include brand names, software, customer and adviser relationships. The cost of these assets is the amount that the IOOF Group has paid or, where there has been a business combination, the fair value of the specific intangible assets that could be sold separately or which arise from legal rights.

Notes to the financial statements

For the year ended 30 June 2021

The value of intangible assets, with the exception of goodwill and brand names with indefinite useful lives, reduces over the number of years the IOOF Group expects to use the asset, the useful economic life, via an annual amortisation charge to profit and loss. The values and useful lives ascribed are reflective of arms-length transactions and independent expert advice thereon. Where there has been a technological change or decline in business performance, management reviews the value of assets to ensure they have not fallen below their carrying value. Should an asset's value fall below its carrying value, an impairment charge is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Indefinite life assets are not amortised but are tested for impairment at each reporting date. The estimated useful lives are as follows:

- brand names 20 years
- IT development 3 - 5 years
- computer software 2.5 - 10 years
- other intangibles 5 - 10 years
- customer relationships 10 - 20 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment testing for cash-generating units containing indefinite life intangible assets

For the purposes of impairment testing, indefinite life intangibles are allocated to the IOOF Group's operating divisions, or CGUs, which represent the lowest level within the IOOF Group at which intangible assets are monitored for internal management purposes.

Each CGU is not higher than the IOOF Group's operating segments as reported in Note 2-1 Operating segments.

In 2020, impairment was recognised in relation to certain customer relationships and other intangible assets. Reduced cash flows associated with the customer relationships and other intangible assets led to their expected value in use and fair value less costs to sell declining to below the carrying value of the intangible assets. No such impairment was required in 2021.

Notes to the financial statements

For the year ended 30 June 2021

Indefinite life intangible assets (other than goodwill)

The indefinite life intangible assets (other than goodwill) relate to brand names. The below table excludes $6.3m (2020: $7.1m) of intangibles which have a finite life. The aggregate carrying amounts of indefinite-life intangible assets allocated to each CGU are as follows:

	2021	2020
	$'m	$'m
Shadforth	51.0	51.0
Lonsdale	0.5	0.5
	51.5	51.5

In designating brand names as indefinite life, consideration was given to the length of time the brand names have been in existence and it was determined that there is no foreseeable limit to the years over which the brand names are expected to generate net cash inflows for the IOOF Group.

For the purposes of impairment testing, indefinite life intangible assets are allocated to the IOOF Group's cash-generating units (CGUs). These represent the lowest level within the IOOF Group at which the assets are monitored for internal management purposes. The calculation incorporates estimated costs of brand maintenance. The post-tax discount rate of 10.4% (Shadforth) (2020: 10.0%) and 12.0% (Lonsdale) (2020: 10.0%) used reflects the IOOF Group's post-tax nominal weighted average cost of capital (WACC) for the relevant CGU. Management's assessment of value in use for each CGU supports the value of the intangible asset allocated to the CGU. Any reasonably possible changes to assumptions used in management's assessment is not expected to result in impairment.

Notes to the financial statements

For the year ended 30 June 2021

4-3 Goodwill

	2021	2020
	$'m	$'m
Cost[1]	2,435.5	1,563.2
Accumulated impairment	(297.6)	(97.7)
Net carrying value of goodwill	2,137.9	1,465.5
Carrying value at 1 July	1,465.5	936.9
Acquisition through business combination	872.3	532.9
Impairment of goodwill	(199.9)	(4.3)
Carrying value at 30 June	2,137.9	1,465.5

[1]Purchase price allocation has not been completed for the acquisition of the MLC Wealth businesses. The net asset adjustment and purchase price allocation are still being finalised in connection with this acquisition. Therefore, the goodwill acquired in this transaction is provisional.

Impairment of $199.9m has been recognised in 2021 in connection with goodwill allocated to the Shadforth, DKN, and Bridges CGUs. The impairment primarily reflects reduced profitability due to the termination of the platform relationship with BT Portfolio Services Ltd and the cessation of grandfathered revenue in the advice business. Impairment of $4.3m was recognised in 2020 in relation to goodwill allocated to the Consultum CGU. Reduced profitability from lower revenue led to its expected fair value less costs to sell and value in use declining to below the carrying value of the goodwill balance.

Accounting policies

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. Its cost is the amount the IOOF Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. The value of goodwill is an 'intangible' value that comes from, for example, a uniquely strong market position and the productivity of its employees. The goodwill recognised by the IOOF Group has all arisen as a result of business combinations.

For the measurement of goodwill at initial recognition, see note 7-3(b)(i) Business combinations.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole and recognised through the IOOF Group’s share of profit or loss of the associate.

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the IOOF Group's cash-generating units (CGUs). These represent the lowest level within the IOOF Group at which the goodwill is monitored for internal management purposes. Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from continuing use of other assets or groups of assets (the CGU).

These CGUs are not higher than the IOOF Group's operating segments as reported in 2-1 Operating segments.

Notes to the financial statements

For the year ended 30 June 2021

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

			Value in Use element			
	2021	2020	Cash inflows yrs 1-5	Cash outflows yrs 1-5	Post-tax discount rate	Cash flows - perpetuity
	$'m	$'m				
MLC Wealth[(1)]	859.7	-	C	C	-	-
Ex-ANZ Wealth	529.2	529.2	A	A	10.4%	2.0% growth from yr 5
Shadforth	316.0	431.2	A	A	10.4%	2.0% growth from yr 5
Platform[(2)]	347.5	347.5	A	A	10.4%	2.0% growth from yr 5
Investment management[(2)]	39.7	39.7	A	A	10.4%	2.0% growth from yr 5
DKN	1.5	80.4	A	A	12.0%	2.0% growth from yr 5
IOOF Ltd	12.0	12.0	B	B	12.0%	2.0% growth from yr 5
Bridges	7.9	5.7	A	A	12.0%	2.0% growth from yr 5
Australian Executor Trustees	19.8	19.8	A	A	12.0%	2.0% growth from yr 5
Wealth Central	4.6	-	D	D	D	2.0% growth from yr 6
	2,137.9	1,465.5				

[(1)]Purchase price allocation has not been completed for the acquisition of the MLC Wealth businesses. The net asset adjustment and purchase price allocation are still being finalised in connection with this acquisition. Therefore, the goodwill acquired in this transaction is provisional.

[(2)]In the current period, the Portfolio and estate administration CGU has been renamed to Platform, and the Multi-manager CGU has been renamed to Investment management to better reflect the Group operations.

A 2022-2024 budget, inflated thereafter, holding the budgeted growth rate from 2023 to 2024 (year 3) consistent for years 4 and 5

B 2021 actual cash flows used to forecast 2022 cash flows, inflated over the forecast period at the observed Australian friendly societies' annual compounding growth for March 2015 to March 2020[1]

C Cost used as an approximation of fair value given the proximity of the transaction to reporting date.

D Acquired goodwill has been allocated to CGUs based on adviser numbers and tested at the CGU level in line with A above.

The growth rates applied do not exceed the long-term average growth rate for businesses in which each CGU operates. The post-tax discount rate identified above (2020: 10.0% for all CGUs) used reflects the IOOF Group's pre-tax nominal weighted average cost of capital (WACC).

Sensitivity

Due to current year impairment recognised in relation to the Shadforth CGU, any future adverse movement in assumptions may result in additional impairment.

Management has identified that, in relation to the Platform CGU, a change in three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these three assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Change required for carrying amount to equal recoverable amount	2021
	%
Discount rate	0.14
Terminal growth rate	(0.19)
Revenue growth rate	(0.56)

[1] source - ABS 5655.0 Managed Funds Australia

Notes to the financial statements

For the year ended 30 June 2021

4-4 Provisions

	2021	2020
	$'m	$'m
Employee entitlements	215.2	69.5
Advice remediation provisions	377.2	432.7
Product remediation provisions	281.7	174.7
Other provisions	27.4	56.2
	901.5	733.1

	Employee entitlements	Advice remediation[1]	Product remediation	Other provisions	Total
	$'m	$'m	$'m	$'m	$'m
Balance at 1 July 2019	59.3	392.0	-	2.0	453.3
Acquisition through business combination	7.3	-	180.0	0.6	187.9
Provisions made/(reversed) during the year	35.1	80.4	(1.2)	55.8	170.0
Provisions utilised during the year	(32.2)	(39.7)	(4.1)	(2.2)	(78.1)
Balance at 30 June 2020	69.5	432.7	174.7	56.2	733.1
Acquisition through business combination	91.1	-	164.5	22.3	277.9
Provisions made/(reversed) during the year	85.2	58.0	12.6	5.2	161.0
Provisions utilised during the year	(30.6)	(113.5)	(70.1)	(56.3)	(270.5)
Balance at 30 June 2021	215.2	377.2	281.7	27.4	901.5

[1] Provisions totalling $168.1m were recognised in respect of the ex-ANZ ALs acquired on 1 October 2018. These provisions relate to customer remediation during the period that the relevant entities were owned by ANZ. The sale agreement indemnified the acquired entities in relation to customer remediation and accordingly, a corresponding receivable from ANZ has been recognised.

Accounting policies

A provision is recognised if, as a result of a past event, the IOOF Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Advice remediation provision

In 2019, the IOOF Group engaged an expert consultant to design the review methodology and estimate financial compensation relating to client remediation in line with observed industry practice. This was in response to ASIC's investigation as part of its Wealth Management Project, conducting investigations into financial advice fees paid pursuant to ongoing service arrangements. While IOOF Group was not issued a notice under this review, the Group has a significant number of self-employed and salaried financial advisers and is voluntarily undertaking its own review. The review determines whether fee paying clients under its licenses were: a) provided with agreed services and/or advice; b) supported with documentation evidencing appropriate provision of service and/or advice; and c) received advice appropriate to their circumstances.

Where client compensation is probable and able to be reliably estimated, provisions are raised. Compensation costs include return of service fees, estimated client loss as a result of inappropriate advice, interest for time value of money at ASIC's directed rate of RBA cash rate + 6% and committed costs to resource the compensation program.

As at 30 June 2021, the IOOF Group has provisions of $377.2m (2020: $432.7m) in respect of advice remediation and related costs. Of this amount, $175.1m is indemnified by the ANZ Banking Group (2020: $215.8m) and an offsetting receivable has also been recognised. The provision was reduced by client remediation payments and program costs paid throughout the year.

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For the year ended 30 June 2021

Product remediation provision

During the financial year, the IOOF Group acquired product remediation provisions along with the MLC entities. These remediation projects were commenced under NAB ownership and are a component of the completion net asset process with NAB pursuant to the Share Sale & Purchase Agreement.

The purchase price allocation relating to the ex-ANZ Pensions and Investments business was finalised during the year, resulting in a reduction to remediation provisions of $23.2m. This adjustment has been recognised as if the accounting had been completed at the acquisition date, and therefore the amount presented in the prior period has been restated.

As at 30 June 2021, the IOOF Group has provisions of $281.7m (2020: $174.7m) in respect of product remediation and related costs. The provision was reduced by client remediation payments and program costs paid throughout the year.

Determining the amount of the provision, which represents management's best estimate of the costs of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted clients, the average refund per client, and associated remediation costs. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence, and adjustments are made to the provisions where appropriate.

Employee entitlements

The provision for employee benefits includes provisions for remuneration in the form of incentive plans and expected leave benefits that employees have earned in return for their service in the current and prior years plus related on-costs.

A provision for employee benefits in the form of an incentive plan is recognised when there is no realistic alternative but to settle the liability, and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

A provision for restructuring is recognised when the IOOF Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Liabilities for incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Other provisions

Other provisions have been made for the present value of management’s best estimates of legal settlements. The information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of certain other litigation.

Notes to the financial statements

For the year ended 30 June 2021

4-5 Property and equipment

	2021	2020
	$'m	$'m
Cost	260.6	217.4
Accumulated depreciation	(114.8)	(83.0)
	145.8	134.4

	Office equipment	Leasehold improve-ments	IT assets	Land and buildings	Right-of-use assets - premises	Total
	$'m	$'m	$'m	$'m	$'m	$'m
Balance at 1 July 2019	3.2	11.7	19.6	1.5	-	36.0
Recognition on initial application of AASB 16	-	-	-	-	76.0	76.0
Additions	0.6	1.4	6.0	-	39.0	47.0
Disposals	-	(0.1)	-	-	-	(0.1)
Reduction in right-of-use asset upon sublease of property	-	-	-	-	(1.1)	(1.1)
Depreciation expense	(0.8)	(1.8)	(4.8)	-	(15.8)	(23.2)
Depreciation expense attributable to discontinued operations	-	-	-	-	(0.1)	(0.1)
Impairment expense attributable to discontinued operations	-	-	-	-	(0.1)	(0.1)
Balance at 30 June 2020	3.0	11.2	20.8	1.5	97.9	134.4
Acquisition through business combination	0.4	-	0.5	-	1.4	2.3
Additions	0.3	-	9.0	-	30.3	39.6
Disposals	-	-	-	-	(1.3)	(1.3)
Depreciation expense	(0.5)	(2.0)	(5.8)	-	(20.9)	(29.2)
Balance at 30 June 2021	3.2	9.2	24.5	1.5	107.4	145.8

(i) Recognition and measurement

Property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on divestment of an item of property and equipment is determined by comparing the proceeds from divestment with the carrying amount of the property and equipment and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the IOOF Group. Repairs and maintenance costs are charged to profit or loss as they are incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the IOOF Group will obtain ownership by the end of the lease term.

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative year are as follows:

- office equipment 3-10 years

Notes to the financial statements

For the year ended 30 June 2021

- leasehold improvements and right of use assets 3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4-6 Leases

The Group has recognised right-of-use assets for operating leases, except for short-term leases.

Operating lease commitments

Prior to the recognition of lease assets and liabilities on balance sheet, the Group disclosed commitments in relation to operating leases contracted for at the reporting date, but not recognised as liabilities. In 2021, commitments relate to short-term leases. Those commitments are payable as follows:

	30 June 2021	30 June 2020
	$'m	$'m
Within one year	13.4	0.2
Later than one year but not later than five years	-	-
Later than five years	-	-
	13.4	0.2

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	30 June 2021	1 July 2020
	$'m	$'m
Right of use assets - premises[1]	107.4	97.9
Lease liabilities - current[2]	(21.4)	(18.7)
Lease liabilities - non-current[2]	(103.5)	(95.7)
	(124.9)	(114.4)

[1]Right of use assets are presented within Property and Equipment in the statement of financial position.

[2]Lease liabilities are presented within Loans and Borrowings in the statement of financial position.

The following table sets out a maturity analysis of lease liabilities, showing the undiscounted lease payments to be made after the reporting date.

	30 June 2021	30 June 2020
	$'m	$'m
Within one year	26.0	21.5
Later than one year but not later than five years	88.0	76.4
Later than five years	21.6	22.4
	135.6	120.3

Amounts recognised in the profit or loss

The statement of comprehensive income shows the following amounts relating to leases:

	30 June 2021	30 June 2020
	$'m	$'m
Income from subleasing right-of-use assets	0.5	0.5
Interest charge	3.0	2.8
Depreciation charge	20.9	15.8
Lease expense - short term leases	1.8	0.9
	25.7	19.5

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For the year ended 30 June 2021

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the new lessee, except for certain short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is determined with reference to the following factors:

- length of the lease;
- lessee specific credit risk; and
- secured borrowings adjustment.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) any by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset of the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Notes to the financial statements

For the year ended 30 June 2021

Section 5 - Statutory funds

A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the *Life Insurance Act 1995*. Balances below are disclosed inclusive of amounts collected/receivable from or paid/payable to IOOF Group entities. Details of the assets and liabilities of the statutory funds are included in Section 1. Statutory funds are not available to shareholders.

5-1 Statutory fund contribution to profit or loss, net of tax

	Statutory	
	2021	2020
	$'m	$'m
Statutory fund revenue		
Interest income	0.7	0.9
Dividends and distributions received	50.8	37.4
Net fair value gains/(losses) on other financial assets designated as fair value through profit or loss	114.1	(54.7)
Investment contracts with DPF		
Contributions received - investment contracts with DPF	3.4	5.2
Decrease in DPF policyholder liability	15.3	15.4
(Decrease)/Increase in non-DPF policyholder liability	(112.9)	14.9
Other fee revenue	2.4	2.6
Total statutory fund revenue	**73.8**	**21.7**
Statutory fund expenses		
Service and marketing fees expense	8.2	10.4
Investment contracts with DPF		
Benefits and withdrawals paid	19.9	21.2
Interest	0.1	0.1
Total statutory fund expenses	**28.2**	**31.7**
Income tax expense/(benefit)	**45.6**	**(10.0)**
Statutory fund contribution to profit or loss, net of tax	**-**	**-**

Accounting policies

Investment contracts with discretionary participation feature (DPF)

The value of these liabilities changes in relation to the change in unit prices for unit linked contracts, and are decreased by management fee charges. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders. Adjustments to the liabilities at each reporting date are recorded in profit or loss.

Other investment contracts

The value of these liabilities changes in relation to the change in unit prices for unit linked contracts, and are decreased by management fee charges. In accordance with the rules of the funds, any remaining surplus is attributed to the members of the fund. Amounts distributable to members are recorded in profit or loss as an expense.

There is no claims expense in respect of life investment contracts. Surrenders and withdrawals which relate to life investment contracts are treated as a movement in life investment contract liabilities. Surrenders are recognised when the policyholder formally notifies of their intention to end the policy previously contracted.

Notes to the financial statements

For the year ended 30 June 2021

Insurance contract liabilities and claims expense

A claims expense is recognised when the liability to the policyholder under the policy contract has been established, or upon notification of the insured event. Withdrawal components of life insurance contracts are not expenses and are treated as movements in life insurance contract liabilities.

5-2 Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and capital adequacy reserves is 30 June 2021. The actuarial report for IOOF Ltd was prepared by Mr Andrew Mead, FIAA, and was dated 12 August 2021. The actuarial report indicates that Mr Mead is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

Actuarial Methods

Policy liabilities have been calculated in accordance with relevant actuarial guidance issued by the Australian Prudential Regulation Authority under the *Life Insurance Act 1995*. Policy liabilities are based on a systematic release of planned margins as services are provided to policyholders and premiums are received.

Key assumptions

Mortality and Morbidity

All mortality and morbidity risk is fully reinsured and the gross risk to the IOOF Group is low. The mortality and morbidity assumptions have been taken to be equal to the reinsurer's mortality and morbidity assumptions.

Other Assumptions

In adopting the accumulation method to assess the policy liabilities, one material assumption is required. It is assumed that the future overall experience as to expense levels, surrender/lapse rates and discount rates will likely remain within a satisfactory range so that the policies produce future profits for the business. In which case, there is no need to set aside provisions, in addition to the accumulation amounts, for future losses (i.e., there is no loss recognition concerns for the business). This assumption has been adopted on the basis that, based on the current actual experience of the business, the policies are producing satisfactory profits for the business and there is no circumstances known that would indicate that the current position (i.e. general experience levels and ongoing profitability) will not continue into the future.

Sensitivity analysis

The policy liabilities are not sensitive to changes in variables within a moderate range. Increases in mortality and morbidity assumptions will result in an increase in gross policy liabilities for IOOF Group, however as the mortality and morbidity risk is fully reinsured any change in these assumptions would be consistent with the reinsurer's assumptions and the net change in policy liabilities would be nil.

Notes to the financial statements

For the year ended 30 June 2021

5-3 Disclosures on asset restrictions, managed assets and trustee activities

(i) Restrictions on assets

Investments held in life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions when capital adequacy and other regulatory requirements are met.

(ii) Managed Funds and other fiduciary duties

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

5-4 Capital adequacy position

Capital adequacy reserves are required to meet the prudential standards determined in accordance with *Prudential Standard LPS 110 Capital Adequacy* issued by the Australian Prudential Regulation Authority under paragraph 230A(1)(a) of the *Life Insurance Act 1995*. Capital adequacy reserves provide additional protection to policy holders against the impact of fluctuations and unexpected adverse circumstances on the Company.

The figures in the table below represent the number of times coverage of the aggregate of all benefit funds and statutory funds in IOOF Ltd over the prescribed capital amount.

	Statutory	
	2021	2020
	$'m	$'m
(a) Capital Base	15.1	15.1
(b) Prescribed capital amount	6.1	6.7
Capital in excess of prescribed capital amount = (a) - (b)	9.0	8.4
Capital adequacy multiple (%) (a) / (b)	249%	226%
Capital Base comprises:		
Net Assets	15.1	15.1
Regulatory adjustment applied in calculation of Tier 1 capital	-	-
(A) Common Equity Tier 1 Capital	**15.1**	**15.1**
(B) Total Additional Tier 1 Capital	**-**	**-**
Tier 2 Capital	**-**	**-**
Regulatory adjustment applied in calculation of Tier 2 capital	**-**	**-**
(C) Total Tier 2 Capital	**-**	**-**
Total capital base	**15.1**	**15.1**

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

Notes to the financial statements

For the year ended 30 June 2021

Section 6 - Other disclosures

6-1 Parent entity financials

As at and throughout the financial year ended 30 June 2021, the parent entity of the IOOF Group was IOOF Holdings Ltd.

	2021	2020
	$'m	$'m
Result of the parent entity		
Profit for the year	60.9	160.8
Total comprehensive income for the year	60.9	160.8
Financial position of parent entity at year end		
Current assets	6.5	29.4
Total assets	3,704.8	2,479.0
Current liabilities	35.0	7.9
Total liabilities	714.6	465.9
Total equity of the parent entity comprising of:		
Share capital	3,000.6	1,970.8
Share-based payments reserve	3.1	1.9
(Accumulated losses)/Retained earnings	(13.5)	40.3
Total equity	**2,990.2**	**2,013.1**

Parent entity contingent liabilities

Contingent liabilities of IOOF Holdings Ltd exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where appropriate. IOOF Holdings Ltd does not consider that the outcome of any other current proceedings, either individually or in aggregate, is likely to materially affect its operations of financial position.

	2021	2020
	$'m	$'m
Guarantees and underwriting commitments		
Rental bond guarantees	1.6	1.6

Notes to the financial statements

For the year ended 30 June 2021

6-2 Share-based payments

The IOOF Group operates a number of employee share and option schemes operated by the IOOF Equity Plans Trust (the Trust). The employee share option plans were approved by the Board of Directors.

IOOF Executive and Employee Share Option Plan

The IOOF Group has an ownership-based compensation scheme for executives and senior employees.

Selected employees may be granted options which entitle them to purchase ordinary fully paid shares in the Company at a price fixed at the time the options are granted. Voting and dividend rights will be attached to the unissued ordinary shares when the options have been exercised. Options may be exercised at any time from the date of vesting to the date of their expiry.

Options granted under the plan carry no dividend or voting rights. All plans are equity-settled. There were no options granted in 2021 (2020: nil).

IOOF Executive Performance Rights Plan

The IOOF Executive Performance Rights Plan is the vehicle used to deliver equity based incentives to executives and senior employees of the IOOF Group.

Each employee receives ordinary shares of the Company on vesting of the performance rights. No amounts are paid or payable by the recipient on receipt of the performance rights or on vesting. The performance rights carry neither rights to dividends nor voting rights prior to vesting. All plans are equity-settled.

A mandatory deferral period exists relating to Executive STIs awarded in 2019. On vesting of performance rights, ordinary shares are transferred to the employee's name or held in trust. The employee receives all dividends on the ordinary shares while held in trust.

	Performance Rights	Deferred Shares	Total
	Rights	Shares	Rights & Shares
	No.	No.	No.
Opening balance at 1 July 2020	843,370	177,081	1,020,451
Forfeited or lapsed during the year	(94,041)	-	(94,041)
Exercised or transferred during the year	(68,996)	(119,489)	(188,485)
Granted during the year	1,239,810	-	1,239,810
Outstanding at 30 June 2021	1,920,143	57,592	1,977,735
Exercisable at 30 June 2021	**-**	**-**	**-**

Notes to the financial statements

For the year ended 30 June 2021

Disclosure of share-based payment plans

Series - Recipient	Exercise price	Opening balance 1 July 2020	Granted	Forfeited or lapsed	Exercised	Closing balance 30 June 2021
Performance rights						
2018-01 Executives	nil	110,000	-	(55,000)	(55,000)	-
2018-04 Other employees	nil	13,996	-	-	(13,996)	-
2019-01 Executives	nil	174,000	-	-	-	174,000
2019-04 Other employees	nil	45,117	-	(3,346)	-	41,771
2019-05 Other employees	nil	140,000	-	(5,000)	-	135,000
2020-02 Executives and Others	nil	329,000	-	(15,000)	-	314,000
2020-03 Other employees	nil	31,257	-	(2,957)	-	28,300
2021-01 Other employees	nil	-	69,517	-	-	69,517
2021-02 Other employees	nil	-	283,781	(12,738)	-	271,043
2021-03 Executives and Others	nil	-	886,512	-	-	886,512
		843,370	1,239,810	(94,041)	(68,996)	1,920,143
Deferred shares						
2018-06 Executives	nil	77,469	-	-	(77,469)	-
2019-02 Other employees*	nil	42,020	-	-	(42,020)	-
2020-01 Other employees*	nil	57,592	-	-	-	57,592
		177,081	-	-	(119,489)	57,592
		1,020,451	**1,239,810**	**(94,041)**	**(188,485)**	**1,977,735**

*Upon vesting, shares are held in trust for 18 months and may be forfeited in the event of compliance breaches.

There are no options outstanding at 30 June 2021.

Inputs for measurement of grant date fair values granted during the financial year

The grant date fair values of share-based payment plans granted during the year were measured based on a binomial options pricing model for non-market performance conditions and a monte carlo simulation model for market performance conditions. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Series	Fair value	Grant date share price	Expected volatility	Expected life (years)	Dividend yield	Risk-free interest rate
2021-01 Other employees	$3.18	$3.80	56%	3	6.90%	0.19%
2021-02 Other employees	$2.43	$3.80	56%	3	6.90%	0.19%
2021-03 Executives and Others	$2.29	$3.64	50%	4	7.21%	0.22%

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For the year ended 30 June 2021

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

Performance Rights Series - Recipient	Exercise price	Earliest vesting date	Last tranche vesting date	Performance related vesting conditions
2021-03 Executives and other employees	nil	30-Jun-24	30-Jun-24	TSR
2021-02 Other employees	nil	30-Jun-23	30-Jun-23	TSR
2021-01 Other employees	nil	30-Jun-23	30-Jun-23	n/a
2020-03 Other employees	nil	30-Jun-22	30-Jun-22	n/a
2020-02 Executives and other employees	nil	30-Jun-22	30-Jun-22	TSR
2020-01 Other employees*	nil	8-Apr-20	8-Apr-20	n/a
2019-06 Other employees	nil	20-Sep-19	20-Sep-19	n/a
2019-05 Other employees	nil	30-Jun-21	30-Jun-21	TSR
2019-04 Other employees	nil	30-Jun-21	30-Jun-21	n/a
2019-02 Other employees*	nil	24-Apr-19	24-Apr-19	n/a
2019-01 Executives	nil	30-Jun-21	30-Jun-21	TSR
2018-04 Other employees	nil	30-Jun-20	30-Jun-20	n/a
2018-01 Executives	nil	30-Jun-20	30-Jun-20	TSR

*Shares are held in trust for 18 months and may be forfeited in the event of compliance breaches.

The breakdown of share-based payments expense for the year by recipient is as follows. This represents the expense recorded to date and does not reflect the opportunity to transfer to retained profits the value of those legacy series that will lapse.

Recipient	2021	2020
	$'m	$'m
Chief Executive Officer	0.4	0.3
Executives	0.6	0.4
Other employees*	1.2	2.2
	2.2	2.9

*Other key stakeholders include other Group employees.

Accounting policies

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

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

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

Shares in the Company held by the Trust are classified and disclosed as treasury shares, and deducted from share capital. Dividends received by the Trust are recorded as dividend income in the financial statements of the Trust and are eliminated on consolidation.

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6-3 IOOF Group subsidiaries

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

	Country of incorporation	Ownership interest	
		2021	2020
		%	%
Parent entity			
IOOF Holdings Ltd	Australia		
Material subsidiaries			
Australian Executor Trustees Limited	Australia	100	100
Bridges Financial Services Pty Limited	Australia	100	100
Consultum Financial Advisers Pty Ltd	Australia	100	100
I.O.O.F. Investment Management Limited	Australia	100	100
IOOF Ltd	Australia	100	100
IOOF Equity Plans Trust	Australia	100	100
IOOF Service Co Pty Ltd	Australia	100	100
IOOF Investment Services Ltd	Australia	100	100
Lonsdale Financial Group Limited	Australia	100	100
SFG Australia Limited	Australia	100	100
Financial Acuity Limited	Australia	100	100
Shadforth Financial Group Limited	Australia	100	100
Actuate Alliance Services Pty Ltd	Australia	100	100
Millennium 3 Financial Services Pty Ltd	Australia	100	100
OnePath Custodians Pty Limited	Australia	100	100
OnePath Administration Pty Limited	Australia	100	100
OnePath Investment Holdings Pty Limited	Australia	100	100
Oasis Asset Management Limited	Australia	100	100
Oasis Fund Management Limited	Australia	100	100
Mercantile Mutual Financial Services Pty Limited	Australia	100	100
Global One Alternative Investments Management Pty Ltd	Australia	100	100
OnePath Funds Management Limited	Australia	100	100
MLC Wealth Limited	Australia	100	-
Antares Capital Partners Ltd	Australia	100	-
MLC Asset Management Pty Limited	Australia	100	-
MLC Asset Management Services Limited	Australia	100	-
MLC Investments Limited	Australia	100	-
Navigator Australia Limited	Australia	100	-
NULIS Nominees (Australia) Limited	Australia	100	-

Unconsolidated structured entities

The IOOF Group has interests in various structured entities that are not consolidated. An 'interest' in an unconsolidated structured entity is any form of contractual or non-contractual involvement which exposes the IOOF Group to variability of returns from the performance of that entity. Such interests include holdings of seed capital for the purpose of supporting the establishment of new products.

The IOOF Group has investments in managed investment funds through its asset management subsidiaries. Control of these managed investment funds may exist since the IOOF Group has power over the activities of the fund. However, these funds have not been consolidated because the IOOF Group is not exposed to significant variability in returns from the funds. The IOOF Group earns management fees from the management of these investment funds which are commensurate with the services provided and are reported in external management and service fees revenue in note 2-2. Management fees are generally based on the value of the

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assets under management. Therefore, the fees earned are impacted by the composition of the assets under management and fluctuations in financial markets.

Investment funds are investment vehicles that consist of a pool of funds collected from several investors for the purpose of investing in securities such as money market instruments, debt securities, equity securities and other similar assets. For all investment funds, the IOOF Group's maximum exposure to loss is equivalent to the carrying amount of the investment in the fund.

6-4 Acquisition of subsidiary

MLC Wealth acquisition

Completion of the acquisition of MLC Wealth occurred on 31 May 2021. The purchase price allocation has not been completed for the acquisition. The net asset adjustment is still being negotiated in connection with this acquisition.

In the period from acquisition to 30 June 2021, MLC Wealth contributed revenue of $80.9m and a profit of $15.3m to the IOOF Group’s results. This excludes acquisition related costs of $34.3m incurred during the year.

If the acquisition had occurred on 1 July 2020, management estimates that the consolidated revenue from continuing operations for the Group would have been $2,429.7m and consolidated loss from continuing operations for the year would have been $179.5m. The loss is primarily driven by remediation expenses and MLC Wealth’s proforma UNPAT for the 12 months ended 30 June 2021 is $81.0m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2020.

Prior year acquisition

The purchase price allocation for the ANZ P&I businesses acquired on 31 January 2020 was finalised during the current financial year. The result of this was a net decrease in receivables, an increase in identified intangibles acquired, the reallocation of goodwill to identified intangibles, recognition of amortisation on identified intangibles, and a reduction in remediation provisions and related interest charges. Related income tax balances have also been adjusted.

Specifically, the purchase price allocation resulted in a decrease to goodwill of $130.6m. In addition, $189.1m of the preliminary goodwill value was reallocated to identified intangibles. In accordance with relevant accounting standards, the adjustments required have been recognised retrospectively, with adjustments made to provisional amounts recognised at the acquisition date. Further information of the impact of these adjustments on the financial statements is disclosed at note 7-3.

In the period from acquisition to 30 June 2020, the ex-ANZ P&I businesses contributed revenue of $128.1m and a profit of $31.2m to the IOOF Group’s UNPAT results. This excludes integration preparation costs of $25.0m incurred during the year.

If the acquisition had occurred on 1 July 2019, management estimates that the consolidated revenue from continuing operations for the Group for the prior year would have been $1,353.8m and consolidated profit from continuing operations for the prior year would have been $101.8m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2019.

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Consideration transferred

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	Note	2021 MLC Wealth $'m	2020 ANZ P&I $'m
Cash		1,240.0	774.3
Non-cash consideration:			
SLNs issued	3-2	200.0	-
Liabilities assumed		6.0	-
Total consideration		1,446.0	774.3
Cash balances acquired		(367.7)	(214.0)
Purchase consideration, net of cash acquired		1,078.3	560.3

The impact on cash flows for the IOOF Group for the year was an outflow of $872.3m (2020: $560.3m).

Acquisition-related costs

The IOOF Group has incurred acquisition-related costs of $34.3m (2020: $31.0m) in the financial year in relation to the acquisition of these businesses. These costs have been included in the transformation and integration expenses in note 2-4.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2021 MLC Wealth* $'m	2020 ANZ P&I $'m
Cash	367.7	214.0
Receivables	139.1	3.2
Other financial assets	323.5	974.2
Fixed assets	1.7	-
Intangibles	5.3	-
Deferred tax assets	122.3	64.1
Payables	(132.4)	(938.7)
Provisions	(241.0)	(204.5)
Total identifiable net assets acquired	**586.3**	**112.3**

*Purchase price allocation has not been completed for the acquisition of the MLC Wealth businesses. The net asset adjustment is still being negotiated in connection with this acquisition.

Goodwill and intangibles

Goodwill and intangibles have been recognised as a result of the acquisition as follows:

	2021 MLC Wealth* $'m	2020 ANZ P&I $'m
Total consideration	1,446.0	774.3
Fair value of assets assumed	(586.3)	(112.3)
Goodwill and intangibles acquired	**859.7**	**662.0**

*Purchase price allocation has not been completed for the acquisition of the MLC Wealth businesses. The net asset adjustment is still being negotiated in connection with this acquisition. Associated goodwill and intangibles acquired are still provisional balances.

Notes to the financial statements

For the year ended 30 June 2021

6-5 Remuneration of auditors

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

	2021	2020
	$	$
Audit services		
Auditors of the Company - *KPMG Australia*		
Audit and review of financial reports	5,281,041	4,460,243
Other regulatory audit services	2,713,134	1,759,440
	7,994,175	6,219,683
Other services		
Auditors of the Company - *KPMG Australia*		
Taxation services	93,288	336,232
Transaction advisory services	874,698	590,948
Debt advisory	236,000	71,518
Risk and compliance review	-	204,930
Other services *	87,445	272,636
	1,291,431	1,476,265
	9,285,606	7,695,948

*Other non-audit services include remuneration advisory services as well as minor other non-audit services provided during 2021 and 2020.

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

6-6 Key management personnel

	2021	2020
	$	$
Short-term employee benefits	5,642,937	4,804,751
Post-employment benefits	192,030	201,070
Share-based payments	1,013,205	704,279
Termination benefits	-	967,689
	6,848,172	**6,677,789**

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

	2021	2020
	$	$
Executive key management personnel	5,945,672	5,580,543
Non-executive Directors	902,500	1,097,246
Total	**6,848,172**	**6,677,789**

Individual Directors' and executives' compensation disclosures

Information regarding individual Directors' and executives' compensation and equity instruments disclosures as required by *Corporations Regulation 2M.3.03* is provided in the remuneration report section of the Directors' Report. No Director has entered into a material contract with the IOOF Group since the end of the prior financial year and there were no material contracts involving directors' interests existing at year-end.

Notes to the financial statements

For the year ended 30 June 2021

6-7 Related party transactions

(a) Ultimate parent entity

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

(b) Loans to related entities

	Financial year	Opening balance 1 July	Closing balance 30 June	Interest paid/ payable during year	Highest balance during year
		$	$	$	$
Interest free loans					
Perennial Value Management Limited	**2021**	**-**	**-**	**-**	**-**
	2020	1,944,381	-	-	1,944,381
Interest bearing loans					
Perennial Value Management Limited	**2021**	**-**	**-**	**-**	**-**
	2020	5,794,350	-	69,442	5,836,966

The amounts above were advanced by Perennial Investment Partners Pty Ltd and I.O.O.F. Investment Management Limited for the specific purpose of assisting executives to acquire an equity interest in subsidiaries and associates of the Company. Secured interest bearing loans made on commercial terms and conditions and unsecured interest free loans were repaid during the prior year.

(c) Investment in related entities

Through one of its subsidiaries, the IOOF Group (excluding benefit funds) holds investments in managed investment schemes that meet the definition of related parties.

	2021	2020
	$	$
Investment in related party schemes	457,687	263,583

(d) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in section 6-6 to the financial statements and in the Remuneration Report.

ii. Loans to key management personnel

There are no loans between the IOOF Group and key management personnel.

iii. Other transactions with key management personnel of the IOOF Group

There were no other transactions with key management personnel of the IOOF Group during the 2021 and 2020 financial years.

Notes to the financial statements

For the year ended 30 June 2021

6-8 Defined benefit plan

The IOOF Group contributes to a post-employment defined benefit plan, the National Wealth Management Superannuation Plan (the plan). The plan entitles employees to receive certain retirement benefits based on a fixed percentage of each employee's annual remuneration and the years of service.

The plan is a sub-plan of the MLC Super Fund. The Trustee of the MLC Super Fund, NULIS Nominees (Australia) Limited, is a subsidiary of the IOOF Group. The Trustee of the MLC Super Fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies of the fund.

The defined benefit plan exposes the IOOF Group to actuarial risks, such as investment risk, salary growth risk, liquidity risk, sequencing risk (due to the plan being closed to new defined benefit members) and legislative risk.

The amount included in the statement of financial position arising from the IOOF Group's obligation in respect of its defined benefit retirement benefit plan is as follows:

	30 June 2021	30 June 2020
	$'m	$'m
Present value of defined benefit obligation	(30.8)	-
Fair value of plan assets	48.0	-
Net surplus arising from defined benefit obligation	17.2	-

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2021	2020
	$'m	$'m
Current service cost	(0.1)	-
	(0.1)	-

Amounts recognised in other comprehensive income are as follows:

	2021	2020
	$'m	$'m
Actuarial gains and losses arising from experience adjustments	0.7	-
Movement in contribution tax adjustment	0.1	-
	0.8	-

Funding

The plan is fully funded by MLC Wealth Limited (a subsidiary of the Company). In Australia, superannuation is regulated by the Australian Prudential Regulatory Authority (APRA). APRA's *Prudential Standard SPS 160 Defined Benefit Matters* requires the plan's vested benefit index (plan's assets divided by vested benefits) to be no less than 100%. The Trustee of the plan is required to ensure that a formal actuarial investigation is completed at least every 3 years using the projected unit credit method and updated on an annual basis for material movements in the plan position.

Based on the strong financial position of the Plan and the actuary's recommendation, the IOOF Group does not expect to pay contributions to its defined benefit plan in 2022.

Notes to the financial statements

For the year ended 30 June 2021

Plan assets

Plan assets comprise the following:

	30 June 2021	30 June 2020
	$'m	$'m
Cash and cash equivalents	2.4	-
Equity instruments	34.1	-
Debt instruments	7.2	-
Real estate investment funds	4.3	-
Fair value of plan assets	48.0	-

Plan assets are invested into a managed investment portfolio. These investments do not have a quoted market price in an active market.

Movements in the fair value of the plan assets in the year were as follows:

	2021	2020
	$'m	$'m
Opening fair value of plan assets	-	-
Acquisition through business combination	47.2	-
Actuarial gains arising from experience adjustments	0.7	-
Movement in contribution tax adjustment	0.1	-
Closing fair value of plan assets	48.0	-

Defined benefit obligation

Movements in the present value of the defined benefit obligation in the year were as follows:

	2021	2020
	$'m	$'m
Opening defined benefit obligation	-	-
Acquisition through business combination	(30.7)	-
Current service cost	(0.1)	
Closing defined benefit obligation	(30.8)	-

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2021	30 June 2020
Discount rate	1.4%	-
Expected rate of salary increase	3.0%	-
Expected future lifetime at the age of 60		
Male	22.6 years	-
Female	26.0 years	-

Notes to the financial statements

For the year ended 30 June 2021

At 30 June 2021, the weighted-average duration of the defined benefit obligation was 5 years. Based on the current assumptions, benefit payments of approximately $5.0m are expected in 2022 followed by further benefits of approximately $11.0m over the next 4 years.

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Increase $'m	Decrease $'m	Increase $'m	Decrease $'m
Discount rate (1% movement)	(1.6)	1.6	-	-
Compensation rate (1% movement)	1.5	(1.5)	-	-
Mortality rate (10% movement)	0.3	(0.3)	-	-

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes to the financial statements

For the year ended 30 June 2021

Section 7 - Basis of preparation

This section sets out the IOOF Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a single note, the policy is described in the note to which it relates. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2021 or later years. The expected impact of these changes to the financial position and performance of the IOOF Group is explained in this section.

7-1 Reporting entity

The Company is a public company listed on the Australian Stock Exchange (trading under the symbol 'IFL'), domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its controlled entities and the IOOF Group's interests in associates.

The IOOF Group is a for-profit entity and is primarily involved in the provision of wealth management services.

The Company's registered office and its principal place of business are Level 6, 161 Collins Street, Melbourne.

7-2 Basis of preparation

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The annual financial report was approved by the Board of Directors on 26 August 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value; and
- equity investments at fair value through other comprehensive income are measured at fair value.

The statement of financial position is presented in order of liquidity.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise stated.

(d) Rounding of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that instrument amounts in the financial report are rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

(e) Use of estimates and judgements

To comply with AASBs, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes to the financial statements

For the year ended 30 June 2021

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Information about critical judgements in applying accounting policies, assumptions and estimation uncertainties that may have a significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 1-1 – Issued investment protection products and deferred purchase consideration valuation;
- note 3-4 – Contingencies;
- note 4-2 - Intangible assets (other than goodwill);
- note 4-3 - Goodwill;
- note 4-4 - Provisions;
- note 6-2 - Share-based payments;
- note 6-4 - Acquisition of subsidiary; and
- note 6-8 - Defined benefits plan.

7-3 Other significant accounting policies

Significant accounting policies have been included in the relevant notes to which the policies relate. Other significant accounting policies are listed below.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Changes in accounting policies

In the current year, the IOOF Group has reassessed the manner in which adviser service fees are treated in the Group financial statements. Historically, some entities within the Group recognised these costs in service and marketing fees expense. After standardising accounting policies across the Group, the relationship is now assessed as agency and the fees are now recognised as a reduction to management and service fees revenue. The impact of this change is disclosed in note 7-3(f).

Aside from this change, the IOOF Group has consistently applied the accounting policies to all years presented in these consolidated financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2021 and the results of all controlled subsidiaries for the year then ended. This includes the benefit funds of its subsidiary, IOOF Ltd, and any controlled trusts.

The benefit funds, and any trusts controlled by those funds, are treated as statutory funds in accordance with the *Life Insurance Act 1995*. These statutory funds, in addition to the statutory funds of the life insurance business conducted by the IOOF Group, are shown separately from shareholder funds in the notes to the financial statements.

Refer to note 1-1 Assets and liabilities relating to statutory funds for information in relation to the different accounting treatment of investment contracts with discretionary participating features.

(i) Business combinations

The IOOF Group accounts for business combinations using the acquisition method when control is transferred. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net

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For the year ended 30 June 2021

assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquiree's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the IOOF Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the IOOF Group. The IOOF Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the IOOF Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) IOOF Equity Plans Trust (the Trust)

The IOOF Group has formed a trust to administer the IOOF Group’s employee share schemes. The Trust is consolidated, as the substance of the relationship is that the Trust is controlled by the IOOF Group. Shares held by the Trust are disclosed as treasury shares and are deducted from share capital.

(vi) Transactions eliminated on consolidation

Intra-IOOF Group balances and transactions, and any unrealised income and expenses arising from intra-IOOF Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the IOOF Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Dividends paid to the Trust are also eliminated.

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate prevailing at that date. Foreign exchange

Notes to the financial statements

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differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates prevailing at the balance sheet date. The revenue and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign currency differences are recognised in the foreign currency translation reserve.

(d) Impairment

Non-derivative financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the IOOF Group on terms that the IOOF Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the IOOF Group, economic conditions that correlate with defaults or the disappearance of an active market of a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

Financial assets and liabilities at fair value through OCI

Impairment losses on equity investments at fair value through OCI are recognised by reclassifying the losses accumulated in the investment revaluation reserve to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent year, the fair value of an impaired debt investment at fair value through OCI increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired debt investment at fair value through OCI is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the IOOF Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present

Notes to the financial statements

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value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(e) Goods and service tax (GST)

Revenues, expenses and assets (excluding receivables) are recorded net of GST. GST input tax credits are initially recorded as an asset and GST collected as a liability. These balances are offset as at the reporting date and recognised as either an amount receivable or payable to the Australian Taxation Office. The GST portion relating to financial supplies and non-deductible expenditure, for which an input tax credit cannot be claimed, is expensed or is recognised as part of the cost of acquisition of an asset.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the Australian Taxation Office are presented as operating cash flows.

(f) Restatement of prior year information

As described in note 6-4, the purchase price allocation for the ANZ P&I businesses acquired on 31 January 2020 was finalised during the current financial year. The table below shows the impact of the adjustments on the 30 June 2020 statement of financial position and statement of comprehensive income.

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For the year ended 30 June 2021

The impact of the change in accounting policy described in note 7-3(a) is also disclosed.

Statement of comprehensive income	2020	2020	2020	2020
	previously reported	PPA adjustment*	Adviser fee adjustment	revised
	$'m	$'m	$'m	$'m
Revenue	1,168.9	-	(90.3)	1,078.6
Expenses	(1,067.5)	(8.0)	90.3	(985.2)
Share of losses of associates	(0.5)	-	-	(0.5)
Finance costs	(14.2)	-	-	(14.2)
Profit/(loss) before tax	86.7	(8.0)	(0.0)	78.7
Income tax (expense)/benefit	(28.2)	2.3		(25.9)
Profit/(loss) from continuing operations after tax	58.5	(5.7)	(0.0)	52.8

*Profit impact of PPA adjustment represents amortisation of intangible assets acquired.

Statement of financial position	2020	2020	2020
	previously reported	PPA adjustment*	revised
	$'m	$'m	$'m
Assets			
Cash	374.7	-	374.7
Receivables**	612.8	(32.9)	579.9
Other financial assets	1,116.8	-	1,116.8
Current tax assets**	-	23.6	23.6
Prepayments	16.1	-	16.1
Deferred acquisition costs	1.0	-	1.0
Associates	12.9	-	12.9
Property and equipment	134.4	-	134.4
Deferred tax assets	49.8	(49.8)	-
Intangible assets	344.0	181.1	525.1
Goodwill	1,596.1	(130.6)	1,465.5
Total assets	**4,258.6**	**(8.6)**	**4,250.0**
Liabilities			
Payables	120.5	-	120.5
Other financial liabilities	1,065.4	-	1,065.4
Borrowings and lease liabilities	572.3	-	572.3
Provisions	756.3	(23.2)	733.1
Deferred tax liabilities	-	20.3	20.3
Deferred revenue liability	0.9	-	0.9
Total liabilities	**2,515.4**	**(2.9)**	**2,512.5**
Net assets	**1,743.2**	**(5.7)**	**1,737.5**
Equity			
Share capital	1,965.8	-	1,965.8
Reserves	91.3	-	91.3
Accumulated losses	(313.7)	(5.7)	(319.4)
Total equity attributable to equity holders of the Company	**1,743.4**	**(5.7)**	**1,737.7**
Non-controlling interest	(0.2)	-	(0.2)
Total equity	**1,743.2**	**(5.7)**	**1,737.5**

*Profit impact of PPA adjustment represents amortisation of intangible assets acquired.
**Current tax assets were included within other receivables at 30 June 2020. They have been split out and presented separately in the 30 June 2020 balance sheet. This does not relate to an acquisition accounting adjustment.

Notes to the financial statements

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7-4 Adoption of new and revised Standards

New and amended Standards that are effective for the current year

The IOOF Group has adopted the following new or amended standards in preparing these consolidated financial statements.

Software-as-a-Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- *Customer's right to receive access to the supplier's software hosted on the cloud* (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- *Configuration or customisation costs in a cloud computing arrangement* (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The IOOF Group's accounting policy has historically been to capitalise all costs related to SaaS arrangements as prepaid assets in the Statement of Financial Position. The adoption of the above agenda decisions has therefore not resulted in any change to the way in which SaaS arrangements are accounted for.

New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the IOOF Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New standards or amendments	Effective first financial year ending
AASB 17 *Insurance Contracts*	*30 June 2024*
AASB 101 *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*	*30 June 2024*
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	*30 June 2023*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the IOOF Group in future periods, except as noted below:

AASB 17 Insurance Contracts

AASB 17 replaces AASB 4 *Insurance Contracts* and similarly applies to insurance contracts. The classification of insurance contracts is similar to AASB 4 *Insurance Contracts* however unbundling rule changes may mean some contract components now need to be measured under AASB 17.

The new standard contains a lower level of aggregation/smaller portfolios, changes to contract boundaries and valuation approaches, the application of contractual service margins to policies valued under certain methodologies, changes in treatment to reinsurance and an ability to use Other Comprehensive Income for changes in asset values. The new standard also changes corresponding disclosure requirements.

The IOOF Group is in the process of assessing the potential impact of its consolidated financial statements and the impact has not yet been determined, however will be relevant for IOOF Ltd. The IOOF Group plans to adopt AASB 17 in the consolidated financial statements for the year ending 30 June 2024.

Notes to the financial statements

For the year ended 30 June 2021

7-5 Subsequent events

The Directors have declared the payment of a final dividend of 9.5 cents per share and a special dividend of 2.0 cents per share, both franked to 100% based on tax paid at 30%, to be paid on 22 September 2021.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, or the accompanying financial statements and notes thereto, that has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

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