APPENDIX 4E

CONDENSED ANNUAL FINANCIAL REPORT

IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting year

	30 June 2021
Prior year	30 June 2020

2. Results for announcement to the market

	$'m	% change from prior year
Revenue from continuing Shareholder activities[1]	1,332.4	up 24%
Loss from ordinary activities after tax attributable to owners of the Company	(143.5)	down 202%
Underlying Net Profit After Tax (UNPAT)[2]	147.8	up 15%

		Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2020			
Paid:	22 September 2020	11.5	11.5
Special dividend for the year ended 30 June 2021			
Paid:	18 March 2021	3.5	3.5
Interim dividend for the year ended 30 June 2021			
Paid:	18 March 2021	8.0	8.0
Final dividend for the year ended 30 June 2021			
Record date:	8 September 2021	9.5	9.5
Payment date:	22 September 2021		
Special dividend for the year ended 30 June 2021			
Record date:	8 September 2021	2.0	2.0
Payment date:	22 September 2021		

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

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

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IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2021

	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.

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.

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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.

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.

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- 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.

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.

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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%**

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 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.

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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.

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.

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IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2021

	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.

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).

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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.

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 post completion ($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.

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IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2021

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.

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.

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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.

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.

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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.

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.

Key risk categories	Our response to manage this risk
Strategic and tactical (continued)	
(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.
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.

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Key risk categories	Our response to manage this risk
Conduct (continued)	
(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.
(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.

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Key risk categories	Our response to manage this risk
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.
(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 of 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. These dividends 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.

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3. Net tangible assets

	30 June 2021 (cents)	30 June 2020 (cents)
Net tangible assets/(liabilities) per share*	(21.5)	(62.5)

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

4. Entities over which control has been gained or lost

On 31 May 2021, the IOOF Group completed the acquisition of MLC Wealth and obtained control of MLC Wealth Limited and its 22 subsidiaries.

The IOOF Group also completed the acquisition of the following subsidiaries:

Name	Acquisition date
Wealth Central Pty Ltd	11 September 2020
Lifetime Financial Advisers Pty Ltd	9 November 2020
Lifetime Mortgage Solutions Pty Ltd	9 November 2020

5. Dividends

	$'m	Amount per share (cents)	% Franked
Final dividend for the year ended 30 June 2020	40.4	11.5	100%
Special dividend for the year ended 30 June 2021	22.7	3.5	100%
Interim dividend for the year ended 30 June 2021	51.9	8.0	100%
Final dividend for the year ended 30 June 2021	61.7	9.5	100%
Record date for determining entitlements to dividends		8 September 2021	
Payment date of final dividend		22 September 2021	
Special dividend for the year ended 30 June 2021	13.0	2.0	100%
Record date for determining entitlements to dividends		8 September 2021	
Payment date of final dividend		22 September 2021	

6. Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

7. Details of associates and joint venture entities

Associates	Ownership interest at the end of year		IOOF Group's share of profit/(loss)	
	2021	2020	2021	2020
	%	%	$'000	$'000
Intermede Investment Partners Limited	40.0	-	0.5	-
JANA Investment Advisers Pty Ltd	45.0	-	0.5	-
Other associates			(2.1)	(0.5)
			(1.0)	(0.5)

8. Earnings per share

	30 June 2021 (cents)	30 June 2020 (cents)
Basic earnings per share	(24.4)	40.3
Diluted earnings per share	(24.4)	40.2
UNPAT earnings per share	25.1	36.8

	30 June 2021 (No. 'm)	30 June 2020 (No. 'm)
Weighted average number of ordinary shares		
Basic and UNPAT earnings per share	589.3	350.1
Diluted earnings per share	590.6	350.8

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

9. Other

The Directors of IOOF Holdings Ltd confirm that the financial information and notes of the IOOF Group set out on pages 52 to 128 have been subject to audit by KPMG. The financial report is not subject to modification. A copy of the financial report is attached.

Further information regarding the IOOF Group and its business activities can be obtained at www.ioof.com.au



Mr Allan Griffiths

Chairman

Melbourne

26 August 2021

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