The Group has always had an industry leading cost management culture, and a very prudent approach to managing capital and risk on behalf of our shareholders.

IOOF has over 160 years of experience in providing financial services and wealth management products for our customers. This track record in serving our customers, coupled with the synergistic, vertically integrated business model which underpins the Group, places us in a strong position to capitalise on future recoveries in market growth and the increasing flow of funds to superannuation.

Financial Year 2012 results

At first glance, the financial result for IOOF is confusing given the statutory result of $19.4 million is lower than the Underlying Net Profit After Tax result of $96.4 million. This largely results from recent retrospective changes in Australian income tax regulations which required that IOOF recognise a $63 million deferred tax liability. This liability will not result in a cash outflow for the group and will unwind to profit in future periods in line with the amortisation of the group's intangible assets. This entry has no impact on IOOF's dividend paying capacity.

It is important to note however, that it is the underlying net profit after tax pre amortisation which reflects the operational performance of IOOF. This is also the result that the Board uses to determine the dividend paid to shareholders.

A reconciliation of Statutory Profit and Underlying Net Profit After Tax can be found on pages 22 and 23 of the Annual Report.

Once again, IOOF's financial result was impacted by external factors such as the state of the global economy and the flow on effect from stock markets.

Notwithstanding these difficult conditions however, the amount of money which IOOF manages on behalf of its clients improved marginally this year to $107.3 billion.

Two key acquisitions a clear strategic fit

While the global trends in financial markets have not been in our favour, your Board has been working to ensure the long term sustainability of IOOF via the implementation of action plans within the three strategic areas outlined above, ie achievement of budget imperatives, organic growth and acquisitions.

This year, the company has launched a marketing campaign, designed to improve awareness of the IOOF brand outside of its Victorian heritage, and has embarked on two key strategic acquisitions of financial advice group, DKN Financial Group and wealth management firm, Plan B.

IOOF's Managing Director, Christopher Kelaher gives an update on each of these activities in his overview.

Final dividend of 18 cents per share paid in October

In February, your Directors were pleased to declare an interim dividend of 19 cents which was paid on 4 April 2012 and a final dividend of 18 cents with a payment date of 17 October 2012. This takes the total dividend paid to shareholders, to 37 cents per share for the year.

IOOF has a history of returning unutilised cash to shareholders and this is a continuation of this practice. These dividend payments are at the top end of our stated dividend policy of 60-90% of Underlying Net Profit After Tax.

Corporate governance, risk control and regulatory impacts

Financial services is an industry that is, quite rightly, heavily regulated, and regulatory change has been a constant for our industry for many years. As suggested above, the current set of regulatory changes ahead of us, should not impact IOOF in a meaningful way, simply because many of the recommendations have been standard practice for IOOF for quite some time.

From a corporate governance and oversight perspective, IOOF operates a common board structure, meaning that many of the Directors on IOOF's main board sit on each of IOOF's subsidiary boards. While this approach increases the responsibility and workload for individual Directors, it ensures better oversight and promotes a clearer understanding of the underlying activities of each of the subsidiaries.

The entire organisation is focused on the future growth and success of IOOF, but not at the expense of increasing risk beyond reasonable limits. As such risk minimisation and a control culture, remains very much part of the company's culture.

Speaking on behalf of your Directors, I would like to take this opportunity to once again thank IOOF's former Chairman, Ian Blair who retired from the Board on 31 March 2012. Ian joined the IOOF Board as a Non-Executive Director in 2000, prior to listing, and was appointed Chairman in 2005. During his association with the company, Ian played a valuable role in the growth of IOOF, from a Melbourne Friendly Society into an ASX top 200 listed Wealth Management company.

It would be remiss of me not to acknowledge the dedication and efforts of IOOF's leadership group and employees over this past year. I would also like to thank my fellow directors for their ongoing support and fellowship.

Dr Roger Sexton, AM
Chairman