



Annual Review

2004-2005



Our Mission

Provide premium investments, retirement housing, lending and other lifestyle services to pro-active baby boomers.

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Chairman and Managing Director's Report



Mr I R Witton (Managing Director) and Dr R N Sexton (Chairman)

IOOFSA experienced another very successful year in 2004/05 which enabled us to record an outstanding after tax surplus for the year of \$2,400,841, an increase of 28.1% (2004: \$1,873,003).

Retained funds at 30 June 2005 rose to \$22,472,742 an increase of 19.7% since 30 June 2004 (\$18,771,593).

2004/05 Highlights

- Restructured direction to focus on three principal activities in the pro-active retirement services area:
Funeral Funds
Retirement Villages
Lending including Reverse Mortgages
- Increased inflows to Funeral Funds by 6.1%.
- Benefited from full occupancy and increased real estate values in the asset backing of our Retirement Village.
- Acquired land adjacent to the McLaren Vale Lodge Retirement Estate on which to build an additional 5 Independent Living Units in 2005/06.
- Acquired a 20 hectare property at Woodside, South Australia, for development of an 83 Independent Living Unit Retirement Village.
- Acquired Key HomeLoan Services which will provide a consistent income stream.
- Secured a mortgage aggregation facility for South Australia and the Northern Territory via the Choice Group.
- Secured a reverse mortgage facility via the OFM Group.

The expansion of our Funeral Bond markets and the high retention rate of Investment Bonds due to the extremely good bonus rates last year, together with the accretion of value in equities, provided a net operating result from ordinary operating activities before Income Tax of \$2,109,209, an increase of 29.6% over 2003/04 (\$1,626,854). Given the positive investment climate for equity investments during 2004/05 the Company has benefited significantly from strategic investment of reserves.

Investment Bonds

The low interest rate environment again tested the resolve of investors who seek the security of long term Investment Bonds rather than the share market. We have again provided members with bonus performances among the best in Australia for Friendly Societies.

The significant increases in resources year on year for the past several years needed to meet new government legislative requirements for the regulation of Financial Institutions has led to marginal increases in management fees on some funds to recover these costs and rationalisation of Investment Bonds and Benefit Funds offered which will continue through 2005/06.

Funeral Bonds

We continue to source new marketing partners to ensure the effective distribution of our core Funeral Fund products into the market and to expand our operations. The IOOFSA Funeral Bond is contracted with almost 50% of the top 100 financial planning companies throughout Australia to expand our market distribution on a national basis and this is showing solid growth in the increasingly utilised pre-need funeral market. We have also secured Pre-arranged Funeral Fund Distribution Agreements with major Funeral Directors in Queensland, Victoria and New South Wales via Funeral Plan Management.

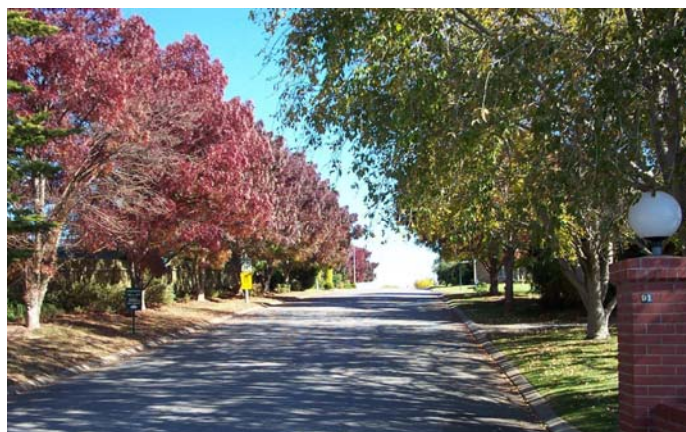
Investment Performance Summary

It is pleasing to report another year of strong investment returns for members with bonus rates declared for our Investment Fund products again providing members with very competitive returns. In a year of low fixed interest rates, we asked our fund managers to maintain defensive positions to ensure members received strong positive returns in line with our investment objectives.

Bonus rates declared and credited to members were well ahead of the cost of living index (CPI) figures again this year. The following Funds returned bonus rates among the best in Australia.

Fund	Bonus Rate		CPI
	% pa		% pa
Income Security Fund	4.00		2.50
Supersaver Bond Fund	4.50		2.50
	Untaxed	Taxed	
Pre-Arranged Funeral Fund	6.50	5.25	2.50
IOOFSA Funeral Bond	4.20	3.75	2.50
Public Trustee (SA) Funeral Bond Fund	3.75	2.60	2.50

Retirement Village



Development of 6 new Units in Stage 16 of the IOOF McLaren Vale Lodge Retirement Estate will be completed by October 2005 and a further 5 Units are proposed to commence thereafter on the adjacent land acquired. These new Units provide 2 and 3 bedroom accommodation. The Estate continues to experience strong interest and has full occupancy with a waiting list for all types of Units and Apartments.

As at 30 June 2005, we have 162 residents in 113 Units and 7 Apartments at McLaren Vale. The value of the Estate is \$25.6 million (2004: \$22.8 million) and IOOFSA's equity net of obligations to residents is \$5.2 million (2004: \$3.6 million).

We thank our hardworking personnel for their constant pursuit of providing a quality lifestyle for our residents and our equally supportive residents who take great pride in the facilities and services provided at McLaren Vale.

Lending Services



In June 2005 we acquired Key HomeLoan Services a mortgage broking business with the quality team of mortgage writers led by John Taylor who continues as Manager. With this team of experts we now also have capacity to provide reverse mortgages. With this acquisition came the rights to the Choice Aggregation mortgage service for South Australia and the Northern Territory. Funding for reverse mortgages will be provided from the OFM Group.

Social and Community Outcomes

IOOFSA is in a unique position through its 186 year Odd Fellow heritage to meet the current demands for social and community service responsibilities by corporations. The Independent Order of Odd Fellows (IOOF) has always provided community based social initiatives for individuals. We are particularly proud of the initiatives of IOOF Trust in Angling Inc through which Odd Fellows provide access to fishing activities for people with a disability.

The Odd Fellow Lodges have been 70 year supporters of what is now the Morialta Trust Inc which provides grants to support disadvantaged children in SA. IOOFSA is a sponsor of the Morialta Trust Inc which provided grants of \$475,000 this year as initiatives in South Australia for disadvantaged children. Odd Fellows Ian Witton and Alan Tremelling serve on the Board of Governors of Morialta Trust Inc in an honorary capacity as Directors.

Plans for 2005/06

Marketing expectations for 2005/06 remain optimistic based on the success of the expansion of our Funeral Bond products into major financial planning companies.

We are also confident of growth in the Key HomeLoans and Choice Aggregation lending services as we add our IOOFSA administrative service and support value to the operations of these businesses in South Australia and the Northern Territory.

Completion and sale of 11 Independent Living Units at McLaren Vale Lodge Retirement Estate will provide a significant increase compared with 2004/05 when no new Units were completed for sale.

Development costs will be accumulated as we commence site works at the Woodside Retirement Estate in 2005/06 with Unit sales expected in 2006/07.

The long term direction adopted by the Directors is to operate in the retirement age demographic as a premier provider of finance and lifestyle services to the over 50 age group. Our mission has been widened to cover the premium services required by the "baby boomer" age group in the community principally with Funeral Funds, Retirement Villages, Reverse Mortgages and other lifestyle services and investments.

The principal financial goals for the organisation are to provide attractive long term returns for investor members whilst expanding funds under management and to achieve an appropriate financial surplus each year in doing so to enable the Company to expand.

We believe we have taken IOOFSA to a position where it is seen by the community as a significant recognisable provider of services in our chosen field. Organisation responsiveness through our continuing ability to resource the organisation with quality personnel to make a strong and committed challenge to increase market share is now the highest priority.

Conclusion

2004/05 proved to be another outstanding year providing excellent growth in our core capital. We congratulate all staff on their efforts in achieving compliance with the legislative framework for the Financial Services Reform Act and for living up to our expectations of quality of service to all stakeholders.

For 2005/06, the Board remains focused on expansion within our chosen range of products and services so that IOOFSA continues to provide a high level of returns to members while maximising the security of all Funds.



ROGER N SEXTON
Chairman



IAN R WITTON
Managing Director

Corporate Governance Statement

This statement outlines the Company's main corporate governance practices in place throughout the financial year ending on 30 June 2005.

The Board is committed to achieving sustainable and profitable financial performance with long-term growth, while ensuring prudential management of the Benefit Funds of our members by implementing effective corporate governance practices.

The Board

Membership

The Board believes that its membership should comprise Directors with an appropriate mix of skills, experience and personal attributes that allow the Directors individually, and the Board collectively to:

- discharge their duties and responsibilities under the law;
- understand its business and the industry and environment within which it operates to effectively oversee the risk management and strategic direction of the Company; and
- monitor the achievement of all objectives and financial performance of Management in an independent and objective manner.

The current membership of the Board is set out in the Directors' Report.

The Board has a majority of Non-executive Directors and the roles of the Chairman and Managing Director are not held by the same person.

The Constitution of the Company provides that the Board shall comprise of no more than ten Directors. In May 2005 the Board resolved to increase the number of Directors from the current seven to nine. The Board recognises that it undergoes a regular process of renewal via changes in membership and has therefore appointed one new Executive Director, Mr Ian J Campbell, and two new Non-executive Directors, Mr Daryl L Stillwell and Ms Donny Walford. In addition, the Company's Constitution requires the regular rotation of Directors such that none serve for a period of more than three years without re-election.

The number of Directors necessary to constitute a quorum is not less than half the total number of Directors.

The Board (cont)

Role and Responsibilities

The Board's primary role is to oversee the business and affairs of the Company and is responsible for the overall corporate governance practices of the Company including overseeing the risk management and the establishment of its strategic direction.

To achieve this the Board:

- decides the objectives and strategic direction of the Company;
- adopts an annual budget and monitors the financial performance;
- monitors the adequacy, appropriateness and operation of internal controls by implementing an internal control framework covering financial reporting, functional specialty reporting and investment appraisal;
- identifies significant risks and reviews how they are managed;
- provides specific delegation levels to Management and itself approves transactions in excess of delegation levels;
- reviews the performance of the Managing Director;
- selects and recommends new Directors to members for consideration at general meetings; and
- sets business and ethical standards via a Code of Conduct and a Deed of Appointment.

The Board has specifically delegated the achievement of all objectives and financial performance to the Managing Director. Further the Managing Director is responsible for the operational risk management and compliance with all policies and procedures laid down by the Board of Directors.

The Board has delegated specific authorities to its various Board Committees, the Managing Director, Deputy Managing Director and Company Secretary. Subject to these delegations the Managing Director (in his absence the Deputy Managing Director) is authorised to exercise all the powers of the Directors to manage the business of the Company, except with respect to the following:

- those powers which the Directors cannot delegate, the Board may reserve for itself or individual Directors or ensure such are exercised by the Company in a general meeting;
- the power to appoint or remove Directors and/or the Company Secretary;
- matters relating to location, corporate policy direction and strategy, annual budget commitments and major capital expenditure in excess of delegated levels;
- approval of final accounts and reports to regulatory bodies;
- certain risk and management policies as prescribed by the Australian Prudential Regulation Authority.

Board Practices

The Board's corporate governance practices are documented in its Corporate Governance Manual which sets out the Code of Conduct to be followed by each Director.

The Board meets monthly to receive reports on the Company's progress and to review both the Company's operating performance and strategies. The Board may meet on other occasions, as required. In addition, an annual Board corporate strategy meeting is held to assess and determine the strategic direction of the Company.

The Non-executive Directors meet at least once per year in the absence of Management and at other times as they determine. During the financial year ended 30 June 2005 the Non-executive Directors met prior to each monthly Board meeting to review the performance of the Board, the Company and Management.

Directors are offered professional development in relevant governance and compliance requirements. The Board has established a mechanism whereby the Chairman is responsible to evaluate the Board's performance as a whole and each Director's performance individually including the Managing Director.

The Board is empowered to seek independent professional advice at the Company's expense in respect of issues that arise from time to time.

Internal Control

The Company has an internal control system based upon a Risk Management Policy Manual that provides for division of responsibilities. It incorporates a comprehensive financial reporting system to assist the Board to discharge its responsibilities and monitor policies and procedures, including annual and monthly budgets approved by Directors. Monthly results are reported against budget. Compliance with all operating regulations is monitored through a combination of internal and external auditors.

Board Committees

To assist the Board in the execution of its responsibilities it has established five standing sub-committees. All Board members are free to attend any meeting of any Board sub-committees.

The roles and responsibilities of each sub-committee are set out in charters which are documented in the Corporate Governance Manual approved by the Board. It is the policy of the Board that the majority of the members of each sub-committee should be Non-executive Directors.

The number of times the Board and each sub-committee met and the number of those meetings attended by the members of each sub-committee is set out in the Directors' Report.

Board Committees (cont)

Corporate Governance Committee

The Corporate Governance Committee has been established to advise on the Company's corporate governance policies, procedures and compliance obligations.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee has been established to review and make recommendations, on an annual basis, to the Board on remuneration packages and all benefits applicable to the Directors and, on a separate basis, to the Managing Director. Further this sub-committee makes recommendations regarding nominations and appointments of Directors.

Audit Committee

The Audit Committee has been established to advise on the financial reporting (including external audit), internal control system of the Company (including internal audit) and the risk management systems. In accordance with the *Life Insurance Act 1995* the sub-committee shall always comprise a minimum of two Non-executive Directors and the quorum shall always comprise of a majority of Non-executive Directors.

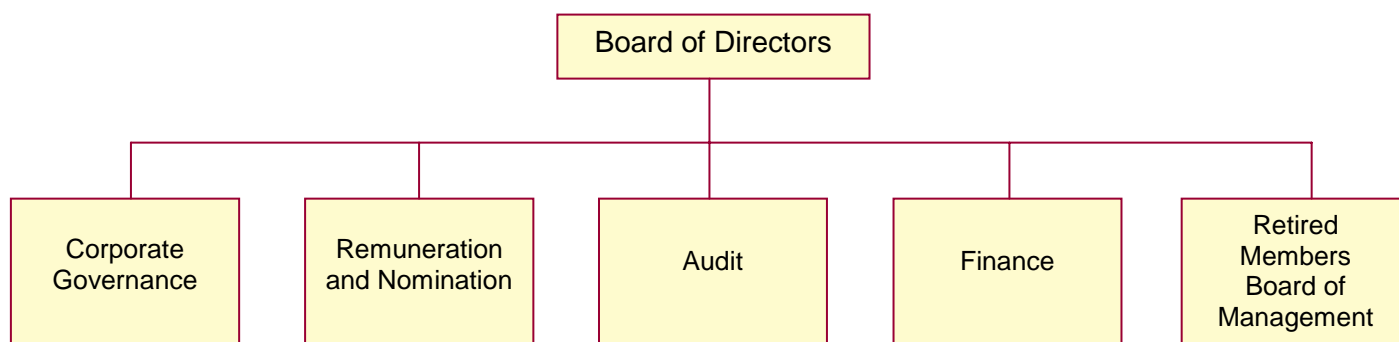
Finance Committee

The Finance Committee has been established to advise the Board on the financial activities and lending policies of the Company.

Retired Members Board of Management

The Retired Members Board of Management has been established to advise on the construction and operation of retirement housing developments and services undertaken by the Company.

Governance Structure



Directors' Report



Back L-R: Mr I R Witton, Mr G D Olsson, Mr K S Matthews, Mr G D Lane, Mr B Samels, Mr I J Campbell
Front L-R: Ms D Walford, Dr R N Sexton, Mr D L Stillwell

The Directors of IOOF SA LTD submit this report together with the Statement of Financial Performance, Statement of Financial Position and Notes thereto, Statement of Cash Flow and the Auditor's Report for the financial year ended 30 June 2005. The Directors report as follows:

Directors/Officers

The names and particulars of the Directors and Company Secretary of the Company during and since the end of the financial year are:

Dr Roger N Sexton

BEC (Hons), MEc PhD (Econ), FAICD, FAIM

Chairman - Non-executive Director, Chairman - Remuneration and Nomination Committee and Director - Protire Pty Ltd (subsidiary).

Dr Sexton is an Investment Banker with nearly 30 years of experience and has been Trustee and Director of the Company for over 10 years.

Mr Graham D Olsson

LLB, Notary Public

Deputy Chairman - Non-executive Director, Chairman - Corporate Governance Committee and subsidiary companies, IOOF Financial Planning Services Pty Ltd and Protire Pty Ltd and member of Retired Members Board of Management and Remuneration and Nomination Committee.

Mr Olsson is a practising Solicitor with over 50 years experience. He has been a Trustee and Director for 33 years.

Mr Ken S Matthews

FAIBF

Non-executive Director, Chairman - Finance Committee, Member of Audit Committee and Director of Protire Pty Ltd.

Mr Matthews is a former Senior Bank Executive. He has been a Trustee and Director for 14 years.

<p>Mr Geoff D Lane CISA (retired)</p>	<p>Non-executive Director, Chairman - Audit Committee, Member - Corporate Governance Committee and Director - Protire Pty Ltd.</p> <p>Mr Lane is a former internal auditor for an insurance and finance company. He has been a Director for 15 years.</p>
<p>Mr Barry Samels FAICD</p>	<p>Non-executive Director, Chairman - Retired Members Board of Management, Member - Finance Committee and Director - Protire Pty Ltd.</p> <p>Mr Samels has had 40 years experience in the Communications and Information Technology Industry and has been a Trustee and Director for over 24 years.</p>
<p>Ms Donny Walford GAICD</p>	<p>Non-executive Director and Member - Finance Committee.</p> <p>Ms Walford was appointed to the Board on 1 July 2005. She is Chief Executive Officer of vivasa and has experience in financial planning, human resources and project management.</p>
<p>Mr Daryl L Stillwell BA Dip App Psych, Reg Psych, FAICD, CMC, MAHRI, JP</p>	<p>Non-executive Director and Member - Audit Committee.</p> <p>Mr Stillwell was appointed to the Board on 1 July 2005. He is Managing Director of a Human Resources Consulting company and has over 30 years experience within this industry.</p>
<p>Mr Ian R Witton FAICD, FCPA, AAFDA</p>	<p>Managing Director - Executive Director, Member - Audit Committee, Corporate Governance Committee, Finance Committee and Retired Members Board of Management and Director - IOOF Financial Planning Services Pty Ltd and Protire Pty Ltd.</p> <p>Mr Witton joined IOOFSA in 1979 and has been CEO since March 1981 until he was appointed Managing Director in August 1990.</p>
<p>Mr Ian J Campbell FCPA, MBA, JP</p>	<p>Deputy Managing Director - Executive Director.</p> <p>Mr Campbell joined IOOFSA in July 2004 and was appointed to the Board on 30 November 2004. He successfully operated and developed two home loan companies nationally and is a former Senior Bank Executive with an extensive Corporate and Business Banking background.</p>
<p>Ms Kerry M Wake AACI, CPA</p>	<p>Company Secretary - Ms Wake joined IOOFSA in 1996 and has been in the Compliance Officer/Company Secretary role since September 1999. She is a Certified Practising Accountant and an accredited Associate Member of the Australian Compliance Institute.</p>

Principal Activities

The principal activity of the Company during the period continued to be the provision of benefit funds.

However, during June 2005 the Company purchased Key HomeLoan Services, a mortgage broking company and in 2005/06 financial year will see the Company's activities expand into this area. Further the Company purchased, in June 2005, land located at Woodside, South Australia on which it intends to develop a second retirement village, thereby expanding the Company's investment in Retirement Villages.

Operating Results and Review of Operations

Operating net profit after income tax for the financial year was \$2,400,841 an increase on the result for 2004 (\$1,873,003) and total changes in equity were \$3,701,149 also up on the figure for 2004 (\$1,873,003) which was in part due to transfers from benefit funds of \$1,300,308.

Operating Revenue of \$6,788,336 was higher than in 2004 (\$5,866,067). A significant portion of the revenue for the year came from the market revaluation of buildings (\$379,990) and the positive movement of Management Fund equity investments (\$696,682).

Revenue from Benefit Funds of \$3,055,221 was slightly up on the result for 2004 (\$3,007,221) and funds under management in 2005 increased to \$189,574,609 from \$187,787,731.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Company other than those referred to above under 'Principal Activities'.

Subsequent Events

There have been no matters or circumstances, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

Disclosure of information relating to likely future developments of the Company in future financial years is likely to result in unreasonable prejudice to the interests of the Company. Accordingly, this information has not been disclosed in this report.

IOOF SA LTD is forecasting an operating profit for the year 2005/06 and a continued strong reserving position both in terms of its Management Fund and the Benefit Funds.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors, the Company Secretary of the Company (as named above) and all officers of the Company, against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity for the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$18,315.

During or since the financial year the Company has not indemnified or made a relevant agreement to indemnify an auditor of the Company against a liability incurred as such an auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor.

Directors' Meetings

The following table sets out the number of Directors' meetings (and meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director.

	Board of Directors	Remuneration and Nomination Committee	Audit Committee	Corporate Governance Committee	Finance Committee	Retired Members Board of Management
Number of Meetings Held:	12	1	4	2	8	9
Number of Meetings attended:						
R N Sexton	11	1	n/a	n/a	n/a	n/a
G D Olsson	11	1	n/a	2	n/a	8
K S Matthews	12	n/a	4	n/a	8	n/a
B Samels	11	n/a	n/a	n/a	8	8
G D Lane	12	n/a	4	2	n/a	n/a
D L Stillwell*	n/a	n/a	n/a	n/a	n/a	n/a
D Walford*	n/a	n/a	n/a	n/a	n/a	n/a
I R Witton	12	n/a	4	2	5	7
I J Campbell**	7	n/a	n/a	n/a	n/a	n/a

* appointed 1 July 2005

** appointed 30 November 2004

Environmental Regulations

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Proceedings

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

Company Structure and Dividend Policy

IOOF SA LTD is a public company, limited by shares and guarantees. However, no shares have been issued and the Board of Directors has no intention to issue shares or declare any dividends in the next financial year. The guarantee acts as both the means of membership of the Company and the means of limiting the member's liability. The amount of each member's guarantee is up to a maximum of \$1.

Options

No options over interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is included on the following page of the Directors' Report.

Signed this 27 day of September 2005 in accordance with a resolution of the Directors made pursuant to s298(2) of the *Corporations Act 2001*.

On behalf of the Directors



DR R N SEXTON
Chairman

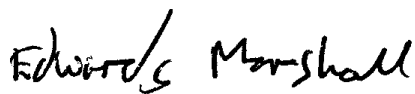
Auditor's Independence Declaration

To the Directors of IOOF SA LTD

Under Section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2005 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.



EDWARDS MARSHALL
Chartered Accountants

Adelaide, South Australia

Date: 27 September 2005



NOEL CLIFFORD
Partner

Financial Statements

Statement of Financial Position

as at 30 June 2005

	Note	2005 \$	2004 \$
ASSETS			
Cash assets	4	1,354,330	867,665
Investment securities	5	4,039,154	8,082,379
Loans and advances	6	293,396	354,978
Other investments	7	53,242	52,116
Receivables	8	2,841,473	1,951,741
Income tax assets - current	9	693,795	545,801
Future income tax benefit - deferred	9	115,146	119,888
Property, plant and equipment	10	13,005,472	7,876,434
Intangible assets	11	<u>1,686,927</u>	<u>0</u>
Total Assets		<u>24,082,935</u>	<u>19,851,002</u>
LIABILITIES			
Payables	12	823,216	491,307
Provisions	13	303,399	352,529
Income tax liability - deferred	9	<u>483,578</u>	<u>235,573</u>
Total Liabilities		<u>1,610,193</u>	<u>1,079,409</u>
NET ASSETS		<u>22,472,742</u>	<u>18,771,593</u>
EQUITY			
Reserves	14	300,000	300,000
Retained profits	19	<u>22,172,742</u>	<u>18,471,593</u>
Total Equity		<u>22,472,742</u>	<u>18,771,593</u>

Statement of Financial Performance

for year ended 30 June 2005

	Note	2005 \$	2004 \$
Revenues from ordinary activities	16	6,788,336	5,866,067
Expenses from ordinary activities	16	(4,679,127)	(4,239,213)
Net profit from ordinary activities before income tax expense	18	2,109,209	1,626,854
Income tax credit relating to ordinary activities	9	<u>291,632</u>	<u>246,149</u>
Net profit from ordinary activities after related income tax expense attributable to members of the Company		2,400,841	1,873,003
Transfers from (to) benefit funds	15	<u>1,300,308</u>	<u>0</u>
Total changes in equity other than those resulting from transactions with members as members		<u>3,701,149</u>	<u>1,873,003</u>

Statement of Cash Flows

for year ended 30 June 2005

	Note	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income		235,089	267,827
Interest and investment management fee receipts		4,054,143	3,033,113
GST recovered (net)		157,804	122,658
Operating expenses		<u>(3,747,916)</u>	<u>(3,494,666)</u>
Net cash provided by (used in) operating activities	25	<u>699,120</u>	<u>(71,068)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investment securities		4,739,908	(3,268,713)
Purchase of property, plant and equipment		(229,658)	(100,006)
Capital expenditure on Retirement Village		(950,767)	(398,980)
Net receipts from issue of Retirement Village loans and licenses		575,326	1,235,690
Net property income (expenditure)		(190,821)	(92,257)
Receipts from sale of non-current assets		71,766	0
Sale (purchase) of business		(1,568,618)	0
Sale (purchase) of freehold property		(3,121,643)	(4,110)
Net loans repaid by (advanced to) borrowers		61,582	2,215
Income tax reimbursed (paid)		396,384	(111,025)
Transfer to (from) defined benefit funds		<u>4,086</u>	<u>0</u>
Net cash provided by (used in) investing activities		<u>(212,455)</u>	<u>(2,737,186)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
		<u>0</u>	<u>0</u>
Net increase (decrease) in cash held		486,665	(2,808,254)
Cash held at beginning of year		<u>867,665</u>	<u>3,675,919</u>
CASH HELD AT END OF YEAR	25	<u>1,354,330</u>	<u>867,665</u>

Notes to the Financial Statements

for year ended 30 June 2005

NOTE 1: ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Australian Prudential Regulatory Authority's (APRA) Prudential Rules for the regulation of Friendly Societies issued pursuant to the Life Insurance Act 1995, in particular Prudential Rule No 47. It has also been prepared in accordance with applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

- a) **Presentation of Financial Statements:** The Financial Statements of the Company are presented in accordance with the format required by Prudential Rule No 47 released by APRA.

A significant principle of the reporting requirements relates to the focus of reporting at an individual Fund level. Separate disclosure is required for each Fund and the Company's principal statements of financial position, financial performance, cash flows and the Notes thereto are represented by the Management Fund.

The Prudential Rules require detailed Financial Statements for each of the Benefit Funds to be prepared. These are available for inspection by members.

Accounting policies for the Management Fund and Benefit Funds are generally consistent.

- b) **Consolidation:** The Company's policy is not to consolidate the Financial Statements of controlled entities on the basis of lack of materiality by comparison with the accounts of the Company.

- c) **Historical Cost Convention:** This financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or current valuations of non-current assets except as otherwise described in this report. Cost is based on the fair values of the consideration given in exchange for assets.

- d) **Cash Assets:** For the purposes of the Statement of Cash Flows, cash comprises cash on hand and in banks and money market deposits at call.

- e) **Investments:** All investments in securities are shown at market values (refer Note 5).

Interest is calculated on the daily balance of each security in portfolio, taking account of the relevant interest rate relating to such security.

Investments in controlled entities (refer Note 7) are written down, when necessary, at balance date in order to reflect any diminution in the Company's investment through trading losses in the respective entities.

NOTE 1: ACCOUNTING POLICIES (cont)

- f) **Goodwill:** Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Purchased goodwill is amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits, the realisation of which is considered to be no longer probable, are written off.

The goodwill recognised in the Statement of Financial Position at 30 June 2005 results from the purchase of a loan brokerage and aggregation business on 16 June 2005.

- g) **Loans and Advances:** Loans and advances are shown at recoverable amount, after assessing required allowances for doubtful debts. Non-accrual loans are those loans where the recovery of outstanding interest is considered to be doubtful and the bringing of interest to account on those loans therefore ceases.

All housing loans are secured by registered first mortgages.

Interest on loans to members is calculated on the daily balance outstanding over each month and is debited to members' accounts, in arrears, as at the last day of that month.

- h) **Bad and Doubtful Debts:** Allowance for doubtful debts is assessed on an individual loan basis upon determination by the Board of Directors of an amount that is considered doubtful of eventual collection. If all recovery action deemed appropriate by the Board is unsuccessful, and the arrears position remains unsatisfactory, the debt will be written off against the allowance.

- i) **Property, Plant and Equipment:** Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation.

- j) **Freehold Property:** Land and buildings thereon, are revalued annually on the principle of fair market value by licensed external valuers. The revaluation of freehold property has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

- k) **Plant and Equipment:** Assets are measured on a cost basis and are recorded at a carrying value not exceeding their recoverable amounts. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. Recoverable amounts are determined as the net amounts expected to be recovered through the net cash inflows arising from the assets' continued use and subsequent disposal. In determining the recoverable amounts expected, net cash inflows have not been discounted to their present value.

- l) **Depreciation of Property, Plant and Equipment:** (Refer Note 10) All fixed assets shown in the Notes to the Financial Statements (Note 10 d)) under the heading "Furniture, Equipment and Motor Vehicles" are depreciated at rates deemed to be appropriate to their useful lives to the Company commencing from the time the asset is held ready for use. These rates are:

	Reducing Balance % pa	Straight Line % pa
Motor vehicles	22.5	n/a
Office equipment	n/a	3.0 to 40.0
Furniture and fittings	n/a	1.0 to 18.0

All properties are held for investment purposes and are not subject to depreciation.

NOTE 1: ACCOUNTING POLICIES (cont)

m) Retirement Villages: (Refer Note 10 b) and c)) The Company is involved in the construction and management of a Retirement Village at McLaren Vale and the proposed construction of a Retirement Village at Woodside. Internal administrative costs are expensed in the year in which they are incurred. The Company re-values the Villages annually as at 30 June on the basis of a discounted cash flow evaluation of the Company's ongoing interest in the Villages. This valuation is carried out by the Company's consulting actuary, in accordance with national legislation governing Friendly Societies. The increment or decrement resulting from the valuation is added to or deducted from the Retirement Village asset account (Note 10 b)). The Company's interest, net of Residents' interests, is shown in Note 10 b) and the movement in the total increment or decrement resulting from the revaluation is reflected in the Statement of Financial Performance.

n) Provisions for Employee Entitlements: Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements that are expected to be settled within 1 year, together with entitlements arising from wages and salaries, annual leave and sick leave that will be settled after 1 year, have been measured at their nominal amount. Other employee entitlements ie long service leave, payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred. Contributions are the percentage of employees' salaries required under the Superannuation Guarantee Levy Legislation. For 2004/05 these were 9% (2003/04: 9%).

The Company does not record, as an asset or a liability, the difference between the employer established Defined Benefit Superannuation Plan's accrued benefits and the net market value of the Plan's assets. (Refer Note 1 s)) Details of the Plan are included in Note 31.

o) Income Tax: The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

p) Revenue Recognition: All revenue stated is net of the amount of goods and services tax (GST). All revenue received arises from the operating activities of the Company.

NOTE 1: ACCOUNTING POLICIES (cont)

p) Revenue Recognition: (cont)

Interest

Interest income is recognised on an accruals basis. The discount on securities such as bills of exchange, being the difference between cost and face value of the security, is recognised progressively over the life of the investment.

Changes in Net Fair Values

Changes in net fair values of investment assets, being the movement from one balance date to the next, are reported in the Statement of Financial Performance.

Income Distribution from Trusts

Distributions from investment trusts are recognised within the financial year that the distribution is allocated.

Property Rental

Rental income from tenancy leases is recognised on an accruals basis. Any lease incentives are usually provided via rental holidays or rental discounts.

Rental, or maintenance fees, from Retirement Village residents, is brought to account over the period of accommodation.

Management Fees

The Management Fund receives various fees from the Benefit Funds. These fees are recognised and brought to account in accordance with the rules of the respective Benefit Funds and the Constitution.

Commission Earned

Commission earned is generally brought to account once the provision of service has occurred.

Income from Sale of Property, Plant and Equipment

The profit or loss on the sale of property, plant and equipment used for operational purposes is recognised upon the sale of the asset.

Retirement Village Unit and Apartment Sales

Revenue on sales of Retirement Village Units and apartments are recognised on the execution of a loan contract and receipt of the loan proceeds. (Refer Note 1 m) for more details.)

- q) Goods and Services Tax (GST):** Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.
- r) Comparative Figures:** Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.
- s) Impact of Adopting Australian Equivalents to IFRS:
Transition Management**
The Company will be required to prepare Financial Statements that comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) from 1 July 2005. The first Financial Statements that the Company will prepare in accordance to A-IFRS will be for the financial year ending 30 June 2006.

NOTE 1: ACCOUNTING POLICIES (cont)

s) Impact of Adopting Australian Equivalents to IFRS: (cont)

Transition Management (cont)

In accordance with A-IFRS, the comparative Financial Statements for the financial year ending 30 June 2006 will be restated using the new accounting standards from 1 July 2004, with the exception of AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement". As permitted by AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" the Directors have elected the exemption from the requirement to restate comparative information.

An IFRS Committee has been established to assess the impact that A-IFRS will have on the accounting and reporting of the Company and manage the transition to A-IFRS. The transition is substantially complete in the opinion of the IFRS Committee and the Directors of the Company.

The key assessed impacts of the transition to A-IFRS on the Company's accounting policies are detailed below:

Goodwill on Acquisition

Under AASB 3 "Business Combinations" goodwill is capitalised to the Statement of Financial Position and subjected to an annual impairment test. Amortisation of goodwill is prohibited. Current accounting policy of the Company is to amortise goodwill on a straight-line basis over a period of 20 years.

Impairment testing as at 1 July 2005 confirmed no impairment of the \$1,686,927 goodwill disclosed in the Company's Financial Statements at 30 June 2005. On transition, the financial effect of this impact is assessed as nil, as no amortisation of goodwill was recognised at 1 July 2004 or 30 June 2005.

Employee Benefits - Defined Benefit Superannuation Plan

The Company does not record, as an asset or a liability, the difference between the Defined Benefit Superannuation Plan's accrued benefits and the net market value of the Plan's assets. Compliance with AASB 119 "Employee Benefits" will require actuarial gains and losses relating to such Plan to be recognised in the Statement of Financial Performance as they arise.

Under A-IFRS the Company will be required to recognise the surplus or deficit of defined benefit plans as an asset or liability in the Statement of Financial Position and has elected for all movements, including actuarial gains and losses, to be recognised in profit or loss.

A review of the Plan by the actuary at 30 June 2005 showed that the Plan's net assets exceeded members accrued benefits. (Refer Note 31) On transition the financial effect of this impact is assessed as nil in the Company's Financial Statements at 30 June 2005.

Income Tax

Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112 "Income Taxes", the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

NOTE 1: ACCOUNTING POLICIES (cont)**s) Impact of Adopting Australian Equivalents to IFRS: (cont)**

The most significant impact will be the recognition of a deferred tax liability of approximately \$1.8 million in relation to the McLaren Vale Retirement Village. This adjustment will have no effect on profit for the year ended 30 June 2005.

Summary

On transition to A-IFRS the estimated cumulative financial effect of the reliably known differences as highlighted, will be to reduce the Company's reported total equity by a total of \$1.8 million at June 2005.

NOTE 2: INTEREST REVENUE

The following tables show the average balance for interest bearing assets, the amount of interest revenue and expense and the average interest rates. Month end averages have been used as they are considered to be representative of the Company's operations during the period.

	Average Balance \$	Interest \$	Average Interest Rate % pa
2005 Interest Revenue			
Fixed interest securities	6,184,972	346,649	5.61
Loans and advances	<u>304,618</u>	<u>20,648</u>	<u>6.78</u>
	<u>6,489,590</u>	<u>367,297</u>	<u>5.66</u>
2004 Interest Revenue			
Fixed interest securities	7,291,171	349,117	4.79
Loans and advances	<u>362,241</u>	<u>23,474</u>	<u>6.48</u>
	<u>7,653,412</u>	<u>372,591</u>	<u>4.87</u>
		2005	2004
		\$	\$

NOTE 3: FUNDS UNDER MANAGEMENT**Members' Funds and Reserves**

Members' funds and reserves in aggregate are shown below:

Traditional Benefit Funds	2,000,699	2,695,420
Supersaver Bond Fund	72,959,047	75,494,005
Targetsaver Bond Fund	3,079,624	3,143,766
Saverplus Bond Fund	1,452,044	1,288,148
Managed Investment Bond Fund	1,957,294	1,816,026
Pre-Arranged Funeral Fund	61,718,150	60,370,133
IOOFSA Funeral Bond	25,402,576	20,308,535
Income Security Fund	17,788,015	19,572,875
Public Trustee (SA) Funeral Bond Fund	3,217,160	3,058,068
Pre-Arranged Memorial Plan	<u>0</u>	<u>40,755</u>
Accumulated Benefit Funds	189,574,609	187,787,731
Management Funds and Reserves	<u>22,472,742</u>	<u>18,771,593</u>
Members' Funds and Reserves	<u>212,047,351</u>	<u>206,559,324</u>

With the approval of the Australian Prudential Regulatory Authority, the Pre-Arranged Memorial Plan was consolidated with the IOOFSA Funeral Bond as at 30 June 2005.

	2005 \$	2004 \$
NOTE 4: CASH ASSETS		
Cash at bank	295,770	82,737
Short term Money Market	<u>1,058,560</u>	<u>784,928</u>
	<u>1,354,330</u>	<u>867,665</u>
Maturity Analysis		
0-3 months	<u>1,354,330</u>	<u>867,665</u>
NOTE 5: INVESTMENT SECURITIES		
Term deposits	522,114	5,500,050
Listed shares	2,254,755	1,444,786
Unlisted share trusts	<u>1,262,285</u>	<u>1,137,543</u>
	<u>4,039,154</u>	<u>8,082,379</u>
Maturity Analysis		
0-3 months	3,623,519	6,545,440
3-12 months	415,635	399,396
1-5 years	<u>0</u>	<u>1,137,543</u>
	<u>4,039,154</u>	<u>8,082,379</u>
NOTE 6: LOANS AND ADVANCES		
Secured by mortgage	<u>293,396</u>	<u>354,978</u>
Maturity Analysis		
0-3 months	117,898	121,421
3-12 months	0	233,557
1-5 years	<u>175,498</u>	<u>0</u>
	<u>293,396</u>	<u>354,978</u>
NOTE 7: OTHER INVESTMENTS		
Shares in controlled entities - at cost		
IOOF Financial Planning Services Pty Ltd	55,000	55,000
Protire Pty Ltd	10,000	10,000
Less: Provision for diminution in value	<u>(11,758)</u>	<u>(12,884)</u>
Total Other Investments	<u>53,242</u>	<u>52,116</u>
Maturity Analysis		
2-5 years	<u>53,242</u>	<u>52,116</u>
NOTE 8: RECEIVABLES		
Fees owing from benefit funds	1,172,705	1,819,737
Transfers owing from benefit funds	1,296,222	0
Interest receivable	77,353	38,826
Prepayments	69,185	50,653
Other	<u>226,008</u>	<u>42,525</u>
	<u>2,841,473</u>	<u>1,951,741</u>

	2005 \$	2004 \$
NOTE 9: INCOME TAX		
a) Income Tax Expense		
The Income Tax calculated on the net profit from ordinary activities for the year, differs from the amount shown in the Statement of Financial Performance. The reconciliation is:		
Net profit from ordinary activities	2,109,209	1,626,854
Less: Surplus from revaluation of buildings	(911,221)	(544,053)
Loss (profit) on initial sale of Retirement Village Units	3,424	(233,143)
Deductions from Retirement Village licences and Construction costs	(1,338,878)	(649,846)
Net occupancy deductions	(54,588)	(72,444)
Non-assessable income from benefit funds (net)	(3,036,739)	(2,988,331)
Add: Non-deductible expenses	2,269,202	2,161,517
Surplus from benefit funds assessable	201,301	239,394
Retirement Village Residents' Long Term Maintenance (Sinking Fund) surplus	51,037	41,392
Tax deferred expense (income)	<u>45,235</u>	<u>(1,111)</u>
	<u>(662,018)</u>	<u>(419,771)</u>
Income tax credit @ 30%	(198,605)	(125,931)
Add: Recognition of timing differences at 1/7/03	0	(114,348)
Imputation credits	(47,499)	(10,570)
Less: Tax over-provided (under-provided) prior year	<u>(45,528)</u>	<u>4,700</u>
Income Tax expense (credit) related to ordinary activities	<u>(291,632)</u>	<u>(246,149)</u>
b) Income Tax Assets - Current		
Tax paid in advance	194,942	183,968
Tax recoverable from Benefit Funds	<u>498,853</u>	<u>361,833</u>
	<u>693,795</u>	<u>545,801</u>
c) Future Income Tax Benefit - Deferred		
Future Income Tax Benefit - timing differences	<u>115,146</u>	<u>119,888</u>
d) Deferred Income Tax Liability		
Provision for Deferred Income Tax liability - timing differences	<u>483,578</u>	<u>235,573</u>

NOTE 10: PROPERTY, PLANT AND EQUIPMENT**a) Land and Buildings**

Land and Buildings - at independent valuation	4,320,000	3,900,000
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The independent valuation is conducted annually by Mr G Taplin BEc, BAppSc, FREI FAPI, certified practising valuer of Stanley Thompson Valuers. The method of valuation was fair market value.

	2005	2004
	\$	\$

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (cont)**b) Retirement Village McLaren Vale Lodge - at valuation**

Investment in the Retirement Village as at 30 June

2005 was:

Development and acquisition costs	18,697,944	17,186,849
Add: Revaluation:		
- IOOFSAs interests	3,386,582	2,725,345
- Residents' interests	<u>3,547,966</u>	<u>2,934,267</u>
	25,632,492	22,846,461
 Less: Residents' interests	 (<u>20,392,492</u>)	 (<u>19,203,461</u>)
 Total Net Investment	 <u>5,240,000</u>	 <u>3,643,000</u>

The valuations were conducted by Mr S Mules, FIAA, of the actuarial company Mercer Benefit Services Pty Ltd.

c) Retirement Village Woodside - at cost

Investment in the Retirement Village as at 30 June

2005 was:

Acquisition costs	<u>3,081,633</u>	<u>0</u>
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d) Furniture, Equipment and Motor Vehicles

At cost

Less: Accumulated depreciation	<u>(886,362)</u>	<u>(930,564)</u>
	<u>363,839</u>	<u>333,434</u>

Total Property, Plant and Equipment	<u>13,005,472</u>	<u>7,876,434</u>
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Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment during the financial year:

	Land and Buildings	Retirement Villages		Furniture, equipment and motor vehicles	Total
		McLaren Vale	Woodside		
Opening balance	3,900,000	3,643,000	0	333,434	7,876,434
Additions	40,010	950,767	3,081,633	229,658	4,302,068
Disposals	0	(14,993)	0	(66,192)	(81,185)
Depreciation expense	0	0	0	(133,061)	(133,061)
Valuation movement	<u>379,990</u>	<u>661,226</u>	<u>0</u>	<u>0</u>	<u>1,041,216</u>
Closing balance	<u>4,320,000</u>	<u>5,240,000</u>	<u>3,081,633</u>	<u>363,839</u>	<u>13,005,472</u>

NOTE 11: INTANGIBLE ASSETS

Goodwill	1,686,927	0
Less: Accumulated depreciation	<u>0</u>	<u>0</u>
	<u>1,686,927</u>	<u>0</u>

	2005 \$	2004 \$
NOTE 12: PAYABLES		
Accrued expenses	138,958	125,086
Trade creditors	392,396	217,919
Acquisition costs - Key HomeLoan Services	118,309	0
Construction costs - Retirement Village	21,375	21,375
Creditors and accrued expenses	39,087	28,517
Retirement Village Residents' Long Term Maintenance (Sinking Fund) liability	<u>113,091</u>	<u>98,410</u>
	<u>823,216</u>	<u>491,307</u>

NOTE 13: PROVISIONS

Employee entitlements	<u>303,399</u>	<u>352,529</u>
Maturity Analysis Employee Entitlements		
0-1 year	242,496	213,125
>1 year	<u>60,903</u>	<u>139,404</u>
	<u>303,399</u>	<u>352,529</u>
The number of employees at year end	<u>24</u>	<u>24</u>

NOTE 14: RESERVES

Company		
Capital Replacement Reserve	<u>300,000</u>	<u>300,000</u>
Capital Replacement Reserve movements during the year		
Opening balance at the beginning of the financial year	300,000	200,000
Transferred from retained profits	<u>0</u>	<u>100,000</u>
Closing balance at the end of the financial year	<u>300,000</u>	<u>300,000</u>

This reserve recognises amounts set aside for future capital replacement costs in the McLaren Vale Retirement Village.

NOTE 15: TRANSFERS FROM BENEFIT FUNDS

The following transfers were made within the rules of the benefit funds by Directors' resolution:

Transfers of actuarial surpluses from defined benefit funds:		
- Traditional Funeral Funds	231,997	0
- Pharmaceutical Fund	261,941	0
- Sickness Benefit Fund	4,086	0
- Endowment Assurance Fund	24,168	0
- Children's and Students' Accident Fund	157,029	0
- Adult Accident Plan	81,087	0
Transfers from defined contribution funds:		
- Return of seed capital - IOFSA Funeral Bond	130,000	0
- Return of seed capital - Income Security Fund	<u>410,000</u>	<u>0</u>
	<u>1,300,308</u>	<u>0</u>

2005
\$2004
\$**NOTE 16: PROFIT FROM ORDINARY ACTIVITIES**

The operating profit (loss) from ordinary activities before income tax includes the following items:

Operating Revenue

Revenue from ordinary activities

Interest revenue:

- investment securities	371,062	349,117
- loans and advances	20,648	23,474

Distribution from non-associated investment trusts	96,477	46,094
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Profit (loss) on sale of investments securities	90,649	(87,044)
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Profit on sale of:

- Retirement Village loans and licences	331,094	361,882
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Proceeds from disposal of depreciated assets	86,759	798
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Surplus from revaluations:

- Retirement Village	661,231	586,783
- buildings	379,990	45,890

Revenue from Benefit Funds	3,055,221	3,007,220
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Other income	<u>1,695,205</u>	<u>1,531,853</u>
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	<u>6,788,336</u>	<u>5,866,067</u>
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Operating Expenses

Auditor's remuneration:

- audit fees	52,536	37,421
- other services	49,197	35,270

Actuarial fees	34,981	27,219
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Depreciation	133,061	124,728
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Written down value of disposed assets	81,185	0
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Fees paid for regulatory supervision	41,593	37,637
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Personnel costs:

- salaries and wages and on costs	1,420,638	1,201,708
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- employee entitlements	159,996	139,696
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- superannuation contributions	195,654	275,309
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Commissions paid on new business	189,273	143,216
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General and administration expenses	<u>2,321,013</u>	<u>2,217,009</u>
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	<u>4,679,127</u>	<u>4,239,213</u>
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	2005 \$	2004 \$
NOTE 17: REVENUE FROM BENEFIT FUNDS		
Fee income and amounts transferred from Benefit Funds to the Management Fund were:		
Traditional Funeral Funds	23,842	24,530
Sickness Benefit Fund	0	2
Funeral Benefit Fund	135	153
Endowment Assurance Fund	62	48
Mortality Fund	490	545
Children's and Students' Accident Fund	293	2,807
Adult Accident Fund	30	254
Supersaver Bond Fund	1,076,028	1,121,156
Targetsaver Bond Fund	40,208	43,075
Saverplus Bond Fund	12,549	11,757
Managed Investment Bond Fund	26,807	25,051
Pre-Arranged Funeral Fund	1,225,644	1,200,386
IOOFSA Funeral Bond	347,672	260,397
Income Security Fund	278,445	294,398
Public Trustee (SA) Funeral Bond Fund	23,016	22,248
Pre-Arranged Memorial Plan	<u>0</u>	<u>414</u>
	<u>3,055,221</u>	<u>3,007,221</u>

With the approval of the Australian Prudential Regulatory Authority, the Pre-Arranged Memorial Plan was consolidated with the IOOFSA Funeral Bond as at 30 June 2005.

NOTE 18: SIGNIFICANT REVENUES AND EXPENSES

The following significant revenue and expense items are relevant in explaining the financial performance of the Company in 2005:

Surplus from revaluations:

- Retirement Village	661,226	586,783
- buildings	379,990	45,890
- shares and unit trusts	696,682	682,587
Profit on sale of Retirement Village loans and licenses:		
- Unit sales	331,094	361,882
Redundancy payments	<u>(174,439)</u>	<u>0</u>
	<u>1,894,553</u>	<u>1,677,142</u>

NOTE 19: RETAINED PROFITS

Retained profits at the beginning of the financial year	18,471,593	16,698,590
Net profit from ordinary activities after related income tax expense attributable to members of the Company	2,400,841	1,873,003
Transfers from (to) benefit funds	1,300,308	0
Transfer to Capital Replacement Reserve	<u>0</u>	<u>(100,000)</u>
Retained Profits at the end of the Financial Year	<u>22,172,742</u>	<u>18,471,593</u>

Notes to the Financial Statements

NOTE 20: CONTINGENT LIABILITIES

A Benefit Fund managed by the Company has a transaction negotiation facility with the Westpac Banking Corporation with a limit of \$250,000 (2003/04: \$250,000). At 30 June 2005 this facility was unused.

2005	2004
\$	\$

NOTE 21: REMUNERATION AND RETIREMENT BENEFITS

a) Directors' Remuneration

Amounts received, or due and receivable, by Directors of the Company and related entities during the financial year.

<u>450,211</u>	<u>365,669</u>
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Directors' incomes fell within the following bands:

\$20,000 - \$29,999	2	2
\$30,000 - \$39,999	2	2
\$40,000 - \$49,999	1	1
\$80,000 - \$89,999	1	0
\$190,000 - \$199,999	0	1
\$200,000 - \$219,999	1	0

b) Contribution to Defined Benefit Superannuation Fund

The Company makes contributions to a Defined Benefit Superannuation Fund, as recommended by the Fund's actuary. A proportion of this contribution relates to the future retirement benefits of one of the Company's Directors.

<u>56,412</u>	<u>81,048</u>
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c) Retirement and Superannuation payments

Amounts of a prescribed benefit paid on behalf of Directors of the Company and related entities during the financial year, to prescribed Superannuation Funds in respect of the retirement of Directors.

<u>19,675</u>	<u>10,538</u>
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Full particulars are not provided as the Directors believe this would be unreasonable.

NOTE 22: LOANS TO DIRECTORS

No Directors or related parties received loans or made loan repayments during the year (2003/04: nil).

NOTE 23: CAPITAL COMMITMENTS

There are no outstanding capital commitments contracted for at balance date, but not provided for, payable within one year (2003/04: nil).

Notes to the Financial Statements

NOTE 24: RELATED PARTY DISCLOSURE

Directors

Directors of the Company who held office during the year were:

IAN JOHN CAMPBELL	Appointed 30 November 2004
GEOFFREY DAVID LANE	
KENNETH STANLEY MATTHEWS	
GRAHAM DOUGLAS OLSSON	
BARRY SAMELS	
ROGER NEIL SEXTON	
DARYL LEONARD STILLWELL	Appointed 1 July 2005
DONNY WALFORD	Appointed 1 July 2005
IAN ROY WITTON	

Related Party Transactions and Balances

Disclosed in the Financial Statements	Note
Remuneration of Directors	21
Loans to Directors	22
Directors' retirement payments	21

Other - Fees Paid

Mr G D Olsson is a senior partner of a legal firm that receives fees for legal services provided to the Company. Fees so paid during 2004/05 were \$6,305 (2003/04: \$5,903).

Mr D L Stillwell is a Director of a human resource management consultancy that receives fees for human resource services provided to the Company. Fees so paid during 2004/05 were \$18,920 (2003/04: nil).

Mr I J Campbell is a Director of a company that receives payments for printer supplies provided to the Company. Fees so paid during 2004/05 were \$1,658 (2003/04: nil).

Other Transactions

There have been no other transactions with Directors' spouses or close relatives.

Any investments by Directors, spouses, or close relatives in the financial products of the Company are on terms no more favourable than those obtainable by employees.

	2005	2004
	\$	\$

NOTE 25: STATEMENT OF CASH FLOWS

a) Cash Reconciliation

Cash balance comprises:

Cash at bank	295,770	82,737
Short term cash deposit	<u>1,058,560</u>	<u>784,928</u>
	<u>1,354,330</u>	<u>867,665</u>

	2005 \$	2004 \$
NOTE 25: STATEMENT OF CASH FLOWS (cont)		
b) Reconciliation of Total Changes in Equity to Net Cash Flows from Operating Activities		
Total changes in equity other than those resulting from transactions with members as members	3,701,149	1,873,003
Loss (profit) on sale of depreciated assets	(5,574)	798
Income tax expense (credit)	(291,632)	(246,149)
Transfers to (from) benefit funds	(1,300,308)	0
Less: Net income from investing activities included above	(354,823)	(305,227)
Add (Less): Non-cash items		
Market value movement in investments	(696,682)	(682,587)
Depreciation	133,061	124,728
Long service leave and annual leave provisions	159,996	139,696
Write-down (up) of diminution in subsidiary companies	(1,126)	12,884
Decrease (increase) in debtors	406,490	(259,294)
Increase (decrease) in creditors	198,918	67,766
Payment of annual leave and long service leave	(209,133)	(164,013)
Revaluation of fixed assets	(1,041,216)	(632,673)
Net cash flows provided by (used in) operating activities	<u>699,120</u>	<u>(71,068)</u>
c) Business acquired		
During the financial year the Company acquired a loan brokerage and aggregation business. Details of the acquisition are as follows:		
Property, plant and equipment	9,000	0
Other - net liabilities	(8,718)	0
Goodwill	<u>1,568,336</u>	<u>0</u>
	<u>1,568,618</u>	<u>0</u>

NOTE 26: FINANCIAL INSTRUMENTS**a) Interest Rate Risk**

The Company's exposure to interest rate risk and the weighted average interest rate for each class of financial asset is set out below:

2005

Financial Instruments	Fixed interest rate 1 year or less \$	Fixed interest rate 1 - 5 years \$	Fixed interest rate over 5 years \$	Variable interest rate \$	Non-interest bearing \$	Statement of Financial Position totals \$	Weighted average effective interest rate % pa
Financial assets							
Cash assets				1,354,330		1,354,330	4.21
Term deposits	522,114					522,114	5.21
Unlisted share trusts	1,262,285					1,262,285	n/a
Listed shares	2,254,755					2,254,755	n/a
Mortgages		175,498		117,898		293,396	7.01
Shares in controlled entities					53,242	53,242	n/a
TOTAL	4,039,154	175,498		1,472,228	53,242	5,740,122	

n/a = not applicable

2004

Financial Instruments	Fixed interest rate 1 year or less \$	Fixed interest rate 1 - 5 years \$	Fixed interest rate over 5 years \$	Variable interest rate \$	Non-interest bearing \$	Statement of Financial Position totals \$	Weighted average effective interest rate % pa
Financial assets							
Cash assets				867,665		867,665	4.73
Term deposits	5,500,050					5,500,050	5.49
Unlisted share trusts	1,137,543					1,137,543	n/a
Listed shares	1,444,786					1,444,786	n/a
Mortgages	354,978					354,978	6.54
Shares in controlled entities					52,116	52,116	n/a
TOTAL	8,437,357			867,665	52,116	9,357,138	

n/a = not applicable

b) Credit Risk

The maximum exposure of the Company to credit risk, at balance date, to financial assets that have been recognised in the Statement of Financial Position, other than investment in shares, is generally the carrying amount, net of any allowances for doubtful debts.

c) Net Fair Value

The net fair value of all assets and liabilities shown in the Company's Financial Statements approximates their carrying values.

Notes to the Financial Statements

NOTE 27: SEGMENT INFORMATION

The Company operates predominantly within the finance industry in Australia.

NOTE 28: ECONOMIC DEPENDENCY

The Company has an economic dependency on CSC Pty Limited that relates to the provision of information technology services in relation to the Company's Benefit Fund membership system.

NOTE 29: LOAN ASSET AND LIABILITY CONCENTRATION

There were no loans with the Company which represent more than 10% of total assets of the Company at balance date (2003/04: nil).

NOTE 30: IMPAIRMENT OF LOANS AND ADVANCES

There were no non-accrual loans at balance date (2003/04: nil).

NOTE 31: EMPLOYEE BENEFITS

IOOF SA LTD participated in an employer-sponsored Defined Benefit Superannuation Plan during the year. The benefits provided by this Plan are based on length of service of the member at retirement.

Employees may contribute to the Plan and the Company contributes at rates recommended by the Plan's actuary. Where a deficiency exists in the Plan, there is a legally enforceable obligation on entities in the economic entity to make up the deficiency.

The last actuarial assessment of the Plan was made by Stuart Mules FIAA on 17 September 2004 and related to the Plan at 30 June 2004. The conclusion of the actuarial assessment indicated that employer contributions will need to continue in order to cover the shortfall of assets over vested benefits.

IOOF Staff Superannuation Plan as at 30 June 2005:

	\$
Net market value of the Plan's assets were	1,464,673
Accrued benefits of the Plan were	<u>1,086,248</u>
Surplus	<u>378,425</u>
Vested benefits of the Plan were	<u>1,346,736</u>

During 2004/05 the Company contributed \$84,923 (2003/04: \$115,288) to the Defined Benefit Superannuation Plan.

NOTE 32: COMPANY DETAILS

The registered office of the Company is IOOF Building, 47 Gawler Place, Adelaide, South Australia 5000.

The principal place of business is IOOF Building, 47 Gawler Place, Adelaide, South Australia 5000.

Notes to the Financial Statements

NOTE 33: BENEFIT FUNDS

Benefit Fund Allocated Surplus 2005

	Traditional Funeral Funds	Pharmaceutical Fund	Sickness Benefit Fund	Funeral Benefit Fund	Endowment Assurance Fund	Mortality Fund
Value of policy liabilities - o/b	1,246,945	0	91	30,919	21,799	42,075
Liability component of contributions	4,878	110	(5)	900	413	4,567
Withdrawals	(69,937)	(110)	0	(981)	(270)	(4,000)
Allocation of surplus to members	0	0	0	0	0	0
Member liability revaluation	67,761	0	(86)	(12,270)	101	(1,171)
Value of policy liabilities - c/b	1,249,647	0	0	18,568	22,043	41,471

Abbreviated Benefit Fund Statement of Financial Performance 2005

Net investment income	107,089	13,884	0	5,521	3,090	6,899
Revenue component of contributions	23,842	0	0	0	0	490
Other income	0	0	0	0	0	0
Fees to Management Fund	(23,842)	0	0	(135)	(62)	(490)
Claims expense	0	0	0	0	0	0
Member liability revaluation	(67,761)	0	86	12,270	(101)	1,171
Other expenses	0	0	0	0	0	0
Income tax credit (expense)	(6,328)	(4,164)	0	(1,656)	(927)	(2,070)
Profit (loss) after income tax	33,000	9,720	86	16,000	2,000	6,000
Unallocated surplus/deficiency at the beginning of the financial year	670,000	252,221	4,000	75,000	36,000	85,000
Surplus allocated to members	0	0	0	0	0	0
Transfers from (to) Management Fund	(231,997)	(261,941)	(4,086)	0	(24,168)	0
Unallocated surplus/deficiency at the end of the financial year	471,003	0	0	91,000	13,832	91,000

Benefit Fund Statement of Financial Position Summary 2005

Net assets	1,720,650	0	0	109,568	35,875	132,471
Other liabilities	235,745	264,448	0	1,656	24,724	1,158
Total assets	1,956,395	264,448	0	111,224	60,599	133,629

Solvency Requirements 2005

Solvency Requirements (SR) (n/a = not applicable)	202,000	n/a	n/a	14,000	2,000	19,000
Ratio of SR to Gross Assets	10%			12%	3%	14%

Notes to the Financial Statements

NOTE 33: BENEFIT FUNDS (cont)

Benefit Fund Allocated Surplus 2005

	Children's and Students' Accident Fund	Adult Accident Fund	Supersaver Bond Fund	Targetsaver Bond Fund	Saverplus Bond Fund	Managed Investment Bond Fund
Value of policy liabilities - o/b	8,793	676	71,151,436	2,955,426	1,158,577	1,832,571
Liability component of contributions	667	130	1,118,684	200,223	235,072	69,861
Withdrawals	(1,097)	(40)	(5,580,562)	(363,811)	(128,440)	(75,275)
Allocation of surplus to members	0	0	3,039,487	139,636	111,081	135,939
Member liability revaluation	(6,728)	(266)	0	0	0	0
Value of policy liabilities - c/b	1,635	500	69,729,045	2,931,474	1,376,290	1,963,096

Abbreviated Benefit Fund Statement of Financial Performance 2005

Net investment income	8,314	4,348	4,109,466	167,606	75,440	212,783
Revenue component of contributions	0	0	10,885	4,471	2,676	1,893
Other income	0	0	0	0	0	0
Fees to Management Fund	(293)	(30)	(1,076,028)	(40,208)	(12,549)	(26,807)
Claims expense	0	0	0	0	0	0
Member liability revaluation	6,728	266	0	0	0	0
Other expenses	0	0	0	0	0	0
Income tax credit (expense)	(1,813)	(1,305)	(1,117,403)	(32,423)	(8,303)	(41,187)
Profit (loss) after income tax	12,936	3,279	1,926,920	99,446	57,264	146,682
Unallocated surplus/deficiency at the beginning of the financial year	144,093	77,808	4,342,569	188,340	129,571	(16,545)
Surplus allocated to members	0	0	(3,039,487)	(139,636)	(111,081)	(135,939)
Transfers from (to) Management Fund	(157,029)	(81,087)	0	0	0	0
Unallocated surplus/deficiency at the end of the financial year	0	0	3,230,002	148,150	75,754	(5,802)

Benefit Fund Statement of Financial Position Summary 2005

Net assets	1,635	501	72,959,047	3,079,624	1,452,044	1,957,294
Other liabilities	157,791	81,866	1,187,621	28,520	4,065	89,402
Total assets	159,426	82,366	74,146,668	3,108,144	1,456,109	2,046,696

Solvency Requirements 2005

Solvency Requirements (SR) (n/a = not applicable)	955	500	179,573	108	0	n/a
Ratio of SR to Gross Assets	1%	1%	0%	0%	0%	

Notes to the Financial Statements

NOTE 33: BENEFIT FUNDS (cont)

Benefit Fund Allocated Surplus 2005

	Pre-Arranged Funeral Fund	IOOFSA Funeral Bond	Income Security Fund	Public Trustee (SA) Funeral Bond Fund	All Benefit Funds
Value of policy liabilities - o/b	57,177,855	20,191,901	19,129,115	3,046,344	177,994,523
Liability component of contributions	3,945,146	5,447,940	541,189	260,370	11,830,145
Withdrawals	(5,517,498)	(1,179,667)	(2,659,052)	(204,695)	(15,785,435)
Allocation of surplus to members	3,401,600	897,621	706,821	107,427	8,539,612
Member liability revaluation	0	0	0	0	47,341
Value of policy liabilities - c/b	59,007,103	25,357,795	17,718,073	3,209,446	182,626,186

Abbreviated Benefit Fund Statement of Financial Performance 2005

Net investment income	4,243,359	1,257,222	1,041,825	130,646	11,387,492
Revenue component of contributions	0	0	0	0	44,257
Other income	0	0	0	0	0
Fees to Management Fund	(1,225,644)	(347,672)	(278,445)	(23,016)	(3,055,221)
Claims expense	0	0	0	0	0
Member liability revaluation	0	0	0	0	(47,341)
Other expenses	0	0	0	0	0
Income tax credit (expense)	(97,347)	5,463	(20,377)	(4,213)	(1,334,053)
Profit (loss) after income tax	2,920,368	915,013	743,003	103,417	6,995,134
Unallocated surplus/deficiency at the beginning of the financial year	3,192,278	157,389	443,760	11,724	9,793,208
Surplus allocated to members	(3,401,599)	(897,621)	(706,821)	(107,427)	(8,539,611)
Transfers from (to) Management Fund	0	(130,000)	(410,000)	0	(1,300,308)
Unallocated surplus/deficiency at the end of the financial year	2,711,047	44,781	69,942	7,714	6,948,423
				Total member funds	<u>189,574,609</u>

Benefit Fund Statement of Financial Position Summary 2005

Net assets	61,718,150	25,402,576	17,788,015	3,217,160	189,574,609
Other liabilities	495,000	318,999	580,169	22,823	3,493,987
Total assets	62,213,150	25,721,575	18,368,184	3,239,983	193,068,596

Solvency Requirements 2005

Solvency Requirements (SR) (n/a = not applicable)	0	0	35,567	0	
Ratio of SR to Gross Assets	0%	0%	0%	0%	

Directors' Declaration

The Directors of IOOF SA LTD declare that in the Directors' opinion:

- a) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) The attached Financial Statements and Notes thereto for year ended 30 June 2005 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, Urgent Issues Group Consensus Views and giving a true and fair view of the financial position and performance of the Company;
- c) The Financial Statements of each Fund for year ended 30 June 2005 have been properly drawn up in accordance with the requirements of the *Life Insurance Act 1995* and Prudential Rule No 47;
- d) The allocation and distribution of the surplus of the Benefit Funds of the Company have been made in accordance with Division 5 of Part 4 of the *Life Insurance Act 1995* and the Benefit Fund Rules of each Benefit Fund;
- e) All assets of the Benefit Funds of the Company have been applied or invested according to the *Life Insurance Act 1995*; and
- f) There are reasonable grounds to believe that, as at the time the Declaration is made, the Management Fund of the Company and each of the Benefit Funds of the Company will be able to pay all debts or claims that are referable to it.

Signed in accordance with the Resolution of the Directors made pursuant to s295(5) of the *Corporations Act 2001*.

On behalf of the Directors



DR R N SEXTON
Chairman

Adelaide, South Australia

Date: 27 September 2005

Auditor's Report

To the Members of IOOF SA LTD

Scope

The financial report and directors responsibility

The financial report comprises the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows, accompanying notes to the financial statements, and Directors' Declaration for the Friendly Society ("the IOOF SA LTD"), for the year ended 30 June 2005. The financial report includes the accounts of the Friendly Society and the annual statutory financial report of the following Benefit Funds:

- Adult Accident Fund
- Children's and Students' Accident Fund
- Endowment Assurance Fund
- Funeral Benefit Fund
- IOOFSA Funeral Bond
- Income Security Fund
- Managed Investment Bond Fund
- Mortality Fund
- Pharmaceutical Fund
- Pre-Arranged Funeral Fund
- Pre-Arranged Memorial Plan
- Public Trustee (SA) Funeral Bond Fund
- Saverplus Bond Fund
- Sickness Benefit Fund
- Supersaver Bond Fund
- Targetsaver Bond Fund
- Traditional Funeral Funds

The directors of the Friendly Society are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001, the Life Insurance Act 1995 and the Prudential Rules. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Friendly Society. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, the Life Insurance Act 1995, the Prudential Rules and including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Friendly Societies financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant estimates made by the directors.

While we considered the effectiveness of Management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

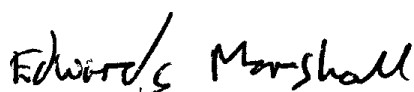
Audit Opinion

In our opinion the financial report of IOOF SA LTD is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Friendly Society's financial position as at 30 June 2005 and its performance for the year ended on that date
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001
- (b) other mandatory professional reporting requirements.

In our opinion,

- (a) the financial report of the Friendly Society and its Benefit Funds are in accordance with the Life Insurance Act 1995 and the Prudential Rules
- (b) the records of the Friendly Society and Benefit Funds on which the financial statements are based record properly the affairs and transactions of the Friendly Society and its Benefit Funds
- (c) the financial statements truly represent the financial position of the Friendly Society and its Benefit Funds
- (d) the apportionments made under Division 2 of Part 6 of the Life Insurance Act 1995 have been made equitably and in accordance with generally accepted accounting principles
- (e) no part of the assets of the Benefit Funds have been applied directly or indirectly in contravention of the provisions of Division 1 of Part 4 and Division 4 of Part 2A of the Act.



EDWARDS MARSHALL
Chartered Accountants

Adelaide, South Australia

Date: 27 September 2005



NOEL CLIFFORD
Partner

Actuary's Report

Statement to Directors on the Valuation of the Approved Benefit Funds as at 30 June 2005

In accordance with Prudential Rules No 47, for each of the Approved Benefit Funds of the Society set out below I am able to declare that:

1. The value of the benefit liabilities and the solvency of each Fund have been determined using methods and assumptions consistent with the actuarial standards. These methods and assumptions are detailed in the relevant reports that I have prepared for those Funds.

I have summarised the major methodology and assumptions in respect of the three main classes of Funds below:

Financial Product Funds

- Targetsaver Bond Fund
- Income Security Fund
- Saverplus Bond Fund
- Managed Investment Bond Fund
- Supersaver Bond Fund

I have taken the unallocated solvency surplus in each Financial Product Fund as:

- the value of net assets,
- less the sum of members' accounts after the application of the declared bonus,
- less the value of any early death risk reserve,
- less the Solvency Reserve.

The major assumption relating to the calculation of the Solvency Reserve is an allowance for a change in economic conditions such that the redemption yields on fixed interest investments were to increase by 1.75%. This is necessary as policies can be redeemed at any time.

Funeral Bond Funds

- IOOFSA Funeral Bond
- Pre-Arranged Funeral Fund
- Public Trustee (SA) Funeral Bond Fund
- Pre-Arranged Memorial Plan

Funeral Bond Funds operate in a similar fashion to the Financial Product Funds, except that benefits are generally only available on the death of the member. The unallocated solvency surplus has been calculated in a similar manner.

However, no specific allowance is made for the impact of a change in economic conditions, since the restriction on access to funds means that such a change is able to be passed on to members in the form of adjustments to future bonus rates.

Defined Benefit Funds

- Adult Accident Plan
- Children's and Students' Accident Plan
- Endowment Assurance Fund
- Funeral Benefit Fund
- Mortality Fund
- Traditional Funeral Funds

The method used to value the Accident Plans was to compare the net assets with the sum of unexpired risk reserve, and outstanding claims reserve. Appropriate margins were added to these amounts for solvency requirements.

The basic method adopted for the other Defined Benefit Funds was to compare the value of the assets with the present value of expected future benefit payments and expenses less contribution payments.

The assumptions adopted for the purpose of calculating the Solvency Reserve are in accordance with Actuarial Standard 2.03, the Solvency Standard. The most significant assumptions adopted for these Funds, the expected future net investment return and the assumed mortality of policy holders, are summarised below:

Fund	Net Return	Mortality Table
Traditional Funeral Funds	4.9% per annum (males) 4.6% per annum (females)	IA 90-92
Endowment Fund and Mortality Fund	3.6% per annum	IA 90-92
Funeral Benefit Fund	5.2% per annum	IA 90-92

2. The allocation and distribution of the surplus of each Fund has been made in accordance with Division 5 of Part 4 of the Act and the rules of each Benefit Fund.
3. I am satisfied that proper records have been kept by the Society in respect of each Benefit Fund from which its value of benefit entitlements and solvency have been able to be properly determined.



STUART MULES

Fellow of the Institute of Actuaries of Australia
Mercer Benefit Services Pty Ltd

Date: 30 September 2005

Company Information

Registered Office

47 Gawler Place
Adelaide South Australia 5000

Postal Address

PO Box 3340 Rundle Mall
Adelaide South Australia 5000

Communications

Telephone: (08) 8231 1555
Facsimile: (08) 8231 4079
Email: ioofonline@ioofsa.com.au
Website: www.ioofsa.com.au

Actuary

Mercer Benefit Services Pty Ltd
ABN 83 068 908 912

Auditor

Edwards Marshall Chartered Accountants
ABN 38 238 591 759

Solicitors

Mellor Olsson
ABN 44 157 825 957
Minter Ellison
ABN 77 478 593 704

Principal External Fund Manager

Perennial Investment Partners Limited
ABN 59 087 901 620

Banker

National Australia Bank Limited
ABN 79 044 956 558

Annual General Meeting

The 2005 Annual General Meeting of IOOF SA LTD is to be held on 29 November 2005, at Level 5, 47 Gawler Place, Adelaide at 9:00am.

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