

announcement



17 March 2009

Manager
Company Announcements Office
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Attached is a copy of the Scheme Booklet for the proposed merger with IOOF Holdings Ltd. In the Scheme Booklet, the Directors of Australian Wealth Management Ltd unanimously recommends that shareholders vote in favour of the merger proposal, in the absence of a superior offer.

This document was posted to all Australian Wealth Management shareholders today, ahead of the scheme meeting that will be held on Wednesday 22 April 2009.

Yours faithfully

Danielle Corcoran
Company Secretary

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This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your legal, financial or other professional adviser immediately.

Your directors unanimously recommend that you:

Vote in favour of the resolutions required to approve the merger with IOOF,
in the absence of a superior offer.

6 March 2009

Scheme booklet

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IOOF

For a scheme of arrangement between Australian Wealth Management Limited ABN 53 111 116 511 and the holders of ordinary shares in Australian Wealth Management Limited in relation to the proposal to merge Australian Wealth Management Limited and IOOF Holdings Limited ABN 49 100 103 722



Blake Dawson
Legal Adviser

IMPORTANT NOTICE

Purpose of Scheme Booklet

This Scheme Booklet is the explanatory statement required to be sent to AWM Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme. The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of AWM Shareholders whether to approve the Scheme.

Read entire Scheme Booklet

Shareholders are encouraged to read this Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

Status of Scheme Booklet

This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under section 411(1). Instead, AWM Shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

Investment decisions

This Scheme Booklet is intended for all AWM Shareholders collectively and does not take into account the investment objectives, financial situation and particular needs of each security holder or any other particular person. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme, AWM Shares or IOOF Shares. Before making any investment decision in relation to the Scheme, AWM Shares or IOOF Shares, you should consider, with or without the assistance of a securities adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should seek independent financial and taxation advice before making any investment decision in relation to the Scheme, AWM Shares, or IOOF Shares.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future, including forward looking statements relating to the strategy of the Merged Entity. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from expected future results, performance or achievements expressed or implied by those statements. These statements only reflect views held at the date of this Scheme Booklet.

None of AWM or IOOF, any directors of those companies nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Subject to any continuing obligations under law or the ASX Listing Rules, AWM and the AWM Directors disclaim any obligation or undertaking to disseminate after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based other than to comply with legal obligations or the ASX Listing Rules.

Responsibility for information

The information concerning IOOF contained in Sections 3, 4.6(a), 4.6(c), 4.6(d), 4.6(e), 5.4(h), 5.4(n), 5.4(o), 9.3, 9.5, 9.6, 9.7 and 9.11 and Annexure E (AWM and IOOF

Financial Information), Annexure F (IOOF ASX announcements) and the IOOF historical financial information in Section 4.10 of this Scheme Booklet (the **IOOF Information**) has been provided by IOOF and its advisers and is the responsibility of IOOF. All other information in this Scheme Booklet (the **AWM Information**) has been assembled by AWM and the AWM Directors and is the responsibility of AWM. Neither AWM nor the AWM Directors or its advisers assume any responsibility for the accuracy or completeness of the IOOF Information. Neither IOOF nor the IOOF Directors or advisers assume any responsibility for the accuracy or completeness of the AWM Information.

Ernst & Young has prepared an Independent Expert's Report, a copy of which is contained in Annexure C to this Scheme Booklet. Ernst & Young takes responsibility for the Independent Expert's Report.

Deloitte Touche Tohmatsu has prepared an Investigating Accountants' Report, a copy of which is contained in Annexure D to this Scheme Booklet. Deloitte Touche Tohmatsu takes responsibility for the Investigating Accountants' Report.

A copy of this Scheme Booklet has been examined by ASIC and registered by ASIC under section 412(6) of the Corporations Act. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor its officers take any responsibility for the contents of this Scheme Booklet. The fact that ASX may grant official quotation of the New IOOF Shares is not to be taken in any way as an indication of the merits of IOOF or the Scheme. AWM Shares and IOOF Shares will continue to be quoted on ASX if the Scheme is not approved.

Important considerations

For a discussion of certain factors that should be considered in deciding whether to approve the Scheme, see Section 1 which includes a discussion of the advantages, disadvantages and other considerations relevant to the Scheme and Section 5 which includes a discussion of the risks relevant to the Scheme. See Section 9.2 for details of the interests of the AWM Directors and executive officers in relation to the Merger.

Overseas Scheme Participants

Overseas Scheme Participants may not be entitled to receive New IOOF Shares pursuant to the Scheme. Overseas Scheme Participants should refer to Section 8 of this Scheme Booklet.

This Scheme Booklet is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Securities Act 1978* (or any other relevant New Zealand law). This Scheme Booklet may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain. Securities are offered to the public of New Zealand under this Scheme Booklet in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

Privacy

AWM and IOOF and their respective share registries may collect, use and disclose personal information in the process of implementing the Scheme. This information may include the names, contact details, bank account details and details of the security holdings of AWM Shareholders and the names and contact details of persons appointed by AWM Shareholders to act as proxy, corporate representative or attorney at the Scheme Meeting. The primary purpose of collecting this information is to assist AWM in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by AWM in the manner described in this

Scheme Booklet. The collection of certain of this personal information is authorised by the Corporations Act.

Personal information may be disclosed to AWM's and IOOF's share registries, to third party service providers, to authorised securities brokers professional advisers, IOOF and to related bodies corporate of AWM and IOOF and each of their agents and contractors, and to ASX and other regulatory authorities, and in any case, where disclosure is required or allowed by law or where you have consented. AWM Shareholders have the right to access personal information that has been collected. They should contact AWM's share registry in the first instance if they wish to exercise this right.

The main consequence of not collecting the personal information outlined above would be that AWM and IOOF may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme. The personal information contained in AWM's and IOOF's share registers is also used to facilitate payments and corporate communications (including financial results, annual reports and other information to be communicated to AWM Shareholders and IOOF Shareholders (as appropriate)) and to ensure compliance with legal and regulatory requirements.

AWM Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting should ensure that they inform that person of the matters outlined above.

Glossary

A number of terms used in this Scheme Booklet have special meanings. These are listed in the Glossary at the back of this Scheme Booklet. The documents reproduced in some of the Annexures to this Scheme Booklet each have their own defined terms which are sometimes different from those in the Glossary. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

Date of Scheme Booklet

This Scheme Booklet is dated 6 March 2009.

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 - E AWM AND IOOF FINANCIAL INFORMATION**
 - F LIST OF IOOF ANNOUNCEMENTS FROM 30 SEPTEMBER 2008**
 - G LIST OF AWM ANNOUNCEMENTS FROM 23 OCTOBER 2008**
 - H NOTICE OF COURT ORDERED MEETING OF SHAREHOLDERS OF AWM**

IMPORTANT DATES

Proxies to be received from AWM Shareholders not later than	10am on 20 April 2009
Time and date for determining eligibility to vote at the Scheme Meeting	7pm on 20 April 2009
AWM Shareholders' meeting to approve the Scheme	10am on 22 April 2009
Court hearing to approve Scheme	29 April 2009
Court order is lodged with ASIC and Scheme takes effect (Effective Date)	30 April 2009
Suspension of AWM Shares from ASX trading	30 April 2009
Deferred settlement trading of New IOOF Shares commences	1 May 2009
Date for determination of entitlements to New IOOF Shares (Record Date)	7 May 2009
Allotment of New IOOF Shares (Implementation Date)	12 May 2009
Despatch of IOOF Transaction Confirmation Statements	By 14 May 2009
Normal trading of New IOOF Shares commences on ASX	15 May 2009

NOTE

Unless otherwise stated, all times referred to in this Scheme Booklet are Australian Eastern Standard Times. Dates are indicative only. AWM reserves the right to vary the times and dates set out above and may not be able to notify AWM Shareholders of these changes. All dates following the Scheme Meeting are subject to Court and ASIC approval.

YOUR VOTE ON THE MERGER

Scheme Meeting

The Scheme Meeting will be held at 10am on 22 April 2009 at the offices of Ord Minnett, Level 23, 120 Collins Street, Melbourne, Victoria 3000.

AWM Shareholders should attend (either in person or by proxy) the Scheme Meeting and vote on the resolution proposed.

This Scheme Booklet includes the notice of meeting and proxy form for the Scheme Meeting.

Who is entitled to vote at the Scheme Meeting

AWM has determined, for the purposes of the Corporations Act, that each AWM Shareholder who is registered in the Share Register at 7pm on 20 April 2009 is entitled to vote at the Scheme Meeting.

Any votes cast at the Scheme Meeting by IOOF or any of its related bodies corporate, for any AWM Shares held by IOOF, or in which IOOF has a relevant interest, will be disregarded.

Voting in person

If you wish to vote in person, please attend the Scheme Meeting.

If you are a corporate AWM Shareholder and wish to appoint a representative to attend the Scheme Meeting, you should ensure that your representative can provide evidence of his or her appointment. You may appoint another person by power of attorney to attend the Scheme Meeting and vote on your behalf. You will need to provide evidence of the grant of the power of attorney.

Voting by proxy

If you wish to appoint a proxy, you should complete the proxy form and lodge it with AWM's share registry, Computershare, in accordance with the proxy form instructions. Proxy forms **MUST** be received at Computershare no later than 48 hours before the meeting. Lodging a proxy form will not preclude personal attendance and voting at the Scheme Meeting.

You can return the completed proxy form in the reply paid envelope, or by delivering the form to the office of Computershare at the address below, or by faxing it to 03 9473 2555.

Computershare Investor Services Pty Ltd
60 Carrington Street
SYDNEY NSW 2000

LETTER FROM CHAIRMAN AND MANAGING DIRECTOR



Australian Wealth Management

6 March 2009

Dear AWM Shareholders

Australian Wealth
Management Limited
ABN 52 111 116 511
Locked Bag 4004
Queen Victoria Building
NSW 1230
Level 22, 207 Kent Street
Sydney NSW 2000
Tel (02) 9028 5900
Fax (02) 9028 1028
www.awmlimited.com.au

Proposed merger between Australian Wealth Management Limited and IOOF Holdings Ltd

On 24 November 2008, the boards of Australian Wealth Management Limited (**AWM**) and IOOF Holdings Ltd (**IOOF**) announced a proposal to merge the two companies (**Merger**) by way of a scheme of arrangement between AWM and its members (**Scheme**). Under the proposed Merger, AWM Shareholders will receive 1 IOOF Share in exchange for every 3.73 AWM Shares which they hold at the Record Date, AWM will become a wholly owned subsidiary of IOOF, AWM will be delisted from the Australian Securities Exchange (**ASX**) and IOOF will be owned approximately 30% by current IOOF Shareholders and 70% by AWM Shareholders.

The Independent Expert, Ernst & Young, has concluded that the Scheme is in the best interests of AWM Shareholders. The Independent Expert's Report is included in Annexure C to this Scheme Booklet.

Your AWM Directors unanimously support the proposed Merger and recommend that, in the absence of a superior offer for AWM, you vote in favour of it at the meeting of AWM Shareholders to be held at the offices of Ord Minnett, Level 23, 120 Collins Street, Melbourne, Victoria 3000 at 10am on 22 April 2009. The proposed merger is supported by AWM's substantial shareholders and AWM's senior management team.

The rationale for the Merger is compelling, bringing together two highly complementary businesses with operations spanning the entire wealth management value chain. The Merged Entity will benefit from an enhanced distribution network of over 580 aligned financial advisers and oversee FUMAS of approximately \$82 billion, based on Disclosed FUMAS of IOOF and AWM. In addition, the transaction is expected to generate annual post tax cost synergies of approximately \$20 million within the first 12 months following the Merger. Furthermore, the transaction is expected to be EPS accretive for AWM Shareholders in the first financial year following the Merger.

The AWM Board is confident of a successful merger and integration process, given AWM's recent experience with the successful integration of Select, and the similarity of the IOOF and AWM businesses.

Details of the Scheme are set out in this Scheme Booklet. Please read this document carefully as the information it contains is important. If the Scheme is approved by AWM Shareholders at the

Scheme Meeting then, subject to various conditions being satisfied, including Court approval, the Scheme will be binding on all AWM Shareholders.

If you are unable to attend the Scheme Meeting, you are encouraged to vote by completing the proxy form enclosed with this Scheme Booklet and returning it to AWM's share registry, Computershare, as soon as possible by mail in the reply paid envelope provided, or by fax on 03 9473 2555 and in any event not later than 10am on 20 April 2009.

If you are in any doubt as to the action you should take in relation to the Merger, you should consult your legal, financial or other professional adviser without delay.

Yours faithfully



John Warburton
Chairman



Christopher Kelaher
Managing Director

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THE MERGER AT A GLANCE

This Scheme Booklet contains detailed information on the proposed Merger. The following section provides summary answers to some basic questions you may have in relation to the Merger and will assist you to locate further detailed information in this Scheme Booklet.

<i>What is the Merger?</i>	<p>On 24 November 2008, the boards of AWM and IOOF announced a proposal to merge the two companies and signed an Implementation Deed governing how the Merger would proceed. A summary of the Implementation Deed is included in Section 6.6 of this Scheme Booklet and further details of the Merger process are set out in Section 6 of this Scheme Booklet.</p> <p>If the Merger is Implemented, AWM will become a wholly-owned subsidiary of IOOF and will be delisted from ASX. A description of IOOF following the Merger, including details of IOOF's and AWM's intentions for the Merged Entity is set out in Section 4 of this Booklet. The key risks for the Merged Entity are set out in Section 5 of this Scheme Booklet.</p> <p>Completion of the Scheme is subject to a number of conditions. These conditions are summarised in Section 6.6(a) of this Scheme Booklet.</p>
<i>What is the Scheme?</i>	<p>The Merger will be implemented by way of a scheme of arrangement between AWM and the AWM Shareholders (Scheme) requiring approval by AWM Shareholders at a meeting of AWM Shareholders (Scheme Meeting). This meeting will be held on 22 April 2009 at the offices of Ord Minnett, Level 23, 120 Collins Street, Melbourne, Victoria 3000, commencing at 10am. A detailed description of the Scheme is set out in Section 6 of this Scheme Booklet. The terms of the Scheme are set out in full in Annexure A.</p>
<i>What are the advantages and disadvantages?</i>	<p>The advantages of the Merger are described in Section 1.3 of this Scheme Booklet. The disadvantages and risks of the Merger are described in Sections 1.5 and 5.2 of this Scheme Booklet, respectively.</p>
<i>What do the AWM Directors recommend?</i>	<p>The AWM Directors (who are listed in Section 2.3 of this Scheme Booklet) consider that the Merger is in the best interests of AWM and AWM Shareholders. The AWM Directors unanimously recommend that, in the absence of a superior offer, you vote in favour of the Scheme. The basis for this recommendation is set out in Section 1 of this Scheme Booklet.</p>
<i>What is the Independent Expert's conclusion?</i>	<p>The AWM Directors engaged Ernst & Young as an independent expert to provide a report on the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of AWM Shareholders. The Independent Expert's Report is included in Annexure C to this Scheme Booklet.</p>

<p><i>What are my alternatives?</i></p>	<p>AWM Shareholders have the following alternatives:</p> <ul style="list-style-type: none"> • sell their AWM Shares on market now and cease to be AWM Shareholders; • vote in favour of the Scheme at the Scheme Meeting; • vote against the Scheme at the Scheme Meeting; or • do nothing and await the outcome of the Scheme Meeting.
<p><i>What will I receive if the Merger proceeds?</i></p>	<p>You will receive 1 New IOOF Share for every 3.73 AWM Shares that you hold as at the Record Date. Further details of the calculation of the New IOOF Shares you will receive are set out in Section 6.2 of this Scheme Booklet.</p> <p>Ineligible Overseas Scheme Participants will not be entitled to receive New IOOF Shares in connection with the Scheme. If you fall into this category, any New IOOF Shares to which you would otherwise be entitled will be issued to a nominee who will sell them on your behalf and provide you with the net proceeds of the sale.</p> <p>As at the date of this Scheme Booklet, AWM and IOOF expect that each AWM Shareholder whose address shown on the Share Register at the Record Date is a place outside of Australia or New Zealand and their respective territories will be treated as Ineligible Overseas Scheme Participants. Refer to Section 8 of this Scheme Booklet for further information.</p>
<p><i>What value does the Merger imply for my AWM Shares?</i></p>	<p>The Merger implies a value of \$0.87 per AWM Share, based on the VWAP over 30 trading days for IOOF Shares to 2 March 2009, (being the last practical date before the Scheme Booklet was lodged for registration with ASIC).</p> <p>The actual value of the Merger for your AWM Shares will depend on the price of IOOF Shares upon Implementation of the Scheme.</p>
<p><i>Will I have to pay brokerage fees or stamp duty?</i></p>	<p>You will not have to pay any brokerage or stamp duty in connection with the Scheme. However, if you are an Ineligible Overseas Scheme Participant, a selling commission will be deducted by the nominee from the proceeds of sale of the New IOOF Shares attributable to your holding in AWM (see Section 8 for further information).</p>
<p><i>When will I receive New IOOF Shares?</i></p>	<p>If the Merger proceeds, IOOF expects to issue you your New IOOF Shares on or about 12 May 2009 (although this date may change).</p> <p>Ineligible Overseas Scheme Participants will not be entitled to receive New IOOF Shares in connection with the Scheme. If you fall into this category, any New IOOF Shares to which you would otherwise be entitled will be issued to a nominee who will sell them on your behalf and provide you with the net proceeds of the</p>

	sale. Refer to Section 8 of this Scheme Booklet for further information.
<i>What are the tax consequences of the Merger for me?</i>	Section 7 of this Scheme Booklet provides a description of the general tax implications of the Merger. You should consult with your own tax adviser regarding the consequences of acquiring, holding or disposing of AWM Shares and New IOOF Shares in light of current tax laws and your particular investment circumstances.
<i>What vote is required to approve the Scheme?</i>	For the Scheme to proceed, votes "in favour" must be received from: <ul style="list-style-type: none"> • a majority in number of AWM Shareholders who vote at the Scheme Meeting (in person or by proxy); and • at least 75% of the total number of AWM Shares voted on the resolution to approve the Scheme.
<i>What should I do?</i>	You should read this Scheme Booklet carefully in its entirety and then vote by attending the Scheme Meeting or appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out on page 2 of this Scheme Booklet.
<i>Who is entitled to vote?</i>	If you are registered on the Share Register at 7pm on 20 April 2009 you may vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative. If your AWM Shares are jointly held, only one of the joint AWM Shareholders is entitled to vote. If more than one AWM Shareholder votes in respect of jointly held AWM Shares, only the vote of the AWM Shareholder whose name appears first in the Share Register will be counted.
<i>Should I vote?</i>	Voting is not compulsory. However, the AWM Directors believe that the Scheme is important to all AWM Shareholders and unanimously recommend that you vote in favour of the Scheme, in the absence of a superior offer.
<i>How do I vote?</i>	You may vote in person by attending the Scheme Meeting to be held on 22 April 2009 at the offices of Ord Minnett, Level 23, 120 Collins Street, Melbourne, Victoria 3000, commencing at 10am. Alternatively, you may vote by completing and lodging the proxy form that is enclosed with this Scheme Booklet. Full details of how to vote are set out on page 2 of this Scheme Booklet.
<i>What happens if I do not vote, or I vote against the Scheme?</i>	If you are an AWM Shareholder on the Record Date and the Scheme is approved, your AWM Shares will be transferred under the Scheme and you will receive the Scheme Consideration for your AWM Shares. This is so, even if you did not vote or voted against the Scheme.

	If the Scheme is not approved, you will remain an AWM Shareholder.
<i>When will the results of the Scheme Meeting be available?</i>	The results of the Scheme Meeting will be available shortly after the conclusion of that meeting and will be announced to ASX once available. The results will also be published on AWM's website (www.awmlimited.com.au) soon after the Scheme Meeting.
<i>What approvals are required?</i>	The Scheme must be approved by the Court in addition to being approved by AWM Shareholders. If the Scheme is approved at the Scheme Meeting (and all conditions to the Scheme other than those relating to Court approval or lodgement of Court Orders with ASIC have been satisfied or waived), AWM will apply to the Court for approval of the Scheme as soon as practicable. The Court hearing for approval of the Scheme is expected to be held on 29 April 2009 (although this may change). Further details of the approval process are set out in Section 6.3 of this Scheme Booklet.
<i>Is the Merger subject to any conditions?</i>	Completion of the Scheme is subject to a number of conditions. These conditions are summarised in Section 6.6(a) of this Scheme Booklet.
<i>What if the Merger does not proceed?</i>	<p>If the Merger does not proceed:</p> <ul style="list-style-type: none"> • AWM will continue to be listed on the ASX. • AWM Shareholders will not receive New IOOF Shares in connection with the Merger. • IOOF will not hold all the shares in AWM. • In the absence of an alternative proposal, the AWM Share price may fall below its present level in line with its price before the Announcement Date, subject to adjustment for market factors. • The growth strategy of AWM may not be achieved as expediently and the other benefits of the Merger discussed in Section 1.3 will not be realised. • AWM will seek to strengthen its market position by continuing to pursue strategic acquisitions and other transactions to add value to its business. • If the Scheme is not Implemented by 31 May 2009, then IOOF will issue AWM 2 million new IOOF Shares as compensation for AWM agreeing to withdraw from the bidding process to acquire the OM Business. • AWM will be liable for costs and expenses associated with the Merger proposal (estimated at \$1.5 million). Depending upon the reasons for the Merger not proceeding, AWM may also be liable to pay a break fee of \$3 million, exclusive of GST, to IOOF (see Section 6.6(c) of this Scheme Booklet for further details).

	<ul style="list-style-type: none"> The disadvantages and risks of the Merger described in Sections 1.5 and 5.2 of this Scheme Booklet may not arise (however the investment risks more particularly described in Sections 5.3 and 5.4 of this Scheme Booklet will continue to apply to AWM Shareholders' investments in AWM Shares).
<p><i>What if I am an Ineligible Overseas Scheme Participant?</i></p>	<p>IOOF will not issue and allot New IOOF Shares to Ineligible Overseas Scheme Participants under the Scheme. IOOF will instead issue and allot the New IOOF Shares to which the Ineligible Overseas Scheme Participant would otherwise be entitled to a nominee appointed by IOOF and approved by AWM.</p> <p>The nominee will sell those New IOOF Shares as soon as reasonably practicable (at the risk of the Ineligible Overseas Scheme Participant) and pay the proceeds received, after deducting any applicable brokerage and other selling costs, taxes and charges, to that Ineligible Overseas Scheme Participant in full satisfaction of that Ineligible Overseas Scheme Participant's rights under the Scheme to Scheme Consideration.</p>
<p><i>Is there a number to call if I have any questions?</i></p>	<p>If you have any questions about the Merger, please call AWM's Information Line on 1800 235 549 (within Australia) or +61 3 9415 4248 (outside Australia).</p>

1. AWM DIRECTORS' RECOMMENDATION

1.1 Recommendation

The AWM Directors unanimously recommend that, in the absence of a superior offer, AWM Shareholders vote in favour of the Scheme. Each of the AWM Directors who hold AWM Shares intends to vote in favour of the Scheme at the Scheme Meeting. The AWM Directors consider that the Scheme is in the best interests of AWM Shareholders.

The reasons for AWM Shareholders to vote in favour of the Scheme are discussed in more detail in Section 1.3 below, while relevant considerations against the Scheme are discussed in more detail in Section 1.5 below.

1.2 Basis of recommendation

In carrying out their assessment of the Merger, each of the AWM Directors has drawn on their experience of public company management and the funds management sector. Based on their cumulative experience and qualifications, the AWM Directors consider they are qualified to make the recommendations to AWM Shareholders in this Section.

In forming their recommendation, the AWM Directors have considered:

- the results of the company's due diligence and analysis of IOOF;
- their analysis of the commercial advantages and disadvantages associated with the Scheme; and
- the alternative strategies available to AWM in pursuing its corporate objectives.

The AWM Directors also engaged the Independent Expert to provide a report as to whether the Scheme is in the best interests of AWM Shareholders. The Independent Expert has concluded that the Scheme is in the best interests of AWM Shareholders.

1.3 Reasons to vote in favour of the Scheme

The AWM Directors consider the Scheme to be in the best interests of AWM Shareholders, and recommend AWM Shareholders vote in favour of the Scheme, based on the following qualitative and quantitative reasons.

- The Merger would significantly expand AWM's wealth management product offering and distribution platform, enhancing the scale and diversity of the businesses of AWM. Based on Disclosed FUMAS, the Merged Entity would have a combined FUMAS of approximately \$82 billion compared to AWM's Disclosed FUMAS of \$56 billion.
- The Merger would provide the combination of a portfolio of highly complementary and successful brands in financial advice, administration and investment management.
- The Merger would provide revenue growth opportunities from a broader product offering and an enhanced distribution network of over 580 aligned financial planners.
- Due to significant overlap between the businesses of AWM and IOOF, it is expected that annual post-tax cost synergies of approximately \$20 million will be achieved within the first 12 months following the Merger.

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- The Merger is expected to have low integration risk due to the similar and complementary nature of AWM and IOOF, and AWM management's previous experience with the successful integration of its various acquisitions over the years, including Select in 2006.
 - The Merger would allow AWM Shareholders to participate in the expected future growth of the Merged Entity.
 - The Merger would place the Merged Entity within the top 120 companies on the ASX 200 based on the current market capitalisation of IOOF and AWM at 2 March 2009. AWM was ranked approximately 145 prior to the Announcement Date. The higher index ranking may attract additional investors and/or cause existing shareholders to increase their holding of shares in the Merged Entity.
 - The Merger is likely to result in greater liquidity for shares in the Merged Entity than currently exists for AWM Shares or IOOF Shares.
 - The Merger is supported by AWM's substantial shareholders and AWM's senior management team.

1.4 Independent Expert's conclusion

The AWM Directors appointed Ernst & Young as an independent expert to provide a report as to whether the Scheme is in the best interests of AWM Shareholders. The Independent Expert concluded that the Scheme is in the best interests of AWM Shareholders.

In coming to its conclusion, the Independent Expert has assessed the underlying value of the consideration offered to AWM Shareholders (being new shares in IOOF) as being in the range of \$0.96 to \$1.05 per share as compared to the Independent Expert's assessment of the underlying value of AWM shares in the range of \$0.78 to \$0.84 per share. The underlying value of the shares in the Merged Entity being offered as consideration to AWM Shareholders therefore represents a premium in the range of 23% to 25% to the underlying value of AWM Shares.

The Independent Expert's Report is included in Annexure C to this Scheme Booklet.

1.5 Relevant considerations against the Scheme

Possible disadvantages of the Scheme may include the following:

- AWM Shareholders will no longer be able to hold a direct interest in AWM nor collectively control AWM and its business. AWM Shareholders will represent approximately 70% of the share capital of IOOF following the completion of the Merger.
- As no cash alternative is being offered to AWM Shareholders for their AWM Shares, the value of the consideration received could fluctuate depending on future movements in the IOOF Share price.
- While IOOF and AWM have a number of similarities, IOOF is also different to AWM in a number of respects, including lower administration and distribution earnings and a greater focus on investment management. Shares in IOOF may not be attractive to some AWM Shareholders due to the differences between the two companies and their respective assets.
- By approving the Scheme and receiving New IOOF Shares, AWM Shareholders will gain exposure to new risks specific to IOOF to which they have not been exposed before. See Section 5 of this Scheme Booklet for further information.

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- It is possible that a more attractive proposal for AWM Shareholders could materialise in the future in the event that the Scheme does not proceed.
 - There is a risk that unforeseen issues and complications may arise during the integration of AWM and IOOF which may result in either a delay in the integration process or expected synergy benefits not being fully achieved.
 - AWM will incur costs and expenses associated with the Merger proposal (estimated at \$3 million).

You should also read Section 5 of this Scheme Booklet for further information on the possible risks associated with the Scheme.

The AWM Directors have concluded that the benefits of the Scheme to AWM Shareholders outweigh the disadvantages of the Scheme.

1.6 Implications if the Scheme does not proceed

If the Scheme does not proceed:

- AWM will continue to be listed on the ASX.
- AWM Shareholders will not receive New IOOF Shares.
- IOOF will not hold all the shares in AWM.
- In the absence of an alternative proposal, the AWM Share price may fall below its present level, in line with its price before the Announcement Date, subject to adjustment for market factors.
- The growth strategy of AWM may not be achieved as expeditiously and the other benefits of the Merger discussed in Section 1.3 will not be realised.
- AWM will seek to strengthen its market position by continuing to pursue strategic acquisitions and other transactions to add value to its business.
- If the Scheme is not Implemented by 31 May 2009, then IOOF will issue AWM 2 million new IOOF Shares as compensation for AWM agreeing to withdraw from the bidding process to acquire the OM Business. Further information is included in Sections 3.8 and 9.11(a) of this Scheme Booklet.
- AWM will be liable for costs and expenses associated with the Merger proposal (estimated at \$1.5 million). Depending upon the reasons for the Merger not proceeding, AWM may also be liable to pay a break fee of \$3 million to IOOF (exclusive of GST) (see Section 6.6(c) of this Scheme Booklet for further details).
- The disadvantages and risks of the Merger described in Sections 1.5 and 5.2 of this Scheme Booklet may not arise (however the investment risks more particularly described in Sections 5.3 and 5.4 of this Scheme Booklet will continue to apply to AWM Shareholders' investments in AWM Shares).

AWM has not received any other approaches for takeovers or schemes since the Announcement Date.

Your AWM Directors recommend unanimously that, in the absence of a superior offer, all AWM Shareholders vote in favour of all resolutions in respect of which they are entitled to vote at the meeting of AWM Shareholders to be held on 22 April 2009. This recommendation is made on the basis that the AWM Directors are not aware of an alternative more attractive proposal to the Merger proposal.

Your vote is important. For the Merger to proceed to Implementation, it is necessary that sufficient Shareholders vote in favour of the Scheme at the meeting of AWM Shareholders to be held on 22 April 2009.

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2. INFORMATION ON AWM

2.1 AWM's history and structure

AWM is a public company listed on ASX (code: AUW).

AWM is a leading provider of niche wealth management products and services in Australia to financial planners and clients wanting to build and protect their assets, live comfortably in retirement or plan their estate.

AWM was formed in July 2003 as a division of TOWER, an Australian and New Zealand financial services company. In February 2005 AWM formally separated from TOWER and listed on the ASX.

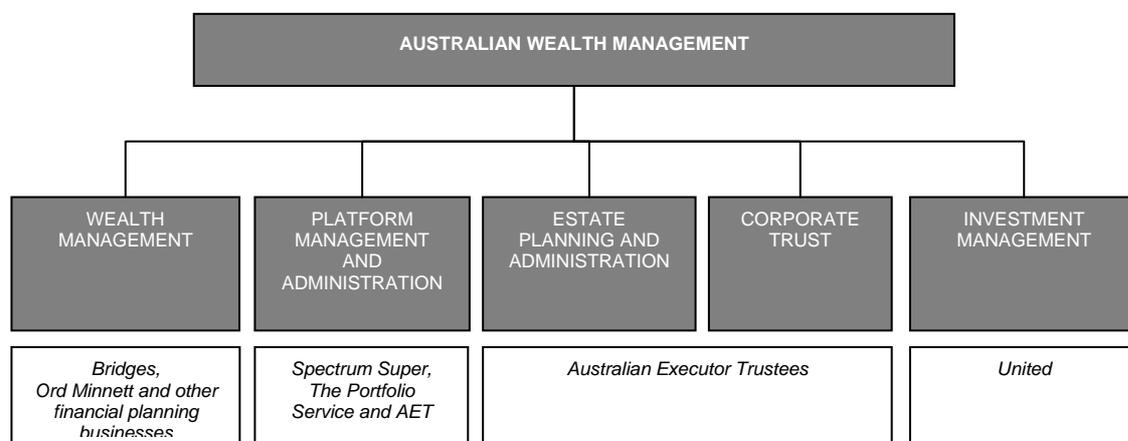
In June 2006, AWM merged with Select, considerably expanding the group's services, FUMAS and geographical footprint.

In June 2008, AWM acquired a 70% interest in wealth management company Ord Minnett. As at 31 December 2008, AWM had FUMAS of \$56 billion (not including FUMA associated with the business of Ord Minnett).

2.2 Main activities

The company operates five business groups under a number of well-known established brands. AWM, together with Ord Minnett, employ approximately 1,000 employees.

AWM's five business groups are set out below:



(a) **Wealth Management**

The Wealth Management division provides a full range of financial advisory and stockbroking services to approximately 480 financial planners via its various brands, including 308 AWM-aligned financial planners and 172 Ord Minnett private wealth advisers, and support for other non-aligned independent financial planners.

(i) *Bridges*

Bridges is a "full service" financial planning organisation. Not only does Bridges provide advice on wealth creation, superannuation and pensions, but it is also one of the few organisations to actively utilise the stockbroking services under its licence for its clients and has a dedicated research team to complement investment decisions and selections for

clients. These services are a major factor in Bridges' ability to attract new clients and new financial planners.

Bridges aims to grow through the recruitment of quality and professional financial planners or via younger planners wishing to join existing offices.

A key driver for growth is the referral relationships this division has with credit unions, building societies and other non bank financial institutions. Referrals from these institutions remained at record levels in the 2008 financial year.

(ii) *Independent dealers*

Bridges also provides its services to independent planning groups that seek to access Bridges' infrastructure. Bridges currently has a number of service agreements in place with these planning groups.

(iii) *Other financial planning businesses*

Throughout its operating life, AWM has maintained a small number of wholly-owned financial planning businesses. In addition, AWM also licences a series of non-aligned financial planning businesses under the "Wealth Managers" banner.

(iv) *Ord Minnett (70% owned by AWM)*

In June 2008, AWM acquired a 70% interest in Ord Minnett, with the remaining 30% held by OMG Australia. Ord Minnett is a well-known and respected wealth management group, with over 135 years experience in the Australian market. Ord Minnett employs approximately 333 staff, including 172 private wealth advisers and has 13 offices nationally. Ord Minnett continues to operate as a stand alone business providing full-service stockbroking, financial planning, portfolio services and equity capital market services.

(b) **Platform Management and Administration**

This division, represented by Spectrum Super, The Portfolio Service and AET, provides and administers personal and corporate superannuation and SAFs and SMSFs for retail and corporate clients. This division had \$11.3 billion in Funds Under Administration as at 31 December 2008 and is the biggest revenue generator for AWM.

The small super funds market, which consists of SMSFs and SAFs, is one of the fastest growing segments in financial services today. AET Super Solutions, which provides SMSF administration to dealers, financial planners and directly to clients, provides a complete suite of small super fund solutions, SMSFs and Small APRA Funds.

Spectrum Super was acquired as part of the merger with Select in 2006, and the 2007 acquisitions of superannuation funds iSuper and Finium have both since been integrated into the platform.

Spectrum Super has been providing corporate and personal superannuation, investment and administrative products and services to Australians for over two decades.

(c) **Estate Planning and Administration**

Operating under the Australian Executor Trustees brand, the Estate Planning and Administration division (formerly known as Private Client) offers estate planning, trustee, agency and estate administration services to its clients. It also provides trustee services for compensation and charitable trusts.

As at 31 December 2008, the Estate Planning and Administration division had \$1.3 billion in Funds Under Administration. The Estate Planning and Administration division earns revenue on the fees charged for the preparation of wills and estates, deceased estate administration and trustee and attorney services. With the ageing population, demand for these services continues to increase.

AWM markets its estate planning services across mainland Australia. These services are marketed directly to the public and via dealer groups (including Bridges) and other non-aligned financial planning groups.

The Estate Planning and Administration division is able to act as attorney or trustee for clients and these services are delivered in conjunction with the client's key advisers. The Estate Planning and Administration division also has a team of estate administrators who manage deceased estates and trusts on behalf of clients.

In 2005 a simple, cost effective, online wills service (www.easywill.com.au) was launched to accompany the premium estate planning services.

(d) **Corporate Trust**

The Corporate Trust division acts as custodian for investment schemes, trustee or security trustee for securitisation and structured finance transactions, and trustee for note issues. As custodian, the team offers services including holding assets on trust, maintaining bank accounts, making payments based on clients' instructions, executing documents such as leases and sale contracts and providing periodical reports.

For securitisation or structured financial transactions, AET acts as trustee, security trustee, issuing and paying agent, special purpose vehicle management and document custodian.

Corporate Trust is one of the few Australian owned corporate trust operators in this industry. It is carving out its niche by focusing on small and medium sized opportunities.

As at 31 December 2008, the Corporate Trust division had \$24.7 billion of Funds Under Supervision.

(e) **Investment Management**

With \$5.9 billion in Funds Under Management as at 31 December 2008, United provides investment management for wholesale and retail investors, using a manage the manager (or fund of funds) type approach.

United provides a wide range of retail managed investments including sector specific funds as well as a selection of diversified funds. It also offers institutional managed investments across all major asset classes. United has been managing multi-manager funds since 1993.

2.3 AWM Directors and management

The current AWM Directors are:

Mr John Warburton (Chairman – Non-Executive);
Mr Chris Kelaher (Managing Director);
Mr Ian Griffiths (Executive);
Mr Myles Stewart-Hesketh (Non-Executive); and
Mr George Venardos (Non-Executive).

The senior management of AWM are:

Mr Michael Harvey (Chief Financial Officer);
Mr Gary Riordan (Group General Counsel);
Ms Danielle Corcoran (Company Secretary and Head of Human Resources);
Mr Michael Carter (Head of Wealth Management Division);
Mr Andrew McLachlan (Chief Executive Officer, Estate Planning and Administration);
Mr Philip Joseph (Chief Executive Officer, Corporate Trust);
Mr Andrew Todd (Chief Information Officer);
Mr Stuart Steele (General Manager Operations);
Mr Ashley Boland (General Manager Superannuation Distribution);
Mr Jake Jodlowski (General Manager Investments); and
Mr Karl Morris (Managing Director, Ord Minnett).

Details concerning the proposed directors and management of the Merged Entity are set out in Sections 4.6 and 4.7 respectively.

2.4 Business strategy

AWM's key focus is the provision of financial products and services dedicated to the superannuation industry, the growth and profitability of which are underpinned by the government mandated superannuation guarantee.

AWM's business strategy is to build and strengthen its position and competitive advantage as a full-service provider of wealth management services while reducing costs and operating its portfolio of businesses more efficiently.

More specifically, AWM aims to achieve its business strategy through:

- Expanding the distribution network of financial advisors who utilise AWM's suite of financial products.
- Growing funds under management in order to achieve economies of scale and expand customer relationships across the group.
- Growing the Platform Management and Administration and Investment Management divisions through organic growth and acquisitions of complementary businesses.
- Maximising revenue capture per client. The Estate Planning and Administration and Corporate Trust divisions provide niche, revenue diversifying services which increase the range of product offerings.
- Reducing costs and increasing operational efficiency by owning and managing the entire administration process.

2.5 Issued securities

(a) AWM Shares

As at 2 March 2009 (the last practical trading date before this Scheme Booklet was lodged for registration with ASIC), there were 599,525,017 AWM Shares on issue.

(b) **AWM Shareholdings**

As at 2 March 2009 the distribution of AWM Shareholders and holdings was:

Size of holding	No. of shareholders	No. of shares	% of issued capital
1 – 1000	18,863	8,291,387	1.38
1,001 – 5,000	11,034	25,290,902	4.22
5,001 – 10,000	2,436	18,330,118	3.06
10,001 – 100,000	2,228	53,439,067	8.91
100,001 and over	179	494,173,543	82.43
Total	34,790	599,525,017	100.00

(c) **Substantial holders**

According to filings with ASX, as at 2 March 2009 (being the last practical trading date before this Scheme Booklet was lodged for registration with ASIC), the following are substantial holders of AWM under the Corporations Act, having voting power of 5% or more in AWM:

Name	No. of shares	% of issued capital
Trust Company Fiduciary Services Limited	102,249,994	17.06%
Bendigo and Adelaide Bank Limited	33,110,444	5.52%

In addition, AWM itself has a relevant interest in approximately 32 million AWM Shares (representing approximately 5.3% of AWM's total issued share capital). AWM is not the registered holder of these AWM Shares, and is not able to exercise voting rights in respect of these AWM Shares. This substantial holding represents shares subject to escrow agreements, as noted in Section 9.4(b) of this Scheme Booklet.

(d) **AWM Options**

As at 2 March 2009 (being the last practical trading date before this Scheme Booklet was lodged for registration with ASIC), AWM has the following options in respect of AWM Shares on issue:

Grant date	Expiry date	Exercise price	Balance
15 February 2005	15 February 2014	\$0.80	600,000
28 February 2005	16 June 2014	\$1.00	100,000
17 January 2006	17 January 2011	\$1.48	800,000
9 January 2007	9 January 2011	\$2.46	1,600,000

29 March 2007	29 March 2011	\$2.60	390,000
5 September 2007	30 June 2013	\$2.51	2,570,000
22 November 2007	22 November 2012	\$2.68	750,000
1 July 2008	31 August 2012	\$1.34	1,248,000
1 July 2008	1 July 2011	\$1.70	5,400,000
Total			13,458,000

2.6 Recent share price history

The latest recorded price of AWM Shares on ASX on 21 November 2008 (being the last trading day before the Announcement Date) was \$0.76.

The latest recorded share price of AWM Shares on ASX on 2 March 2009 (being the last practical trading date before this Scheme Booklet was lodged for registration with ASIC) was \$0.72.

The highest and lowest recorded share prices of AWM Shares on ASX during the three months prior to the date on which this Scheme Booklet was lodged for registration with ASIC were \$1.15 on 8 January 2009 and \$0.72 on 26 February 2009 and 2 March 2009, respectively.

The three month VWAP prior to the date on which this Scheme Booklet was lodged was \$0.91.

2.7 Historical financial information

Historical financial information in respect of AWM for the years ended 30 June 2007 and 30 June 2008 and for the half year ended 31 December 2008 is included in Annexure E to this Scheme Booklet.

2.8 Availability of documents relating to AWM

As an ASX listed company and a "disclosing entity" under the Corporations Act, AWM is subject to regular reporting and disclosure obligations. Broadly, these require AWM to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

A list of the announcements made to ASX in relation to AWM since 23 October 2008 (being the date of lodgement of AWM's annual report for the year ended 30 June 2008) and before the lodgement for registration of this Scheme Booklet by ASIC is included in Annexure G to this Scheme Booklet.

A copy of the announcements referred to in Annexure G of this Scheme Booklet or any of the following documents will be provided by AWM free of charge to any AWM Shareholder who requests a copy prior to the Scheme Meeting:

- the annual financial report lodged by AWM with ASIC for the year ended 30 June 2008;
- the half year report lodged by AWM with ASIC for the half year ended 31 December 2008; and
- a copy of AWM's constitution.

The above documents can also be accessed on AWM's website (www.awmlimited.com.au) or by calling AWM's Corporate Affairs Department on 02 9028 1054.

Additionally, copies of documents lodged with ASIC in relation to AWM may be obtained from, or inspected at, an ASIC office.

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3. INFORMATION ON IOOF

The information in this Section 3 has been provided by IOOF and IOOF is responsible for its accuracy.

3.1 Introduction

If the Scheme is Implemented, Scheme Participants (other than Ineligible Overseas Scheme Participants) will receive New IOOF Shares in exchange for their AWM Shares. On Implementation of the Scheme, the New IOOF Shares received will be shares in the Merged Entity.

The extent of information contained in this Section reflects the fact that IOOF Shares are continuously quoted securities on the ASX. IOOF is a "disclosing entity" for the purposes of the Corporations Act and is subject to continuous reporting and disclosure obligations.

3.2 IOOF's history and structure

IOOF is a public company listed on ASX (code: IFL).

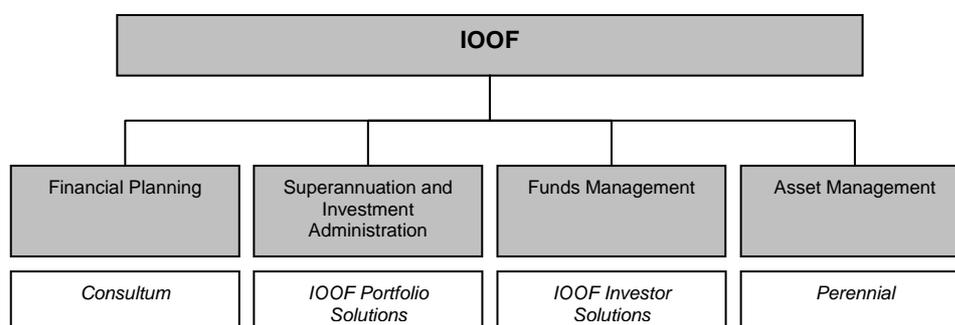
The IOOF Group is an independent Australian financial services provider, specialising in investment and superannuation management and administration. As at 31 December 2008, IOOF had Funds Under Administration and Funds Under Management of approximately \$23.7 billion.

IOOF's goal is to deliver simple investment solutions for investors, to create rewarding investment partnerships with advisers, and to deliver personal and efficient customer service to both.

IOOF has its origins as the Independent Order of Odd Fellows formed in the mid-1800's. Following its period as a friendly society, IOOF subsequently evolved into a dedicated financial services organisation before demutualising in 2002. IOOF listed on the ASX in December 2003.

3.3 Main activities

IOOF is currently structured into four divisions operating across the spectrum of the wealth management value chain. IOOF's four operating divisions are set out below.



(a) **Financial Planning: Consultum**

Consultum focuses on the provision of financial planning support services to financial advisers. Consultum's goal is to create a unique adviser/client

experience, characterised by life-stage financial planning and a long-term partnership with the client.

Consultum, owned 100% by IOOF, was created in 2006 following the merger of two significant Australian financial planning groups: Winchcombe Carson Financial Planning and Financial Partnership.

Consultum acts as an Australian Financial Services Licencee to a panel of approximately 100 authorised financial advisers, located across Australia.

In this capacity, Consultum delivers services such as software support, professional development, professional standards and marketing to the associated financial advisers allowing them to create and maintain successful advice businesses in their local areas. The network of financial advisers provides professional financial advice and services to members of the Australian public on retirement planning, superannuation, wealth creation, estate planning and risk management.

In 2008, Consultum:

- appointed over 20 new authorised representatives;
- developed and launched an adviser cadetship program, designed to reduce pressure from the skills shortage in the financial planning industry; and
- introduced a customised version of financial planning software solution, IRESS' Xplan application, designed to enhance efficiencies within adviser practices.

Consultum had Funds Under Advice of \$1.9 billion as at 31 December 2008.

(b) ***Superannuation and Investment Administration: IOOF Portfolio Solutions***

IOOF Portfolio Solutions is responsible for creating, administering and distributing investment and superannuation administration services to advisers, their clients and employers.

IOOF currently has three major administration platforms: Pursuit, IOOF Portfolio Service and LifeTrack. These platforms allow advisers and investors to construct and manage a range of investments, with the administrative record-keeping and reporting burdens handled by IOOF. Portfolio Solutions' strategy and activity aims to deliver simple superannuation and investment solutions for superannuants and investors, create rewarding partnerships with advisers and provide personal and efficient customer service.

Pursuit is IOOF's flagship platform that is presently recognised as one of the leading platforms in the industry. It comprises both a low cost simple option (Pursuit Core) and a more sophisticated option (Pursuit Select) that is geared towards those superannuants and investors who want more features and a greater range of investment options.

IOOF Portfolio Service and LifeTrack are IOOF's traditional products utilised by the corporate and employer markets. They offer a range of investment options and associated features including direct share investments and a range of managed funds and multi-managers.

In 2008, IOOF Portfolio Solutions' distribution activities focused on growing active adviser numbers (being the number of advisors actively using an IOOF Portfolio

Solutions product) and increasing funds flow from existing relationships including its fund flows from Bendigo and Adelaide Bank Limited which is a key user of the Pursuit product.

Also in 2008, IOOF Portfolio Solutions:

- was identified by a prominent industry survey as one of the top five operators within the platform industry in "ease of doing business" and "administrative support";
- received the highest rating by various industry bodies for the Pursuit superannuation products; and
- launched web-based financial services product, "individuum", developed exclusively for younger investors.

IOOF had Funds Under Administration in IOOF Portfolio Solutions of \$5.7 billion as at 31 December 2008.

(c) **Funds Management: IOOF Investor Solutions**

IOOF Investor Solutions develops and packages IOOF-branded investment products tailored to meet the needs and aspirations of mainly retail investors. IOOF Investor Solutions aims to achieve this by developing simple and relevant investment solutions and reinforcing the value of financial advice.

IOOF Investor Solutions is built around IOOF's multi investment manager and friendly society capabilities. These make up the two main investment categories:

- **Multi-Manager:** In 2008 the Multi-Manager funds were restructured into the IOOF MultiMix Trusts. This restructure has re-positioned IOOF's Multi-Manager capabilities, improving product flexibility and IOOF's ability to be increasingly innovative with these products; and
- **Investment Bonds:** These products are issued by IOOF's friendly society. In late 2008, IOOF's existing IOOF Supersaver Options investment bond offering was relaunched into a new generation of simple investment products under the label of IOOF WealthBuilder.

IOOF Investor Solutions employs a specialist, experienced team of investment and product specialists who construct and manage the range of funds. This team utilises a diverse range of asset managers, in all major asset classes, to invest the funds on behalf of the IOOF MultiMix and WealthBuilder products.

IOOF Investor Solutions also encompasses IOOF Private Client Advisers, IOOF's in-house advisers, who support IOOF's direct client base and their investment needs.

IOOF had Funds Under Management in IOOF Investor Solutions of \$3.7 billion as at 31 December 2008.

(d) **Asset Management: Perennial**

PIPL, 100% owned by IOOF, is an investor in and service provider to a suite of specialist investment management boutiques focussing on particular asset classes or investment philosophies. PIPL is also a service provider to institutional investors. The objective of Perennial (comprising PIPL and the investment management boutiques) is to provide superior investment returns for its clients through its asset management services.

Under the Perennial model, individual investment managers own a substantial equity interest in the investment management boutique. These boutiques cover most major asset classes. The investment management boutiques covering major asset classes include the following:

- Perennial Value: IOOF Group's shareholding interest is 52.4% and its dividend entitlement is 42.3% of the profits of Perennial Value, with the balance held by staff. Perennial Value invests in Australian equities with a value investment philosophy focus;
- Perennial Growth: 60% owned by the IOOF Group with the balance held by staff. Perennial Growth invests in Australian equities with a growth investment philosophy focus;
- Perennial Fixed Interest: 74.7% owned by the IOOF Group with the balance held by staff. Perennial Fixed Interest invests in Australian and global fixed interest products; and
- Perennial Real Estate, 50% owned by the IOOF Group with the balance held by staff, Perennial Real Estate invests in Australian and global listed property trusts.

In 2008, Perennial:

- launched Perennial Partners Trust, a product designed to take advantage of volatile investment markets and bring together the highest conviction idea of Perennial's specialist investment management boutiques;
- received Money management/Lonsec's 2008 Fund Manager of the Year Winner (Overall);
- received Money management/Lonsec's 2008 Fund Manager of the Year Winner (Australian Equities – Broad Caps) for Perennial Growth Management;
- received the following awards at the Money Magazine Best of the Best 2008 awards:
 - Winner – Best Fund Manager – PIPL;
 - Winner – Best Australian Fixed Interest Fund – Perennial Fixed Interest;
 - Second place in the Best Growth Fund category – Perennial Balanced;
 - Second place in the Best Australian Shares Fund category – Perennial Value;
 - Third place in the Best Australian Shares Fund category – Perennial Growth; and
- was a finalist in the 2008 AFR/Smart Investor Blue Ribbon Award for Global Listed Property after winning the title in 2007.

Perennial managed approximately \$14.3 billion as at 31 December 2008 on behalf of its institutional and retail clients.

3.4 IOOF Directors and management

The current IOOF Directors are:

Mr Ian Blair (Non-Executive Chairman);
Dr Roger Sexton (Non-Executive Deputy Chairman);
Mr Roderick Harper (Non-Executive Chairman);
Ms Jane Harvey (Non-Executive);
Mr Tony Hodges (Chief Investment Officer);
Mr James Pfeiffer (Non-Executive);
Mr Tony Robinson (Chief Executive Officer and Managing Director); and
Ms Kate Spargo (Non-Executive).

The senior management of IOOF are:

Mr Mark Blackburn (Chief Financial Officer);
Ms Adrianna Bisogni (General Counsel);
Mr Peter Wallbridge (General Manager – HR & Corporate Marketing);
Mr John Billington (General Manager, IOOF Portfolio Solutions);
Mr Renato Mota (General Manager, IOOF Investor Solutions);
Mr Anthony Patterson (Managing Director, PIPL); and
Mr Stuart Abley (Head of Consultum).

Details concerning the experience and qualifications of the proposed directors and management of the Merged Entity are set out in Sections 4.6 and 4.7 respectively.

3.5 Business strategy

IOOF's business strategy is to build a strong and competitive business in the superannuation and investment industry.

IOOF aims to realise this business strategy through:

- building on its strengths and existing core competencies in specific market segments;
- expanding its distribution footprint and capability in each of its key business units;
- continuing the development of products and solutions that reflect the market needs in each of the market segments;
- growing its FUMA in each of the key business units;
- investing capital wisely in initiatives that will help the businesses grow and expand their market share;
- prudently reinvesting in each of the businesses in a manner that manages risk whilst encouraging initiative and innovation;
- optimising the industry knowledge and understanding of staff and providing them with maximum opportunity to apply that expertise; and
- carefully balancing compliance and legal obligations with efforts to streamline and simplify expertise.

3.6 Issued securities

As at 2 March 2009 (the last practical trading date before this Scheme Booklet was lodged for registration with ASIC) there were 68,905,339 IOOF Shares on issue (including performance shares held on trust under the IOOF Executive Performance Share Plan).

Additional IOOF Shares may need to be issued in the future in order to satisfy obligations under the IOOF Executive Performance Share Plan, further details of which are set out in Section 9.3(c) of this Scheme Booklet.

As at 2 March 2009, the distribution of IOOF Shareholders and holdings was:

Size of holding	No. of holders	No. of shares	% of issued capital
1 – 1000	16,892	7,777,689	11.29
1,001 – 5,000	9,974	20,965,207	30.43
5001 – 10,000	1,006	7,164,909	10.40
10,001 – 50,000	366	6,331,614	9.18
50,001 – 100,000	18	1,220,577	1.77
100,101 and over	25	25,445,343	36.93
Total	28,281	68,905,339	100.00

According to filings with the ASX, as at 2 March 2009 (being the last practical date before this Scheme Booklet was lodged for registration with ASIC), the following are substantial holders of IOOF under the Corporations Act, having voting power of 5% or more in IOOF.

Name	Ordinary Shares Held	% of Total Shareholding
Bendigo and Adelaide Bank Limited	9,061,542	13.15%

As at 2 March 2009, there were 176,012 redeemable converting preference shares in IOOF on issue. The redeemable convertible preference shares convert into ordinary IOOF Shares on 30 April 2009 (provided the relevant nominated adviser remains an authorised representative of the IOOF Group at that time) or upon the occurrence of specified events in accordance with the terms of issue.

Prior to conversion, a holder of a redeemable converting preference share will be entitled to an amount equal to any dividend declared in respect of IOOF Shares. On a winding up of IOOF, holders of the redeemable converting preference shares will be entitled to a return of the redemption price before any return of capital is made to holders of IOOF Shares.

As at 2 March 2009 (being the last practical trading date before this Scheme Booklet was lodged for registration with ASIC), IOOF has entered into agreements to issue up to 1,405,000 options in respect of IOOF Shares to certain senior executives as part of their employment contracts. Further information regarding IOOF's incentive arrangements for executives is provided in Section 9.3(c) of this Scheme Booklet.

IOOF has also implemented an IOOF Equity Participation Program for eligible authorised representatives of Consultum who are identified as key contributors to the Consultum business. Under this program, eligible authorised representatives are given the opportunity to receive IOOF Shares or (at the discretion of the board of directors of IOOF) a cash equivalent, subject to satisfying certain vesting conditions over a three year program cycle. The vesting conditions are both time and performance-based.

As at 2 March 2009, the maximum number of IOOF Shares to which current participants of the program may be entitled is 170,893.

Other than the securities listed in this Section 3.6 and the IOOF Shares to be issued as consideration pursuant to the Scheme, there are no other IOOF options, rights, shares, convertible instruments or other equity securities (or offers or agreements to issue any of the foregoing).

3.7 Recent share price history

The latest recorded price of IOOF Shares on ASX on 21 November 2008 (being the last trading day before the Announcement Date) was \$3.39.

The latest recorded share price of IOOF Shares on ASX on 2 March 2009 (being the last practical trading date before this Scheme Booklet was lodged for registration with ASIC) was \$2.71.

The highest and lowest recorded share prices of IOOF Shares on ASX during the three months prior to the date on which this Scheme Booklet was lodged for registration with ASIC were \$3.97 on 31 December 2008 and \$2.56 on 23 February 2009, respectively.

The three month VWAP prior to the date on which this Scheme Booklet was lodged was \$3.37.

3.8 OM Acquisition

On 27 February 2009, IOOF entered into a share sale agreement to acquire the OM Business. If the Scheme is not Implemented by 31 May 2009, then IOOF will issue AWM 2 million new IOOF Shares as compensation for AWM agreeing to withdraw from the bid, as described in Section 9.11(a) of this Scheme Booklet.

Further information on the proposed acquisition of the OM Business and the funding arrangements are included in Section 9.11(a) of this Scheme Booklet.

3.9 Historical financial information

Historical financial information in respect of IOOF for the years ended 30 June 2007 and 30 June 2008 and for the half year ended 31 December 2008 is included in Annexure E of this Scheme Booklet.

3.10 Availability of documents relating to IOOF

As an ASX listed company and a "disclosing entity" under the Corporations Act, IOOF is subject to regular reporting and disclosure obligations. Broadly, these require IOOF to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

A list of the announcements made by IOOF to ASX since 30 September 2008 (being the date of lodgement of IOOF's annual report for the year ended 30 June 2008) and before the lodgement for registration of this Scheme Booklet by ASIC is included in Annexure F to this Scheme Booklet.

A copy of the announcements referred to in Annexure F of this Scheme Booklet or any of the following documents will be provided by IOOF free of charge to any AWM Shareholder who requests a copy prior to the Scheme Meeting:

- the annual financial report lodged by IOOF with ASIC for the year ended 30 June 2008;
- the half year financial report lodged by IOOF with ASIC for the half year ended 31 December 2008; and
- a copy of IOOF's constitution.

The above documents can also be accessed by calling IOOF's Investor Relations Department on 03 8614 4818.

Additionally, copies of documents lodged with ASIC in relation to IOOF may be obtained from, or inspected at, an ASIC office.

3.11 Issue of New IOOF Shares

New IOOF Shares may be issued by IOOF under the Scheme without prior shareholder approval due to an exception to Listing Rule 7.1 of ASX Listing Rules for shares issued under a scheme of arrangement.

The New IOOF Shares will rank equally with all existing issued IOOF Shares from their date of issue.

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4. INTENTIONS REGARDING AWM AND PROFILE OF THE MERGED ENTITY

4.1 Overview of intentions

This Section 4 sets out the intentions for the Merged Entity (if the Merger takes effect), including the intentions in relation to the following:

- the continuation of the business of AWM;
- any major changes to the business of AWM and any redeployment of the fixed assets of AWM; and
- the future employment of the present employees of AWM and IOOF.

This Section 4 outlines the intentions of AWM and its directors and of IOOF and its directors, in each case having regard to the intentions of those who will comprise the board of the Merged Entity. The intentions have been compiled by AWM's current board, as the managing director of AWM will be the managing director of the Merged Entity. IOOF's current board has confirmed that it agrees with the stated intentions for the Merged Entity.

These statements of intention are based on the information concerning AWM and IOOF, their businesses and the general business environment which is known to AWM and IOOF at the time of preparation of this Scheme Booklet. Accordingly, the statements set out in this Section 4 are statements of current intention only which may change as new information becomes available or circumstances change.

4.2 General intentions

If the Merger takes effect, the Merged Entity will maintain and enhance AWM's and IOOF's existing businesses to maximise their operating performance and so maximise value for shareholders.

This will involve the integration of key elements of their businesses and some centralisation and rationalisation of business functions. While the integration process will be conducted within a reasonable time frame, management has significant experience integrating businesses and are cognisant of the need to minimise disruption to clients (including advisers and investors).

It is not intended that any major changes would be made to the underlying businesses of IOOF and AWM. In particular, it is intended that the Merged Entity will:

- maintain and develop the existing businesses of both AWM and IOOF and the vertical integration strategy of distribution, platform and investment currently adopted by both AWM and IOOF;
- capitalise on revenue growth opportunities, and rationalise duplicated services, products and business functions;
- capitalise on the Merged Entity's increased financial capacity and flexibility to pursue value adding acquisition opportunities;
- maintain the various brands of AWM and IOOF and use its increased size to boost its marketing and advertising activities;
- retain the high degree of autonomy of key business units, including Bridges, Perennial and Ord Minnett;

-
- continue the current operations of AET in Adelaide and continue its efficiency drive;
 - maintain both AWM's and IOOF's strong focus on capturing scale benefits and growing earnings; and
 - maintain the employment of key employees of AWM and IOOF and, more broadly, maintain the employment of all other employees subject to the need to eliminate duplication of roles and responsibilities, which will be conducted on a merits basis.

4.3 Merged Entity's business

The merger of AWM and IOOF will create an entity with a considerable depth of expertise in the financial services industry and combine highly complementary businesses.

The Merged Entity (which will retain the name IOOF Holdings Ltd) will provide its clients with a diverse range of financial services and products. An outline of these is provided below:

(a) **Financial Planning**

The Merged Entity will support more than 580 aligned financial planners and have Funds Under Advice of approximately \$14.7 billion as at 31 December 2008, ranking the Merged Entity in the top 10 financial planning groups in Australia (by number of financial planners).

Australia's compulsory superannuation system is expected to drive demand for quality advice and service. The Merged Entity will seek to maintain AWM's existing strong relationship with and interest in listed financial solutions distributor DKN.

The Merged Entity's Financial Planning business will include:

- Bridges and Wealth Managers and other AWM aligned financial planners, represented by 308 financial planners located in 13 offices nationally;
- Consultum financial planning comprising approximately 106 financial planners;
- Ord Minnett financial planning comprising approximately 172 financial advisers;
- partly owned financial solutions distributor, DKN;
- dealer services agreements in place with independent financial planning groups;
- a dedicated research team;
- licensed stockbroking services; and
- 190 referral partners.

(b) **Platform Management & Asset Administration**

The Merged Entity will comprise AWM's master trust business, including Spectrum Super and AET, and IOOF's portfolio services including Pursuit, IOOF Portfolio Service and LifeTrack. The Merged Entity will be well positioned to benefit from expected long term increases in Funds Under Administration and Funds Under Advice across the industry. The Merger will enhance the Merged Entity's competitiveness in the Platform administration market. The Merged Entity will

have total Funds Under Administration of \$17.0 billion based on the Funds Under Administration of IOOF and AWM as at 31 December 2008.

The Merged Entity will manage and administer:

- personal superannuation;
- corporate superannuation;
- pension funds;
- non-superannuation; and
- small APRA and self-managed superannuation funds.

The Merged Entity will also provide administration services for external superannuation providers.

(c) **Investment management**

The Merged Entity's investment capabilities will comprise AWM's and IOOF's multi-manager products, as well as Perennial, a leading Australian boutique investment management house with over \$14.3 billion in Funds Under Management as at 31 December 2008. In total, the Merged Entity will have Funds Under Management of approximately \$23.9 billion based on Funds Under Management of IOOF and AWM as at 31 December 2008.

It is intended that the Merged Entity will offer the following funds management services:

- single manager sector funds;
- multi-manager sector funds;
- multi-manager multi-sector funds;
- mandates for institutional investors;
- boutique funds; and
- wholesale funds management.

(d) **Trust Services**

The Merged Entity will continue to provide trustee services through AET. AET is a specialist provider of trustee services and wealth management products and services, as well as wealth preservation and transfer services. AET services include:

- national estate planning, trustee, agency and estate administration services; and
- corporate trust services, which include acting as custodian, trustee or security trustee for various financial products and transactions.

(e) **Investments**

The listed Merged Entity will have investments in listed companies with a share market value of \$18.49 million as at 2 March 2009. These investments include:

-
- DKN: 19.3% shareholding;
 - Australian Ethical Investment Limited: 19.9% shareholding;
 - Tasmanian Perpetual Trustees Limited: 5.6% shareholding; and
 - MacarthurCook Limited: 12.8% shareholding.

(f) **Growth opportunities**

The Merged Entity will have solid growth opportunities including:

- a strong industry position with FUMAS of approximately \$82 billion, excluding FUMA associated with the business of Ord Minnett, based on the Disclosed FUMAS of IOOF and AWM;
- revenue growth opportunities from an expanded distribution network and product and service offering;
- sound industry dynamics, underpinned by government mandated growth in superannuation;
- two successful complementary companies through their master trusts and asset management businesses;
- a market leading financial advisory business, with a portfolio of recognised brands;
- the opportunity to capture benefits of scale; and
- the attraction of the Merged Entity's investment in the dedicated asset management business, Perennial.

4.4 Outlook

The Merged Entity will be positioned to take advantage of the long term organic growth prospects of the wealth management industry, in particular, the high growth superannuation sector.

Additional growth opportunities are expected from industry consolidation and other corporate opportunities. AWM has demonstrated its ability to capitalise upon industry consolidation and has undertaken a number of strategic acquisitions which have been successfully integrated and added significant value to its business. The Merged Entity is expected to seek acquisition opportunities across the wealth management industry, such as the acquisition of the OM Business as described in Sections 3.8 and 9.11(a) of this Scheme Booklet.

The Merged Entity is expected to capture material cost synergies available from the Merger. Revenue growth opportunities are also expected from the Merger. The combination of these is expected to enhance the Merged Entity's future earnings.

4.5 Continuation of business

It is the present intention that the Merged Entity will:

- continue to operate the businesses of AWM and IOOF in substantially the same manner as they are currently being conducted, but will seek synergies wherever possible;
- retain AWM's and IOOF's trademarks, brands and other intellectual property; and

-
- not redeploy any of the other major fixed assets of AWM or IOOF.

4.6 Board of directors

The information in Sections 4.6(a), 4.6(c), 4.6(d) and 4.6(e), has been provided by IOOF and IOOF is responsible for its accuracy. The remainder of the information in this Section 4.6 has been provided by AWM and AWM remain responsible for its accuracy.

If the Merger takes effect, the Merged Entity's board of directors will comprise:

- Mr Ian Blair (currently Chairman of IOOF), Non-Executive Chairman;
- Mr Chris Kelaher (currently Managing Director of AWM), Managing Director;
- Dr Roger Sexton (currently Non-Executive Deputy Chairman of IOOF), Non-Executive Director;
- Ms Jane Harvey (currently Non-Executive Director of IOOF), Non-Executive Director;
- Mr James Pfeiffer (currently Non-Executive Director of IOOF), Non-Executive Director;
- Mr Ian Griffiths (currently Executive Director of AWM), Executive Director; and
- Mr George Venardos (currently Non-Executive Director of AWM), Non-Executive Director.

Brief biographies of the proposed Merged Entity's board are provided below:

(a) ***Mr Ian Blair OAM, Chairman
MMgt, FCA***

Mr Blair has been a Non-Executive Director of IOOF since 2002 and Chairman since 2005. He was a Non-Executive Director of IOOF Ltd from 2000 to 2002. He is currently a member of the Remuneration and Nomination Committee. Mr Blair is a Chartered Accountant and a Company Director, having had a long career with accounting firm Deloitte Touche Tohmatsu, including five years as CEO of the firm. He is also a Director of SAS Trustee Corporation (NSW State Superannuation Fund), Capral Aluminium Ltd and Chairman of Bisley & Company Pty Ltd. Mr Blair has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community.

(b) ***Mr Christopher Kelaher, B.Ec., LL.B., ASIA – Managing Director***

Mr Kelaher has served as managing director of AWM's principal operating businesses since 1997 and has more than 20 years investment management and business development experience. Mr Kelaher was previously joint Managing Director of Citicorp Global Asset Management from 1985 to 1997. Mr Kelaher also serves as a director of DKN.

(c) ***Dr Roger Sexton B.Ec. (Hons), M.Ec. Ph.D (Econ), FAICD, FAIM, FFin, C. P
Mgr, C.Univ – Non-Executive Director***

Dr Sexton has been a Non-Executive Director of IOOF since 2002 and is currently its Deputy Chairman. He is a Director of PIPL and is a member of IOOF's Remuneration and Nominations Committee.

Dr Sexton has had over twenty years experience in senior management and is a specialist in the areas of corporate reconstruction, mergers and acquisitions, and privatisations. Dr Sexton is currently Chairman of Beston Pacific Asset Management Pty Ltd, Chairman of KeyInvest Limited and is a director of IBIS World Pty Ltd and TWT Limited (since 2008).

(d) **Ms Jane Harvey B.Com, M.B.A., FCA, FAICD – Non-Executive Director**

Ms Harvey has been a Non-Executive Director of IOOF since 2005. She is also a Director of IIML, IOOF Ltd and IOOF Life Ltd. Ms Harvey is the Chairman of IOOF's Audit and Risk Committee, and a member of its Remuneration and Nominations Committee.

Ms Harvey was Partner of PricewaterhouseCoopers from 1996 to 2002 and has extensive business, finance and general management skills in a range of line management and consulting roles across many industry sectors. Ms Harvey is currently a director of Alfred Health, Telecommunications Industry Ombudsman, Boom Logistics Limited, Colonial Foundation Trust and Medibank Private Limited.

(e) **Mr James Pfeiffer BA, LLB – Non-Executive Director**

Mr Pfeiffer has been a Non-Executive Director of IOOF since 2005. He is also Chairman of IIML, IOOF Ltd and IOOF Life Ltd. Mr Pfeiffer is Chairman of the Governance Committee of IOOF and a member of its Audit and Risk Committee.

Mr Pfeiffer is a solicitor and a consultant to Freehills. Mr Pfeiffer was a Partner of Freehills for 25 years, practising in the areas of corporate/commercial law. Mr Pfeiffer has experience in both corporate governance and risk management and is active in several other community organisations.

(f) **Mr Ian Griffiths CAC c, DipAll, MIIA – Executive Director**

Mr Griffiths was appointed as an executive director of AWM on 29 May 2006, having previously served as executive director of Select since 1989. It is the current intention of Mr Griffiths to transition to a non-executive director role with the Merged Entity by July 2009.

Mr Griffiths has more than 30 years' experience in the financial and superannuation industries. Mr Griffiths joined Select after a career in superannuation administration and consulting commencing with AMP in 1972. His industry knowledge and skills, particularly in operations and mergers and acquisitions, has been central to the growth of AWM to date. Mr Griffiths is also a member of AWM's Remuneration and Appointments Committee.

(g) **Mr George Venardos B.Com, FCA, FCIS, F TIA, FA ICD – Non-Executive Director**

Mr Venardos was appointed to the board of AWM in January 2008 as a non-executive director. He is also the Chairman of AWM's Statutory Audit and Risk Management Committee. Mr Venardos, who was previously Chief Financial Officer of Insurance Australia Group Limited (IAG), has more than 29 years' experience in financial services. Prior to joining IAG, Mr Venardos held the position of Executive Director and General Manager, Finance and Corporate Services, with the Legal & General Group in Australia.

Mr Venardos was the Chairman of the Finance and Accounting Standing Committee for the Insurance Council of Australia. In 2003, Mr Venardos was awarded CFO of the Year in Insto Magazine's Annual Distinction Awards.

4.7 Management team and employees

If the Merger takes effect, the management team of the Merged Entity will be headed by current AWM Managing Director, Chris Kelaher.

AWM and IOOF have significant management depth and talent. Executive positions in the Merged Entity will be determined based on an assessment of merit.

If the Merger takes effect, it is the current intention that the Merged Entity will continue the employment of key employees of AWM and IOOF, and more broadly, will continue the employment of all other employees, subject to the need to eliminate duplication of roles and responsibilities (which will be conducted on a merits basis).

4.8 Corporate matters

If the Scheme is Implemented, and subject to the matters set out below, the Merged Entity will:

- arrange for the quotation on ASX of all AWM Shares to be discontinued and for AWM to be delisted;
- reconstitute the board of IOOF as described in Section 4.6; and
- adopt a similar corporate governance framework as that currently adopted by AWM and IOOF, adjusted to reflect any particular needs of the Merged Entity.

4.9 Ownership

The following table sets out the number of IOOF Shares on issue as at 2 March 2009 and the number of New IOOF Shares expected to be issued to AWM Shareholders, and their consequent percentage holding in the Merged Entity, if the Merger proceeds.

IOOF Shares on issue at 2 March 2009	New IOOF Shares to be issued	Merged Entity total shares	% Merged Entity held by AWM Shareholders
68,905,339	160,730,568	229,635,907	69.99 %

Please see section 9.8 for further information on the treatment of the IOOF Shares held by AWM in the event that the Merger is Implemented.

Should the Merger be approved, it is expected that the following will be substantial shareholders of the Merged Entity under the Corporations Act, having voting power of 5% or more in IOOF, based on the details of the share registers of IOOF and AWM as at 2 March 2009 (being the last practical trading date before lodgement of this Scheme Booklet with ASIC).

Name	No. of shares	% of issued capital (approx.)
Trust Company Fiduciary Services Limited	27,412,867	11.94%
Bendigo and Adelaide Bank Limited	17,938,337	7.81%

4.10 Merged Entity financial information

The historical financial information in this Section 4.10 in relation to IOOF has been provided by IOOF and IOOF is responsible for its accuracy. The remainder of this Section 4.10 has been provided by AWM and AWM is responsible for its accuracy.

(a) **Introduction**

The financial information set out below comprises the following:

- Merged Entity pro forma Income Statement for the year ended 30 June 2007;
- Merged Entity pro forma Income Statement for the year ended 30 June 2008;
- Merged Entity pro forma Income Statement for the half year ended 31 December 2008; and
- Merged Entity pro forma Balance Sheet as at 31 December 2008.

The financial information in this Section 4.10 is based on:

- AWM's and IOOF's respective audited financial statements for the years ended 30 June 2007 and 30 June 2008, prepared in accordance with Australian Accounting Standards and Interpretations;
- AWM's and IOOF's respective auditor-reviewed financial statements for the half year ended 31 December 2008, prepared in accordance with Australian Accounting Standards and Interpretations applicable to half year financial reports; and
- the assumptions and adjustments set out in this Section 4.10.

The financial information in this Section is presented for illustrative purposes only. The presentation of pro forma financial information for the years ended 30 June 2007 and 30 June 2008 and for the half year ended 31 December 2008 provides AWM Shareholders with a meaningful and reliable indication of the profile of the Merged Entity over that time period. However, the pro forma financial information cannot be relied upon as indicative of the expected future performance of the Merged Entity. The future performance of the Merged Entity will inevitably be materially different from the information set out in the pro forma financial information as it will reflect performance in the half year ended 30 June 2009 and later years rather than the historical period to which it relates.

AASB 3 Business Combinations requires that a business combination be accounted for by applying the "purchase method". The purchase method requires the identification of an acquirer of the relevant entity or business.

Under AASB 3, the acquirer is defined as the entity that obtains control of the other entity or business. Based on the factors identified in AASB 3 and the intended composition of the Merged Entity's board following the Merger, IOOF, as the legal acquirer, has determined that IOOF is the acquirer of AWM for the purposes of AASB 3. IOOF has sought professional advice in relation to the identification of the acquirer and that professional advice supports the conclusion that IOOF is the acquirer of AWM.

The financial information in this Section 4.10 should be read in conjunction with the risks described in Section 5 of this Scheme Booklet and other information contained in this Scheme Booklet.

The financial information contained in this Section 4.10 has been presented in abbreviated form. It does not contain all the disclosures usually provided in an annual report prepared in accordance with the Corporations Act. Further, the financial information presented has been adjusted for one-off items. Reconciliations between the financial information presented in this section to the audited or auditor-reviewed results of AWM and IOOF respectively are provided in Annexure E.

Deloitte Touche Tohmatsu has prepared an Investigating Accountants' Report in respect of the pro forma financial information included in this section, a copy of which is included in Annexure D of this Scheme Booklet.

(b) ***Basis of preparation of pro forma Income Statement for the Merged Entity***

The Merged Entity pro forma Income Statements for the years ended 30 June 2007 and 30 June 2008 and for the half year ended 31 December 2008 have been prepared by aggregating the statutory Income Statements for AWM and IOOF adjusted for the following:

- the full impact of Ord Minnett trading results from 1 July 2006 given its inclusion in statutory results only commenced 1 June 2008;
- the full impact of Finium's trading results from 1 July 2006 given its inclusion in statutory results only commenced 1 June 2007;
- profit and loss items of a non-recurring nature; and
- the elimination of transactions between AWM and IOOF, being the dividends received by AWM from IOOF of \$0.2 million for the year ended 30 June 2008 and \$0.2 million for the half year ended 31 December 2008.

The Merged Entity pro forma Income Statements do not include the impact of the acquisition by IOOF of the OM Business described in Section 9.11(a).

No other pro forma adjustments have been made to the Merged Entity pro forma Income Statements. Reconciliations of the audited or auditor-reviewed statutory Income Statements of both IOOF and AWM to the Merged Entity pro forma Income Statement presented below are included in Annexure E.

(c) ***Merged Entity pro forma Income Statement***

The Merged Entity pro forma Income Statements for the years ended 30 June 2007 and 30 June 2008 and for the half year ended 31 December 2008 are summarised in the table below.

Income Statement				
Merged Entity pro forma				
(\$ millions)	Note	12 months to Jun 2007	12 months to Jun 2008	6 months to Dec 2008
Net operating revenue		609.6	642.3	263.8
Dividends received and share of associates profit	1	10.7	9.1	4.3
Profit (loss) on assets	2	103.8	(118.5)	(104.7)
Operating expenses		(529.9)	(393.7)	(101.3)
EBITDA		194.2	139.2	62.1
Depreciation		(6.2)	(5.9)	(2.8)
Amortisation / Impairment	3	(12.5)	(12.4)	(4.5)
EBIT		175.5	120.9	54.8
Net interest income		4.9	6.7	2.0
Profit before tax (PBT)		180.4	127.6	56.8
Income tax expense		(77.8)	(26.2)	(19.5)
NPAT before minority interests		102.6	101.4	37.3
Minority interests		(5.4)	(4.8)	(0.9)
NPAT		97.2	96.6	36.4
UNPAT adjustments	4	2.0	(1.3)	(5.4)
UNPAT		99.2	95.3	31.0

Numbers may not add due to rounding.

- Notes:
- (1) Revenue from DKN, Tasmanian Perpetual Trustees Limited and Australian Ethical Investment Limited, derived by AWM, and from Perennial Value, derived from IOOF.
 - (2) These profits (losses) relate to the benefit funds of IOOF Ltd, a subsidiary of IOOF. Fair value profits (losses) on other financial assets are measured at fair value through IOOF's income statement.
 - (3) Impairment charges incurred by AWM and IOOF have been adjusted in the pro forma reconciliation as detailed in Annexure E as these items are considered non-recurring in nature.
 - (4) UNPAT is a measure used by IOOF to reflect certain recurring adjustments. These adjustments represent NPAT excluding the after tax impact of acquiring the remaining minority interests in PIPL and revaluations of liabilities arising from PIPL group shareholder agreements.

Statutory Income Statements for each of IOOF and AWM for the years ended 30 June 2007 and 30 June 2008 and for the half year ended 31 December 2008 are included in Annexure E together with a reconciliation to the Merged Entity pro forma Income Statements.

(d) **Management discussion and analysis of pro forma Merged Entity results**

Net operating revenue

The Merged Entity's net operating revenue will be predominantly comprised of fee revenue, namely management fees, membership fees and insurance commissions, less commission expenses. Management fees, which will comprise the majority of the Merged Entity's fee revenue, are primarily based on the Merged Entity's level of FUMAS. Commissions, which are paid to Bridges financial planning practices

as well as externally-licensed financial advisers who use the Merged Entity's Platforms, represent a significant expense. The level of commission paid is based on the level of FUMAS and new business flows.

FUMAS growth comprises both organic growth and acquisitions. Organic growth in FUMAS reflects the following components:

- investment market returns;
- ongoing contributions, from compulsory superannuation and voluntary contributions;
- funds inflow from new members/clients, new planners and other business supporters;
- outflows arising from any loss of members/clients, death benefits, fees and funds expenses; and
- funds inflow from the transition of new employers funds to the Merged Entity's products (sourced by the Merged Entity's team of business development managers).

Benefit funds of IOOF Ltd

The Merged Entity pro forma Income Statements include the benefit funds of IOOF Ltd, a subsidiary of IOOF, and any controlled trusts. The inclusion of the benefit funds has no impact on the net profit that would be attributable to the members of the Merged Entity.

Operating expenses

Staff costs account for a significant portion of net operating expenses (around 60%) for the Merged Entity on a pro forma basis. A significant portion of staffing costs relate to the resources allocated to servicing the members of the Merged Entity's superannuation funds.

Operating expenses include (non-cash) share-based payments expense of \$3.9m in the year ended 30 June 2007, \$5.4m in the year ended 30 June 2008 and \$2.5m in the half year ended 31 December 2008.

Other expenses

Amortisation expense largely represents the amortisation of the identifiable intangible assets identified in prior accounting periods currently existing in the respective businesses of AWM and IOOF.

No adjustment has been made to reflect any change to the amortisation expense in respect of identifiable intangible assets that may arise upon the determination of the fair value of AWM's net assets at the Implementation Date. The assessment of the fair value of AWM's identifiable intangible assets and/or the estimated useful lives of such assets will impact the future the amortisation expense and thus the NPAT of the Merged Entity.

(e) ***Merged Entity pro forma Balance Sheet as at 31 December 2008***

The Merged Entity pro forma Balance Sheet is based on the actual auditor-reviewed Balance Sheet of AWM and IOOF as at 31 December 2008.

The Merged Entity pro forma Balance Sheet is provided for illustrative purposes only, in order to indicate the effects of the Merger of AWM and IOOF as if the

Merger had been completed at 31 December 2008, and so will not represent the Balance Sheet of the Merged Entity following Implementation of the Scheme. The pro forma adjustments are outlined in Section 4.10(f).

The Merged Entity pro forma Balance Sheet has been prepared as if the transactions and events described in Section 6 of the Scheme Booklet had taken place as at 31 December 2008.

Balance Sheet					
Merged Entity pro forma as at 31 December 2008					
(\$ millions)	Note	AWM	IOOF	Merger Adj.	Pro Forma Merged Entity
Current assets					
Cash & equivalents		73.9	543.6	(3.0)	614.5
Receivables		46.0	36.9	-	82.9
Other financial assets		-	435.1	-	435.1
Other assets		7.3	6.5	-	13.8
Total current assets		127.1	1,022.1	(3.0)	1,146.3
Non-current assets					
Receivables		-	0.1	-	0.1
Investments	1	2.0	8.0	-	10.0
Other financial assets		26.6	9.6	-	36.2
Plant, property and equipment		9.1	4.0	-	13.1
Goodwill	2	405.4	165.0	(146.5)	423.9
Other intangible assets		195.2	3.2	-	198.4
Deferred tax assets		10.8	14.1	-	24.9
Other		2.9	3.3	-	6.2
Total non-current assets		652.0	207.3	(146.5)	712.8
Total assets		779.1	1,229.4	(149.5)	1,859.1
Current Liabilities					
Accounts payable and accrued liabilities		47.2	18.8	-	66.0
Borrowings		25.0	-	-	25.0
Current tax liabilities		4.3	0.4	-	4.7
Provisions		14.8	4.6	-	19.4
Other financial liabilities	3	0.4	18.7	-	19.0
Insurance and investment contract liabilities		-	813.6	-	813.6
Other liabilities		3.4	132.3	-	135.7
Total current liabilities		95.1	988.4	-	1,083.5
Non-current liabilities					
Deferred tax liabilities		1.8	-	-	1.8
Provisions		7.4	4.9	-	12.4
Other		4.5	2.9	-	7.4
Total non-current liabilities		13.7	7.8	-	21.6

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Balance Sheet					
Merged Entity pro forma as at 31 December 2008					
(\$ millions)	Note	AWM	IOOF	Merger Adj.	Pro Forma Merged Entity
Total liabilities		108.8	996.2	-	1,105.1
Net assets		670.3	233.2	(149.5)	754.0
Equity					
Issued capital		788.0	215.8	(267.2)	736.6
Retained earnings		(129.3)	9.9	129.3	9.9
Minority interests		6.5	0.7	(6.5)	0.7
Reserves		5.1	6.8	(5.1)	6.8
Total equity		670.3	233.2	(149.5)	754.0

Numbers may not add due to rounding.

- Notes:
- (1) Investments accounted for using the equity method.
 - (2) Goodwill writedown to reflect the fair value of the acquisition of AWM by IOOF as detailed in Section 4.10(f).
 - (3) Includes IOOF's share buyback liabilities in respect of an obligation by IOOF to buy back vested shares in some Perennial Group subsidiaries under certain circumstances.

The actual Balance Sheet that arises following the Merger will be based on actual assets and liabilities at that date. The actual Balance Sheet at that date may therefore be significantly different from the position set out above.

The Merged Entity pro forma Balance Sheet has been reviewed by Deloitte Touche Tohmatsu as included in their Investigating Accountants' Report, a copy of which is included in Annexure D.

(f) Adjustments to the Merged Entity pro forma Balance Sheet

Under AASB 3 the value of the consideration for acquiring AWM is determined at the time the Merger becomes effective rather than at the date the terms of the Merger are agreed and announced to sharemarket investors. Thus, the value of goodwill to be created from the Merger reflects the market's assessment of the value of the Merged Entity on the Implementation Date, rather than at the date the Merger was agreed. The value of the Merged Entity, and thus the goodwill recognised under the accounting standard, at the time the Merger becomes effective may include, among other things:

- sharemarket investors' views on the value of synergies available to the Merged Entity;
- the impact of any company announcements post the Merger announcement;
- the performance of AWM and IOOF post the Merger announcement; and
- general sharemarket and economic conditions post the announcement of the Merger.

The Merged Entity pro forma Balance Sheet has been prepared as if the following transactions, which are to take place on the Implementation Date, had occurred on 31 December 2008:

- implied consideration being the issue of 160,730,568 IOOF Shares using the VWAP over 30 trading days for IOOF Shares to 2 March 2009, the last practical date before the Scheme Booklet was lodged with ASIC, of \$3.24, representing the deemed consideration for acquiring AWM. This equates to total consideration in the form of equity instruments of \$520.8 million. The actual cost of the acquisition will be based on the IOOF share price at the Implementation Date; and
- acquisition of AWM by IOOF at fair value resulting in a reduction in goodwill of \$146.5 million to \$423.9 million, calculated using the 30 day VWAP for IOOF's shares to 2 March 2009, including merger costs of \$3.0 million, which have been capitalised into goodwill as allowed under AASB 3 Business Combinations. The allocation of the acquisition cost of AWM has not been separated in the Merged Entity pro forma Balance Sheet between identifiable intangible assets and goodwill as a result of the reduction in goodwill and intangibles implied by the purchase consideration calculated above. This reduction has been applied entirely against goodwill in the Merged Entity pro forma Balance Sheet. If the Merger occurs, the Merged Entity will conduct an assessment of the fair value of AWM's net assets acquired at the Implementation Date. This assessment will separately determine the amounts of identifiable intangible assets and goodwill arising from the Merger. The identifiable intangible assets will be classified as either finite life or indefinite life based on their nature. The identifiable intangible assets and goodwill allocation in IOOF will remain unchanged as a result of the Merger in accordance with AASB 3.

The treatment of the adjustments in the Merged Entity pro forma Balance Sheet as at 31 December 2008 are based on preliminary analysis of relevant matters, and as such, may change in the future as more detailed analysis is performed. In particular, any deferred tax liability that may arise on the ultimate value of intangible assets has not been identified.

The Merged Entity pro forma Balance Sheet does not include the impact of the acquisition by IOOF of the OM Business described in Section 9.11(a).

(g) **Summary of significant accounting policies for the Merged Entity**

The principal accounting policies used in the preparation of the financial information in this Section 4.10 are as follows:

Consolidation

The Merged Entity financial information incorporates the assets and liabilities and financial results of all subsidiaries.

Subsidiaries are all those entities (including special purpose entities) over which the Merged Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. This includes the benefit funds of a subsidiary, IOOF Ltd, and any controlled trusts. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Merged Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Merged Entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries and businesses by the Merged Entity.

All intercompany transactions, balances and unrealised gains on transactions between the consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Merged Entity.

The benefit funds and any trusts controlled by those funds are treated as statutory funds in accordance with the Life Insurance Act 1995. Refer to *Product Classification* for information in relation to the different accounting treatment of investment contracts with discretionary participating features.

The financial statements of controlled life insurance entities, comprising policyholder funds and shareholders' funds are included in the Merged Entity financial information on a line by line basis.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Merged Entity's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

IOOF has a trust to administer the IOOF Executive Performance Share Plan. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the IOOF Group. Shares held by the IOOF Executive Performance Share Plan Trust are deducted from contributed equity.

Investment in Associates

Associates are entities over which the Merged Entity has significant influence but not control. Significant influence is generally identified with a shareholding of between 20% and 50% of the voting rights. The Merged Entity's investments in its associates are accounted for under the equity method of accounting in the consolidated financial report.

The Merged Entity's share of its associates' post-acquisition profits or losses are recognised in the consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the consolidated financial statements. Dividends receivable from associates reduce the carrying amount of the investment in the consolidated financial statements.

When the Merged Entity's share of the losses in an associate equals or exceeds its interest in an associate, including any unsecured receivables, the Merged Entity does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Merged Entity and its associates are eliminated to the extent of the Merged Entity's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Merged Entity.

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

(i) Rendering of services

Revenue from rendering of services comprising fees and commissions earned from the management of client asset portfolios, common funds, estates and other services is recognised when the fee in respect of the services provided is receivable. Corpus commission from deceased estates is brought to account as revenue when probate or letters of administration are granted to the economic entity and is adjusted on the value of an estate's assets at the time of distribution to beneficiaries.

(ii) Dividend and Interest revenue

Dividend revenue from investments is recognised when the right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

(iii) Asset sales

Revenue from the sale of assets is recognised when the economic entity has passed control of the goods or other assets to the buyer.

Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

AWM and its wholly-owned Australian controlled entities elected to consolidate for tax purposes on 1 February 2005.

IOOF and its wholly-owned Australian controlled entities elected to consolidate for tax purposes with effect from 1 July 2003.

On Implementation of the Scheme, the Merged Entity will form one tax consolidated group, with IOOF being the head entity.

Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating leased payments are expensed on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives received on entering into operating leases are recognised as liabilities and amortised over the life of the respective leases. Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

The present value of future payments for surplus leased space under non-cancellable operating leases which are not onerous contracts is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the Merged Entity. The net future lease payments are discounted using the interest rates implicit in the leases. Each lease payment is allocated between the liability and finance charges.

Other operating lease payments are charged to the Income Statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment,

assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of an investment in under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held to maturity investments, available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified in this category where acquired principally for the purpose of selling in the short-term or if so designated by management. Management will designate a financial asset to this category if there exists the possibility it will be sold in the short-term and the asset is subject to frequent changes in fair value. Financial assets at fair value through profit or loss are stated at fair value.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates where that group had the positive intent and ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Merged Entity are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Merged Entity's right to receive payments is established. The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a

change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

De-recognition of financial assets

The Merged Entity de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Merged Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Merged Entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Merged Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Merged Entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Product Classification

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

Insurance contracts

Insurance contracts are those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

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

Investment contracts

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

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

Deposits collected and benefits paid under investment contracts with DPF are accounted for through the Income Statement. The gross change in the liability to these policyholders for the period, which includes any participating benefits vested

in policyholders and any undistributed surplus attributed to policyholders is recognised in the Income Statement.

Deposits collected and withdrawals processed for investment contracts without DPF are accounted for directly through the Balance Sheet as a movement in the investment contract liability. Distributions on these contracts are charged to the Income Statement as an expense.

Where contracts contain both an investment component and an insurance component and the deposit component can be separately measured, the underlying amounts are unbundled. Premiums relating to the insurance component are accounted through the Income Statement and the investment component is accounted as a deposit through the Balance Sheet as described above.

Asset Backing Policy Liabilities

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

Insurance contract liabilities and claims expenses

Life insurance contract liabilities are calculated in accordance with actuarial standards.

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

Investment contract liabilities and claims expenses

Investment contracts with DPF

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

Other investment contracts

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

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

Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise.

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

- Leasehold improvements - 3 - 10 years
- Plant and equipment - 3 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Non-current asset held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

Intangible assets

(i) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Merged Entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Identifiable intangible assets are recognised separately from goodwill where they satisfy the definition of an intangible asset and their value can be measured reliably. Identifiable intangible assets are assessed for their useful life and are categorised into two categories: finite life intangible assets and indefinite life intangible assets. Finite life intangible assets are amortised over their expected useful life being 3-26 years, and indefinite life intangible assets are not amortised.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Merged Entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) *Research and development costs*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives.

Provisions

Provisions are recognised when the Merged Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Merged Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- (i) where the amount of the GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Share-based payments

Equity settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of equity instrument that will eventually vest. At each reporting date, management revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustments to the equity-settled employee benefits reserve.

Shareholders entitlement to monies held in statutory funds

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

Financial Instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an

entity after deducting all of its liabilities. Equity instruments issued by the Merged Entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities except for purchase commitments to reacquire interests from minority shareholders are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Purchase commitments to reacquire interests from minority shareholders are accounted for in accordance with AASB 132 Financial Instruments: Presentation which specifies that an obligation for an entity to purchase its own equity instruments for cash gives rise to a financial liability. The liability is measured at the present value of the redemption amount irrespective of the probability of the exercise of the right by minority shareholders.

4.11 Dividend policy

The dividend policy of the Merged Entity will be determined by the Board of the Merged Entity following the Merger. IOOF's existing dividend policy aims to maintain a dividend payout ratio of 60 to 90% of underlying net profit after tax, however, this policy may be subject to change by the Board of the Merged Entity following the Merger.

It is expected that dividends of the Merged Entity will be fully franked for the foreseeable future.

Significant goodwill will be recorded on the Merged Entity Balance Sheet post Merger, which the Merged Entity will be required under AASB 138 Intangible Assets to test for impairment on an annual basis and whenever there is an indication that the intangible asset may be impaired. A write-off or write-down of goodwill would be expected to reduce the profits of the Merged Entity in the relevant year which are available for dividends, and thus may impact the dividend payout ratio.

The ability to declare and pay dividends and the level of franking of dividends will depend on a number of factors, including earnings, cash resources and the risk factors discussed in Section 5, many of which are beyond the control of IOOF, the IOOF Directors and the AWM Directors. The IOOF Directors and the AWM Directors do not provide any assurance about the level of future dividends or the extent to which any of the dividends will be franked.

4.12 Consideration of special dividend

Assuming the Merger takes effect, it is the present intention of those directors of AWM and IOOF who will comprise the board of the Merged Entity that, following Implementation, the board of the Merged Entity will consider the payment by the Merged Entity of a special dividend in the range of 9 to 14 cents per share in July 2009.

5. RISKS

5.1 Overview

If the Scheme is Implemented, AWM will become a wholly owned subsidiary of IOOF and all Scheme Participants (other than Ineligible Overseas Scheme Participants, whose AWM Shares will be treated pursuant to Section 8) will become IOOF Shareholders. This means that AWM Shareholders will continue to be exposed to the risks associated with having an interest in AWM's assets. If the Scheme is Implemented, there are also additional risks that AWM Shareholders will be exposed to as a result of holding New IOOF Shares, transaction risks associated with the Merger and general economic and investment risks.

The risks set out in this section should not be taken as exhaustive of the risks faced by the Merged Entity. Additional risks other than those specifically referred to may in the future materially adversely affect the business of the Merged Entity.

The AWM Directors believe that the advantages of the Scheme set out in Section 1.3 and elsewhere in this Scheme Booklet outweigh the potential risks associated with holding IOOF Shares.

5.2 Risks associated with the Scheme

(a) ***Market value of Scheme Consideration***

Market fluctuations may affect the market value of the consideration offered to AWM Shareholders because the Scheme Consideration is fixed. AWM Shareholders are being offered consideration under the Scheme that consists of a specified number of New IOOF Shares, rather than a number of New IOOF Shares with a specified market value. As a result, the value of the Scheme Consideration will fluctuate depending upon the market value of the IOOF Shares.

(b) ***Listing of New IOOF Shares***

Although it is a condition to the Scheme that the New IOOF Shares be granted official quotation on the financial market conducted by ASX, if that condition is waived, there is a possibility that quotation of New IOOF Shares could be delayed. This could, in turn, cause delays in Scheme Participants being able to trade their New IOOF Shares on ASX.

(c) ***Integration risk***

Both IOOF and AWM expect that value can be added for shareholders of the Merged Entity by the efficient and timely integration of the businesses of the two companies. However, there are risks that any integration may take longer than expected or that efficiencies may be less than estimated. These risks include possible differences in the management culture of IOOF and AWM, inability to achieve all of the synergy benefits and cost savings associated with the Scheme, and the potential loss of key personnel. While extensive planning has and will continue to be devoted to avoiding and mitigating these integration risks, the risks cannot entirely be eliminated.

(d) ***Effect of change in control on AWM contractual provisions***

Some of the commercial agreements to which AWM is a party contain change of control clauses, which may enable the relevant counterparties to terminate the agreements upon Implementation of the Scheme. If a counterparty does terminate an agreement, AWM could lose the benefit of the agreement and additionally may

not be able to obtain similarly favourable terms upon entry into replacement agreements (if at all).

(e) **Tax and stamp duty**

Tax rules or their interpretation in relation to equity investments may change following Implementation of the Scheme. In particular, both the level and basis of taxation may change. In addition, an investment in New IOOF Shares involves tax considerations which may differ for each Scheme Participant. Each Scheme Participant is encouraged to seek professional tax advice in connection with any investment in New IOOF Shares.

(f) **Court delays**

There is a risk that the Court may not approve the Scheme. There is also a risk that some or all of the approvals required for the Scheme to be Implemented may be delayed or may not be granted.

5.3 General investment risks

Certain risks are common to all companies. Both IOOF and AWM are subject to these inherent risks and a summary of some of the more important general risks that may affect the Merged Entity is set out below.

(a) **General share investment risk**

There are various risks associated with investing in any form of business and with investing in listed entities generally. The value of IOOF Shares will depend upon general stock market and economic conditions as well as the specific performance of the Merged Entity. There is no guarantee of profitability, dividends, return of capital, or the price at which the IOOF Shares will trade on ASX. The past performance of IOOF Shares is not necessarily an indication as to future performance as the trading price of shares can go down or up in value.

(b) **General economic conditions**

Factors, such as, but not limited to, domestic and international political changes, interest rates, exchange rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes, changes in employment levels and labour costs may all have an adverse impact on the Merged Entity's revenues, operating costs, profit margins and share price. These factors are beyond the control of the Merged Entity and the Merged Entity cannot, to any degree of certainty, predict how they will impact on the Merged Entity.

(c) **Regulatory and legislative changes**

Changes in laws, regulations and government policy may affect the Merged Entity and the attractiveness of an investment in the Merged Entity positively or negatively. The financial services sectors in which the Merged Entity will operate are subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions.

The regulatory regimes governing the business activities of the Merged Entity are complex and subject to change. The impact of future regulatory and legislative change upon the business of the Merged Entity cannot be predicted. In addition, if the amount and complexity of new regulation increases, so too may the cost of compliance and the risk of non-compliance.

5.4 Risks associated with the Merged Entity

Certain risks are common to all companies that are involved in the funds management sector and both IOOF and AWM are subject to these inherent risks. A list of some of the more important risks that may affect the Merged Entity is set out below.

(a) ***Changes in investment markets***

The Merged Entity will derive a significant proportion of its earnings from fees and charges based on the level of FUMA of the Merged Entity. The level of FUMA will reflect (in addition to other factors such as the amount of funds flowing into and out of FUMA) the investment performance of those funds. Therefore, changes in domestic and/or global investment market conditions could lead to a decline in the Merged Entity's FUMA, adversely impacting the amount it earns in fees and charges. A deterioration in investment market conditions could also lead to reduced consumer interest in the Merged Entity's financial products and services.

(b) ***Competition in the financial services sector***

While the financial services sectors in which the Merged Entity will operate are widely recognised as growth industries, they are highly competitive and subject to change. Competitive pressure could result in loss of market share, price reductions or reduced margins, any of which could adversely affect the business of the Merged Entity.

(c) ***Information Technology***

The financial services sectors in which the Merged Entity will operate rely heavily on information technology. The Merged Entity faces the risk (in common with other sector participants) that further information technology changes will be required in order for it to provide competitive services to its customers. This could result in a substantial increase in costs.

(d) ***Brands and reputation***

The business of the Merged Entity will rely to a large extent upon the brands and reputation of its businesses in order to attract and retain customers and to develop and maintain its business relationships and strategy. There is a risk that adverse publicity could have a material impact upon the Merged Entity's operations and revenues.

(e) ***Provision of investment advice***

The Merged Entity's financial planners and authorised representatives will provide advice to clients. The Merged Entity may be exposed to litigation if this advice is judged to be incorrect or if the authorised representatives otherwise become liable for client losses.

(f) ***Key relationships***

The Merged Entity will obtain a significant portion of its Funds Under Administration and Funds Under Management through financial planners. The Merged Entity will have a series of strong business relationships, where it will provide products and services that are distributed by third parties. A decline in the use by financial planners of the Merged Entity's products could materially impact the Merged Entity's business.

The Merged Entity will also have a number of key relationships with superannuation trustees and superannuation funds in relation to the provision of Platforms and investment management services. The loss or deterioration of one or more of these relationships could materially impact the business of the Merged Entity.

(g) **Contract risk**

AWM and IOOF have entered into contracts which are important to the future of its business. The termination of any of these agreements (for failure to perform or otherwise) may have a material adverse affect on the Merged Entity.

(h) **Litigation**

The information in this Section 5.4(h) in relation to IOOF has been provided by IOOF and IOOF is responsible for its accuracy. The remainder of the information in this Section 5.4(h) has been provided by AWM and AWM is responsible for its accuracy.

Legal proceedings arise from time to time in the course of the business of IOOF and AWM. Neither IOOF nor AWM is currently a party to any material litigation and is not aware of any facts or circumstances that may give rise to any material litigation.

However, given the scope of the Merged Entity's activities and the wide range of parties it deals with, the Merged Entity may be exposed to potential litigation from among others, customers, regulators, employees and business associates. To the extent that these risks are not covered by the Merged Entity's insurance policies, litigation, and the costs of responding to the threats of legal action could have a material adverse impact on the Merged Entity's financial position, earnings and share price.

(i) **Insurance**

The Merged Entity will have insurance, including errors and omissions (professional indemnity) and directors' and officers' insurance, which it believes to be commensurate with industry standards, and adequate having regard to the business activities of the Merged Entity. However, there are risks that insurance coverage will be insufficient to meet a very large claim or a number of large claims, that the Merged Entity is unable to secure insurance to satisfactorily cover all anticipated risks, or that the cost of insurance will increase beyond anticipated levels.

Accordingly, the Merged Entity could be adversely impacted by increases in the cost of insurance premiums or an inability to access insurance coverage arising from circumstances that might or might not be related to the business of the Merged Entity.

Additionally, the Merged Entity will use insurance underwriters to provide fund members with certain insurance. Accordingly, the Merged Entity could be adversely affected by the failure of the underwriters to fulfil their obligations.

(j) **Unit pricing errors**

Systems failures or errors in unit pricing of investments are issues affecting the broader funds management industry that may result in significant financial losses and brand damage to a number of financial services organisations, including the Merged Entity.

A unit pricing error made by the Merged Entity or its service providers could cause financial or reputation loss.

(k) ***Dependence on key personnel and key investment managers***

The Merged Entity's performance is dependent on the talents and efforts of key senior executives and key investment managers. The Merged Entity's continued ability to compete effectively depends on the capacity of the Merged Entity to retain and motivate existing employees as well as attract new employees. The loss of key executives (including key investment personnel) could cause material disruption to the Merged Entity's activities and operations in the short to medium term. While AWM and IOOF have historically enjoyed low turnover amongst their senior executives and the equity incentives of key personnel align their interests with the Merged Entity's future performance, neither of these factors provides a guarantee of their continued employment with the Merged Entity.

(l) ***Dependence on financial planners***

The success of the Merged Entity's financial planning business will be largely driven by the quality of the relationships the business maintains with its planner group and its ability to retain productive planners through high levels of service.

(m) ***Operational risks and control***

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which impact on the Merged Entity's operations. The Merged Entity will be exposed to operational risks present in AWM's and IOOF's current businesses including risks arising from process error, fraud, system failure, failure of security and physical protection systems, and unit pricing errors. Operational risk has the potential to have a material adverse effect on the Merged Entity's financial performance and position as well as reputation.

The Merged Entity will endeavour to take appropriate action or obtain appropriate insurance to mitigate these risks, however certain residual risks will remain with the Merged Entity.

(n) ***Perennial call and put options***

The information in this Section 5.4(n) has been provided by IOOF and IOOF is responsible for its accuracy.

In certain circumstances, such as a person and its associates becoming entitled to more than 40% of the voting shares of IOOF, executive shareholders of the Perennial investment management boutiques partly owned by IOOF or PIPL have the right to exercise call options to acquire PIPL's shares in the investment management boutiques in which they are shareholders at a price determined by PIPL and, if the executive shareholders do not accept PIPL's price, a right to put their shares in those investment management boutiques to PIPL at the same price.

A risk inherent in an investment in IOOF (and, if the Scheme is approved, in the Merged Entity) is the risk that a takeover or other control transaction involving the acquisition of IOOF Shares may trigger the exercise of call options by the executive shareholders, resulting in the disposal of PIPL's investment in the investment management boutiques partly owned by PIPL. Alternatively, if the executive shareholders trigger their put options (requiring PIPL to acquire 100% of the relevant investment management boutiques), there is a risk that key executives of the Perennial business would be lost. Further information regarding call and put options is included in Section 9.11 of the Scheme Booklet.

For the reasons set out in Section 9.11 of the Scheme Booklet, the Merger will not trigger the exercise of the call and put options.

(o) **Capital Guaranteed Benefit Fund**

The information in this Section 5.4(o) has been provided by IOOF and IOOF is responsible for its accuracy.

IOOF Ltd, a wholly owned subsidiary of IOOF, is a Friendly Society with a management fund and several benefit funds, a number of which are capital guaranteed. The Friendly Society is governed by the *Life Insurance Act 1995* and is supervised by APRA.

The benefit funds are subject to regulatory requirements and are required to maintain solvency and capital adequacy reserves. The management fund is also subject to capital maintenance requirements. As a minimum, these requirements are monitored on a monthly basis.

Capital guaranteed benefit funds guarantee the investors' original capital plus allocated bonuses (after fees and income tax). In the event that the guarantee is called upon by investors due to fund assets being valued at less than the liabilities, there is a risk that it may be necessary to use the IOOF Ltd management fund to support the guarantee. However, given the regulatory requirements applicable to the capital guaranteed benefit funds and based on current levels of defaults and redemptions, the nature of the underlying investments and the monitoring processes described below, it is considered unlikely that a right to call on the guarantee provided by the fund will be triggered.

Investor contributions held by the capital guaranteed benefit funds are invested in units in Perennial wholesale trusts, which are considered to be low risk. An investment policy applies, which requires that the funds predominantly invest in highly secure interest-bearing investments of varying maturity dates. Accordingly, the funds' investments comprise primarily Commonwealth and State Government guaranteed securities, bank deposits, bank accepted or endorsed bills or promissory notes, and asset-backed securities.

Within established constraints, the maturity profile of these funds is actively managed based upon the investment manager's assessment of the economic environment and anticipated trends in interest rates.

The underlying assets in these trusts have no exposure to equity markets and minimal exposure to interest rate risk. However, they do have exposure to credit risk.

Exposure to credit risk is presently monitored weekly. There has been a trend of widening credit spreads arising predominantly as a result of lack of liquidity in the markets rather than as a result of credit defaults. Whilst solvency and capital adequacy requirements continue to be met with a reasonable level of margin, the widening of credit spreads has reduced this margin during the course of the last year. However, as the investments are generally held until maturity, the solvency and capital positions will improve as longer dated securities reach maturity and interest income continues to be received, provided there is no material increase in the level of defaults and redemptions and there is no further widening of credit spreads.

As at 31 December 2008, IOOF's exposure to capital guaranteed offerings totalled \$484 million.

6. IMPLEMENTATION OF THE PROPOSED MERGER

6.1 Implementation by Scheme of Arrangement

On 24 November 2008 AWM and IOOF announced a proposal for IOOF to merge with AWM in accordance with the Implementation Deed.

The Implementation Deed specifies that the Merger will be structured as a scheme of arrangement between AWM and all AWM Shareholders under which AWM Shareholders will receive 1 IOOF Share for every 3.73 AWM Shares held by them.

6.2 Effect of the Scheme

If the Scheme is approved by AWM Shareholders and the Court (as discussed in Section 6.3), and all other conditions to it are satisfied or waived in accordance with the Implementation Deed, all AWM Shareholders who hold AWM Shares on issue on the Record Date will participate in the Scheme (although the treatment of Ineligible Overseas Scheme Participants will be as described in Section 8).

The Scheme will result in:

- each Scheme Participant receiving 1 IOOF Share in exchange for every 3.73 AWM Shares held by them. Any fractional entitlement of a Scheme Participant will be rounded up or down to the nearest whole number of New IOOF Shares. IOOF will endeavour to allot the New IOOF Shares to Scheme Participants within three Business Days of the Record Date;
- the transfer of all Scheme Shares to IOOF; and
- AWM becoming a wholly-owned subsidiary of IOOF.

The detailed terms of the Scheme are set out in the Scheme of Arrangement in Annexure A.

Shareholders should note that in accordance with clause 7.10 of the Scheme, if the Scheme takes effect, Scheme Participants will be deemed to have given a warranty to IOOF and appointed and authorised AWM as their agent to warrant to IOOF that all of their Scheme Shares to be transferred under the Scheme (including any rights and entitlements attaching to those Scheme Shares) will be fully paid and transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to IOOF under the Scheme.

In support of its obligations under the Implementation Deed, IOOF has executed the Deed Poll in favour of Scheme Participants (see Annexure B).

6.3 Approvals required from Scheme Participants and the Court

For the Scheme to take effect, section 411(4) of the Corporations Act requires a meeting of AWM Shareholders to be held, at which the Scheme must be agreed to by a resolution passed by a majority in number of AWM Shareholders present and voting (either in person or by proxy) at the Scheme Meeting and representing in aggregate not less than 75% of the votes cast on the resolution at the Scheme Meeting. The result of the Scheme Meeting must then be provided to the Court which will consider whether or not to approve the Scheme.

On 6 March 2009, the Court made the requisite order convening the Scheme Meeting. The Court order does not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Scheme Booklet.

The Scheme will not become binding on IOOF, AWM and each Scheme Participant until the Court makes an order under section 411(4)(b) of the Corporations Act and that order is lodged with ASIC. Application to the Court for that order will be made as soon as possible after the Scheme Meeting has been held.

6.4 Determination of entitlements

For the purpose of determining which AWM Shareholders are eligible to participate in the Scheme, dealings in AWM Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESSE, the transferee is registered as the holder of the relevant AWM Shares on or before the Record Date; and
- in all other cases, registrable transfer or transmission applications in respect of those dealings are received by the Share Registry on or before the Record Date.

For the purposes of determining entitlements under the Scheme, AWM will not accept for registration or recognise any transfer or transmission application in respect of AWM Shares received after the Record Date. AWM will use the Share Register in the manner described above to determine the entitlements of AWM Shareholders under the Scheme.

6.5 Fractional entitlements

If a fractional entitlement to part of a New IOOF Share arises from the calculation of the Scheme Consideration to be issued to a Scheme Participant (or to the nominee as described in Section 8), then any such fractional entitlement will be rounded:

- where the fraction is 0.5 or more – up; and
- where the fraction is less than 0.5 – down,

to the nearest whole number of New IOOF Shares, as applicable.

If IOOF is of the opinion that two or more Scheme Participants, each of whom holds a number of AWM Shares which results in a fractional entitlement to New IOOF Shares, have, before the Record Date, been party to a shareholding splitting or division in an attempt to obtain an unfair advantage by reference to such rounding, IOOF may give notice to those AWM Shareholders:

- setting out the names and registered addresses of all of them;
- stating that opinion; and
- attributing to one of them specifically identified in the notice the AWM Shares held by all of them,

and, after the notice has been so given, the Scheme Participants specifically identified in the notice shall, for the purposes of the Scheme, be taken to hold all those AWM Shares and each of the other AWM Shareholders whose names are set out in the notice shall, for the purposes of the Scheme, be taken to hold no AWM Shares.

6.6 Implementation Deed

AWM and IOOF entered into the Implementation Deed on 24 November 2008 to establish the basis on which the Merger will be undertaken. The key terms of the Implementation

Deed are summarised below. A full copy of the Implementation Deed was disclosed by AWM as part of its announcement to ASX on 24 November 2008.

(a) **Conditions**

Implementation of the Scheme is subject to a number of conditions (which can be variously waived by one or other, or both together, of AWM and IOOF), including:

- the Independent Expert issuing a report concluding that the Scheme is in the best interests of Scheme Participants;
- the Court making orders convening the Scheme Meeting and, following the Scheme Meeting, approving the Scheme;
- the requisite majorities of AWM Shareholders approving the Scheme;
- the orders of the Court approving the Scheme being lodged with ASIC;
- all Regulatory Approvals being obtained and not withdrawn by 5:00pm on the Business Day immediately prior to the Second Court Date;
- no court order or other legal restraint or prohibition being issued which would prevent Implementation of the Scheme being in effect at 8am on the Second Court Date;
- the New IOOF Shares issued to Scheme Participants being approved before the Second Court Date for official quotation on ASX;
- no AWM Material Adverse Effect occurring before 8am on the Second Court Date;
- no IOOF Material Adverse Effect occurring before 8am on the Second Court Date;
- no Prescribed Event occurring in relation to either AWM or IOOF before 8am on the Second Court Date;
- no Material Transaction occurring in relation to either AWM or IOOF or any of their subsidiaries without the prior consent of the other party (such consent not to be unreasonably withheld or delayed); and
- the representations and warranties of AWM and IOOF set out in the Implementation Deed being true and correct as at 8am on the Second Court Date.

(b) **Proposed board and management structure of the Merged Entity**

The Implementation Deed provides that the board of the Merged Entity will comprise the following:

- four directors from the IOOF Board (as nominated by IOOF), including Mr Ian Blair as Chairman of the Merged Entity; and
- three directors from the AWM Board (as nominated by AWM), including Mr Chris Kelaher as the Managing Director and Chief Executive Officer of the Merged Entity.

(c) **AWM break fee**

AWM must pay \$3 million to IOOF (exclusive of GST) if:

- prior to the End Date, AWM accepts or enters into or offers to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal or any other transaction that may reduce the likelihood of success of the Scheme;
- prior to the End Date, an AWM Director does not recommend the Scheme or withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Competing Proposal or any other transaction that may reduce the likelihood of success of the Scheme or announces an intention to do any of these acts, other than:
 - in circumstances where AWM is entitled to terminate the Implementation Deed as a result of certain conditions in relation to IOOF not being fulfilled; or
 - because the Independent Expert's Report concludes that the Scheme is not in the best interests of AWM Shareholders; or
- a Competing Proposal is announced, made or becomes open for acceptance before the End Date and within 12 months after the End Date, pursuant to that Competing Proposal the relevant bidder:
 - acquires a relevant interest in more than 50% of all AWM Shares and that Competing Proposal is (or becomes) free from any defeating conditions;
 - acquires all or a substantial part of the assets of AWM or the AWM Group;
 - acquires control of AWM; or
 - otherwise acquires or merges with AWM (including by way of reverse takeover bid, reverse scheme of arrangement or dual listed companies' structure).

(d) **IOOF break fee**

IOOF must pay \$3 million to AWM (exclusive of GST) if:

- prior to the End Date, IOOF accepts or enters into or offers to accept or enter into any agreement, arrangement or understanding regarding a Competing Proposal or any other transaction that may reduce the likelihood of success of the Scheme;
- prior to the End Date, an IOOF Director does not recommend the Scheme or withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Competing Proposal or any other transaction that may reduce the likelihood of success of the Scheme or announces an intention to do any of these acts, other than:
 - in circumstances where IOOF is entitled to terminate the Implementation Deed as a result of certain conditions in relation to AWM not being fulfilled; or
 - because the Independent Expert's Report concludes that the Scheme is not in the best interests of AWM Shareholders; or

- a Competing Proposal is announced, made or becomes open for acceptance before the End Date and within 12 months after the End Date, pursuant to that Competing Proposal the relevant bidder:
 - acquires a relevant interest in more than 50% of all IOOF Shares and that Competing Proposal is (or becomes) free from any defeating conditions;
 - acquires all or a substantial part of the assets of IOOF or the IOOF Group;
 - acquires control of IOOF; or
 - otherwise acquires or merges with IOOF (including by way of reverse takeover bid, reverse scheme of arrangement or dual listed companies structure).

(e) **Termination**

Either AWM or IOOF may terminate the Implementation Deed by notice in writing to the other party:

- if a condition of the Scheme (which is for the benefit of the terminating party) will not be satisfied or waived by the specified date for satisfaction, where AWM and IOOF have consulted in good faith to determine whether the Scheme may proceed by way of alternative means and have not been able to reach an agreement in relation to that matter and have not agreed to extend the specified date for satisfaction, within 5 Business Days;
- after the End Date, if the Effective Date has not occurred on or before that date; or
- before 8.00am on the Second Court Date:
 - by IOOF – if AWM is in breach of the Implementation Deed (including a breach of a representation or warranty) and that breach is material and is not remedied by AWM within 5 Business Days (or such shorter period ending on the Second Court Date) of it receiving notice from IOOF of the details of the breach and its intention to terminate; and
 - by AWM – if IOOF is in breach of the Implementation Deed (including a representation or warranty) and that breach is material and is not remedied by IOOF within 5 Business Days (or such shorter period ending on the Second Court Date) of it receiving notice from AWM of the details of the breach and its intention to terminate.

IOOF may terminate the Implementation Deed if, before the Second Court Date:

- any of the AWM Directors adversely changes (including by attaching any qualifications to) or withdraws his or her recommendation that the Scheme is in the best interests of AWM Shareholders; or
- AWM or any of the AWM Directors acts in a manner which is inconsistent with obtaining approval for the Scheme.

(f) **Standstill**

During the Exclusivity Period, each of AWM and IOOF must not, and must make sure that members of their respective groups and their respective directors do not:

- acquire or offer to acquire, any securities or property or any right or option to acquire any securities or property of the other party unless it has received the prior written consent of the other party;
- enter into any arrangements involving the conferring of rights the economic effect of which is equivalent, or substantially equivalent, to acquiring, holding or disposing of securities in the other party; or
- solicit proxies from shareholders of the other party or otherwise seek to influence or control the management or policies of the other party.

The standstill restrictions do not apply to:

- any action required to be taken by AWM, IOOF, members of their respective groups or their respective directors under the Scheme; or
- any acquisition of the other party's shares, provided that the number of shares held by the other party, the other party's group and the directors of the other party does not exceed 3% of the shares on issue of the other party or the acquisition is in the ordinary course of business of the party's group.

The standstill restrictions will cease to apply if a Competing Proposal is announced by a third party.

(g) **No solicitation**

Except as otherwise agreed, during the Exclusivity Period, each of AWM and IOOF must not, and must ensure that its directors, CEO, CFO, and general counsel (to the extent that it is reasonably able to influence them) do not and each of IOOF and AWM must not require any adviser or agent to:

- directly or indirectly:
 - solicit, initiate or encourage any inquiries, proposals or discussions; or
 - participate in any discussions or negotiations,regarding any Competing Proposal or any other transaction that may reduce the likelihood of success of the Scheme;
- accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal or any other transaction that may reduce the likelihood of success of the Scheme;
- approve, recommend or implement a Competing Proposal or any other transaction that may reduce the likelihood of success of the Scheme or announce an intention to do so; or
- disclose any information about the businesses or affairs of that party to a third party (other than a representative, government agency or auditors) other than in the ordinary course of business or as required under that party's existing contractual obligations to the extent those obligations have been disclosed to the other party and cannot be terminated.

Nothing in the Implementation Deed prevents any action by AWM or IOOF to respond to an approach by a third party if failure to do so would be likely to involve a breach of the duties of its directors.

(h) **Representations and Warranties**

Each of IOOF and AWM have given representations and warranties to the other which are considered to be standard for an agreement of this kind.

(i) **End Date**

IOOF and AWM have committed to implement the Scheme by the End Date. If (among other things) the Scheme is not Effective by the End Date, the parties must consult in good faith to determine whether the Scheme may proceed by way of alternative means or methods and may agree to extend the End Date.

6.7 Deed Poll

The Deed Poll has been signed by IOOF and sets out covenants given by IOOF in favour of AWM Shareholders, including that IOOF will apply for admission to the official list of ASX and for quotation of New IOOF Shares on ASX and that IOOF will issue the Scheme Consideration as contemplated by the Scheme.

The terms of the Deed Poll are set out in full in Annexure B to this Booklet.

6.8 Treatment of AWM Options

The number of AWM Options on issue as at 2 March 2009 is described in Section 2.5. AWM is entering into cancellation deeds with each AWM Optionholder pursuant to which AWM will cancel the AWM Options on issue as at 5:00pm on the Effective Date.

AWM has entered into a separate agreement with IOOF under which IOOF agrees to offer each AWM Optionholder IOOF Options in consideration of the cancellation of the AWM Options. In each case:

- the IOOF Options will be issued in consideration of the cancellation of the AWM Options and at no additional cost to the AWM Optionholders;
- the number of IOOF Options will be the same as the number of AWM Options adjusted only by the merger ratio and rounded down (being 1 IOOF Share for every 3.73 AWM Shares);
- the exercise price of the IOOF Options will be the same as the exercise price of the AWM Options adjusted only by the merger ratio and rounded down to the nearest cent;
- the expiry date of the IOOF Options will be the same as the expiry date of the AWM Options;
- for unvested options, while the time-based vesting conditions for the AWM Options will continue to apply to the IOOF Options, the performance-based vesting conditions for the AWM Options (such as hurdles which relate to the NPAT of AWM) will no longer be capable of independent assessment (as AWM will be a subsidiary of IOOF) and therefore will not apply to the IOOF Options; and
- if an IOOF Option vests and becomes exercisable, the holder of the option will have a right to acquire one IOOF Share upon payment of the exercise price for that option.

For example, if a person holds 100,000 AWM Options, under the agreements referred to above, that person would receive 26,809 IOOF Options (being 100,000/ 3.73 rounded down to the nearest integer), which would give them the right to acquire up to 26,809 IOOF Shares upon payment of the applicable exercise price per share.

Based on the number of AWM Options on issue as at 2 March 2009, it is anticipated that approximately 3,617,333 IOOF Options will be issued to AWM Optionholders.

Some AWM Optionholders may become redundant prior to the Effective Date. The AWM Options of such AWM Optionholders will be cancelled on the date of termination of employment. Accordingly, those AWM Optionholders will not receive IOOF Options.

The Managing Director of AWM, Mr Chris Kelaher, and an executive director of AWM, Mr Ian Griffiths, are AWM Optionholders. If the Merger takes effect, they will become directors of the Merged Entity and IOOF Options will be issued to them on the terms described in this Section 6.8.

Based on the number of AWM Options held by Mr Kelaher as at 2 March 2009, the number of IOOF Options to be issued to Mr Kelaher will be 468,632. Based on the number of AWM Options held by Mr Griffiths as at 2 March 2009, the number of IOOF Options to be issued to Mr Griffiths will be 67,024. Subject to applicable vesting conditions, Mr Kelaher's IOOF Options will give him a right to acquire up to 468,632 IOOF Shares and Mr Griffiths' IOOF Options will give him the right to acquire up to 67,024 IOOF Shares, upon payment of the applicable exercise price per share set out below:

Number of IOOF Options	Exercise Price per IOOF Option
<i>Mr Kelaher</i>	
134,048	\$9.99
334,584	\$4.99
<i>Mr Griffiths</i>	
67,025	\$9.99

ASX has waived the requirements under ASX Listing Rule 10.14 for shareholder approval to be obtained in relation to the issue of IOOF Options to Mr Kelaher and Mr Griffiths. For further information, refer to Section 9.12.

7. AUSTRALIAN TAXATION IMPLICATIONS FOR AWM SHAREHOLDERS

7.1 Introduction

This Section outlines the general Australian income tax considerations of the Merger for AWM Shareholders.

The comments in this Section are primarily directed at AWM Shareholders who:

- (a) are Australian residents (and not temporary Australian residents) for tax purposes;
- (b) acquired their AWM Shares after 19 September 1985; and
- (c) do not hold their AWM Shares as trading stock or otherwise on revenue account.

This Section also contains comments that may be relevant to AWM Shareholders who do not meet the above conditions.

The comments in this Section are based on the Australian income tax law applying as at the date of this Scheme Booklet. The comments do not take into account or anticipate changes in income tax law (by legislation or judicial decision) after this time, nor do they take into account tax legislation of countries apart from Australia. Therefore, foreign resident AWM Shareholders should also take into account the tax consequences under the laws of their country of residence as well as under Australian law.

The comments in this Section are provided as a general guide and are not intended to constitute a full discussion of the tax implications of the Merger. Accordingly, all AWM Shareholders, whether or not they meet the conditions above, should obtain specific taxation advice on their particular circumstances from a suitably qualified taxation advisor before participating in the Merger.

7.2 Capital gain or loss on Implementation of the Scheme

If an AWM Shareholder holds shares on capital account then the exchange of AWM Shares for New IOOF Shares under the Merger would, prima facie, be subject to Australian CGT.

An Australian resident AWM Shareholder that would otherwise derive a capital gain for Australian CGT purposes in respect of the exchange may choose scrip-for-scrip rollover relief, if available, and effectively disregard the capital gain for Australian CGT purposes. The cost base of the current parcel of AWM Shares will become the first element of the cost base of the New IOOF Shares. An Australian resident AWM Shareholder chooses scrip-for-scrip rollover relief by excluding the capital gain from their relevant income tax return. Notwithstanding, it is prudent to maintain documentation of this election.

Scrip-for-scrip rollover relief would not be available in circumstances where an AWM Shareholder would otherwise realise a capital loss in respect of the exchange. Any such capital loss may only be used to offset capital gains made in the same income year as the exchange, or in a future income year.

An AWM Shareholder will not "otherwise derive a capital gain in respect of the exchange" if the AWM Shares are not held on capital account. This will be the case if the AWM Shares are held as trading stock, or if they are held on revenue account (otherwise than as trading stock). In these circumstances, any profit on sale will be included in the AWM Shareholder's assessable income and any loss should be an allowable deduction.

In respect of foreign resident AWM Shareholders, changes to the Australian income tax law will now disregard capital gains derived by foreign residents from the sale of AWM Shares. This will be the case except where the foreign resident AWM Shareholder holds an interest of 10% or more either at the time of the Merger, or throughout a 12 month period that commenced within the 24 month period prior to the Merger, and greater than 50% of the value of AWM's assets are comprised of Australian real estate interests. As there are no foreign resident AWM Shareholders satisfying these criteria, Australian CGT should not apply to those foreign residents.

However, as above, foreign resident AWM Shareholders, in particular New Zealand resident AWM Shareholders, should obtain specific taxation advice on their particular circumstances and the implications under the income tax provisions of their relevant jurisdiction from a suitably qualified taxation advisor, before participating in the Merger.

(a) ***Rollover for Scheme Participants***

The following Australian income tax considerations should apply to an AWM Shareholder who chooses scrip-for-scrip rollover relief in respect of the exchange of AWM Shares for New IOOF Shares.

(i) ***General***

The Merger should meet the pre-conditions that would allow an AWM Shareholder to choose scrip-for-scrip rollover relief in respect of the exchange, including the requirement that the Merger results in IOOF becoming the owner of 80% or more of the voting shares in AWM. An AWM Shareholder should therefore be able to choose scrip-for-scrip rollover relief if it would otherwise have derived a capital gain for Australian CGT purposes from the exchange.

It should be noted that a bill has recently been introduced into Federal Parliament that, if enacted, would permit a replacement entity (ie IOOF) to make a choice preventing shareholders (ie AWM Shareholders) from being able to choose scrip-for-scrip rollover.

However, the rules, if enacted, would require either IOOF or AWM to notify an AWM Shareholder in writing of such a choice before the exchange. AWM Shareholders may therefore expect to receive such notification, in the event that a choice precluding the availability of scrip-for-scrip rollover in respect of the Merger was made.

(ii) ***Consequences***

The consequences for an AWM Shareholder that chooses scrip-for-scrip rollover relief on the exchange of AWM Shares for New IOOF Shares are:

- the capital gain otherwise arising on the Merger should be disregarded;
- the cost base for Australian CGT purposes of the AWM Shareholder's current parcel of AWM Shares will become the first element of the CGT cost base of the AWM Shareholder's parcel of New IOOF Shares; and
- for Australian CGT purposes, the AWM Shareholder will be taken to have acquired the New IOOF Shares when the AWM Shareholder acquired its current AWM Shares.

(b) **Scheme Participants who do not obtain rollover relief**

If an AWM Shareholder derives a capital gain on the exchange of shares under the Merger and does not choose to apply the scrip-for-scrip rollover rules, then the Australian CGT implications will depend upon the status of the AWM Shareholder.

(i) *For AWM Shareholders that are individuals, complying superannuation funds or trusts:*

A CGT discount may be available on any capital gain realised from the disposal of the AWM Shares if those shares have been held for at least 12 months prior to the time of the exchange. If the CGT discount is available, the extent of such discount is as follows:

- For an AWM Shareholder that is an individual, any net capital gain may be reduced by 50%, and for an AWM Shareholder that is a complying superannuation fund, by 33¹/₃%.
- The discount, if available, will only reduce an AWM Shareholder's net capital gain after the AWM Shareholder has applied any available capital losses against any capital gain realised from the disposal.
- Alternatively, if the AWM Shareholder acquired or was deemed to have acquired the AWM Shares before 11.45am on 21 September 1999, then the AWM Shareholder may index the cost base of the AWM Shares for inflation up to the September 1999 quarter.
- However, individuals and complying superannuation funds cannot both index the cost base of the AWM Shares for inflation and reduce the net capital gain by the relevant percentage.
- For an AWM Shareholder that is a trust, capital gains that flow through trusts should preserve their concessional treatment in the hands of the beneficiaries. A beneficiary that is an individual or complying superannuation fund may therefore reduce the assessable net capital gain by 50% or 33¹/₃% as described above (again, the cost base of the AWM Shares cannot be indexed if the net capital gain is discounted).

A trust cannot distribute a capital loss to a beneficiary. Instead, a trust may carry forward the loss and offset it against capital gains that are derived in the current or future income years.

Scheme Participants that are trustees should obtain specific taxation advice from a suitably qualified taxation advisor regarding the tax consequences of distributions to beneficiaries attributable to discount capital gains.

(ii) *For an AWM Shareholder that is a company:*

If the AWM Shareholder is a company, it cannot reduce any capital gain by the CGT discount, although indexation of the cost base of the AWM Shares is still available where the AWM Shares were acquired or deemed to have been acquired prior to 21 September 1999.

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If the company incurs a capital loss then, if it complies with the company loss rules, it may carry forward the loss and offset it against capital gains that are derived in the current or future income years.

7.3 CGT on subsequent disposal of New IOOF Shares

A subsequent sale of New IOOF Shares (received in exchange for AWM Shares and held on capital account) will also generally result in Australian CGT implications. However, in determining the capital gain (if any) made on a subsequent sale of New IOOF Shares, the cost base of the New IOOF Shares for Australian CGT purposes will differ, depending on whether or not scrip-for-scrip rollover relief, if available, is chosen.

For AWM Shareholders who do choose scrip-for-scrip rollover relief, the implications for the cost base of the New IOOF Shares are as outlined above. The AWM Shareholder is taken to have acquired the New IOOF Shares at the time the AWM Shares were acquired, for the purposes of determining the 12 month period of ownership and eligibility (for individuals and complying superannuation funds) for the CGT discount.

For AWM Shareholders who cannot or do not choose scrip-for-scrip rollover relief, such as AWM Shareholders realising a capital loss in respect of the exchange, the implications for the cost base of the New IOOF Shares are as follows:

- the cost base for Australian CGT purposes of the New IOOF Shares will equal the market value of the AWM Shares at the time of the exchange; and
- the AWM Shareholder will be taken to have acquired the New IOOF Shares for Australian CGT purposes at the time of the exchange.

7.4 Goods and Services Tax

The exchange of AWM Shares for New IOOF Shares should not result in a GST obligation for those AWM Shareholders who are registered or required to be registered for GST. Notwithstanding, for those AWM Shareholders there may be implications in relation to claiming input tax credits on any GST included on costs (such as legal and advisor costs) that have been incurred in respect of advice that has been sought on the Merger.

8. INFORMATION FOR OVERSEAS SCHEME PARTICIPANTS

8.1 No offer of securities outside of Australia

Neither this Scheme Booklet nor the Scheme constitute, or are intended to constitute, an offer of securities in any place in which, or to any person to whom, the making of such an offer would not be lawful under the laws of any jurisdiction outside Australia and its external territories.

8.2 Ineligible Overseas Scheme Participants

As at the date of this Scheme Booklet, AWM and IOOF expect that each AWM Shareholder whose address shown on the Share Register at the Record Date is a place outside of Australia or New Zealand and their respective territories will be treated as Ineligible Overseas Scheme Participants.

An Overseas Scheme Participant is an Ineligible Overseas Scheme Participant unless IOOF is satisfied that:

- the laws of the Overseas Scheme Participant's country of residence or address as shown in the Share Register permit the issue and allotment of the New IOOF Shares to that Overseas Scheme Participant in respect of their AWM Shares, either unconditionally or after compliance with conditions which IOOF in its sole discretion regards as acceptable and not unduly onerous; and
- the issue and allotment of New IOOF Shares to that Overseas Scheme Participant would not be unduly onerous or impractical.

IOOF will not issue and allot New IOOF Shares to an Ineligible Overseas Scheme Participant under the Scheme. IOOF will instead issue and allot the New IOOF Shares to which the Ineligible Overseas Scheme Participant would otherwise be entitled to a nominee appointed by IOOF and approved by AWM. The nominee will sell those New IOOF Shares as soon as reasonably practicable (at the risk of the Ineligible Overseas Scheme Participant) and pay the proceeds received, after deducting any applicable brokerage, and other selling costs, taxes and charges, to that Ineligible Overseas Scheme Participant in full satisfaction of that Ineligible Overseas Scheme Participant's rights under the Scheme to Scheme Consideration.

None of IOOF, AWM or the nominee gives any assurances as to the price that will be achieved for the sale of New IOOF Shares as described above. The proceeds received by an Ineligible Overseas Scheme Participant may be more or less than the current market value of IOOF Shares as at the date of this Scheme Booklet.

Full details of this process are contained in clause 5.2 of the Scheme (which is set out as Annexure B to this Scheme Booklet).

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9. ADDITIONAL INFORMATION

9.1 Introduction

This Section contains the additional information required by section 412(1) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations and additional information on AWM and IOOF that may be of interest to AWM Shareholders.

9.2 AWM Directors' interests

(a) ***AWM Shares and Options held by or on behalf of AWM Directors***

The number, description and amount of Shares and Options of AWM held by or on behalf of each AWM Director is set out below. The AWM Directors consider that the Scheme is in the best interests of AWM and AWM Shareholders and each AWM Director intends to vote his AWM Shares in favour of the Scheme, in the absence of a superior offer.

Name of AWM Director	Number of AWM Shares held	Number of AWM Options held
John Warburton	18,375	0
Chris Kelaher	18,338,228	1,748,000
Ian Griffiths	13,098,953	250,000
Myles Stewart-Hesketh	50,000	0
George Venardos	56,000	0

The effect of the Scheme on the interests of the AWM Directors is the same as its effect on the like interests of other AWM Shareholders.

(b) ***Marketable Securities of IOOF held by or on behalf of AWM Directors***

No Marketable Securities of IOOF are held by or on behalf of any AWM Director.

(c) ***Dealings***

No AWM Director has acquired or disposed of a relevant interest in any securities issued by IOOF or AWM in the four month period immediately preceding the date of this Scheme Booklet.

(d) ***Payments or other benefits to AWM Directors, secretaries or executive officers of AWM***

No AWM Directors, secretary or executive officers of AWM (or any of its related bodies corporate) will receive any payment or other benefit through the Merger as compensation for loss of, or as consideration for or in connection with his or her retirement from office in AWM or any of its related bodies corporate.

Except as set out below or disclosed elsewhere in this Scheme Booklet, no AWM Director, secretary or executive officer of AWM (or any of its related bodies corporate) will receive any payment or other benefit through the Merger other than:

- upon appointment to the IOOF Board, the payment of director's fees; and

-
- any allocation of Scheme Consideration to which they are entitled as an AWM Shareholder on equivalent terms to all Scheme Participants.

(e) **Agreements or arrangements with AWM Directors**

Other than the entry by certain AWM Directors into new terms of appointment with IOOF on terms substantially the same as their existing arrangements with AWM, there are no other agreements or arrangements made between an AWM Director and any other person in connection with, or conditional on, the outcome of the Merger.

(f) **Interests of AWM Directors in contracts entered into by IOOF**

No AWM Director has any interest in any contract entered into by AWM.

(g) **Interests of AWM Directors in the Scheme**

No AWM Director has any interest in the Scheme, other than the interests outlined in Section 9.2.

9.3 IOOF Shares

The information in this Section 9.3 has been provided by IOOF and IOOF is responsible for its accuracy.

(a) **Ranking of New IOOF Shares**

The New IOOF Shares to be allotted pursuant to the Scheme will be ordinary fully paid shares and will rank equally in all respects with the existing IOOF Shares from their date of issue.

(b) **Rights attaching to IOOF Shares**

The following is a broad summary of the rights, privileges and restrictions which are attached to IOOF Shares. It is not intended to be an exhaustive or definitive statement.

The rights attaching to IOOF Shares arise from a combination of IOOF's Constitution, the Corporations Act and the common law.

A copy of the IOOF constitution is available on request from IOOF's Investor Relations Department on 03 8614 4818.

(i) **Vote of IOOF Shareholders at a general meeting**

Subject to the IOOF constitution and any restrictions affecting any class of shares, every IOOF Shareholder present at a general meeting of IOOF has one vote on a show of hands and on a poll, each IOOF Shareholder present has one vote for each fully paid share held and the proportionate value of a vote for the amount paid up or agreed to be considered as paid up on every partly paid share.

(ii) **Meetings of IOOF Shareholders**

Each IOOF Shareholder is entitled to receive notice of, attend and vote at general meetings of IOOF and to receive all notices, accounts, and other documents required to be sent to IOOF Shareholders under the IOOF constitution, the Corporations Act and the ASX Listing Rules.

(iii) *Dividends*

The IOOF Directors may from time to time determine to pay interim or final dividends to IOOF Shareholders out of the profits of IOOF and fix the amount, time for payment and method of payment of any such dividend. Subject to any rights or restrictions on the holders of IOOF Shares, dividends are payable on each IOOF Share in proportion to the amounts paid up, agreed to be considered paid or payable on the share held by them.

IOOF currently has redeemable converting preference shares on issue (as described in Section 3.5). These redeemable converting preference shares entitle holders to an amount equal to any dividend declared in respect of ordinary IOOF Shares in preference to IOOF Shareholders. Further information is included in Section 3.5.

(iv) *Transfer of IOOF Shares*

IOOF Shares may be transferred by a written transfer in compliance with the IOOF constitution, a proper ASTC transfer effected in accordance with the Corporations Act or the ASTC Business Rules or by any other electronic system established or recognised by the ASX Listing Rules.

The IOOF Directors may only refuse to register a transfer of IOOF Shares if the registration of the transfer would result in a contravention of or failure to observe the provisions of any applicable law or the ASX Listing Rules, on which IOOF has a lien or which are subject to forfeiture, if permitted to do so under the ASX Listing Rules, or as otherwise provided in the IOOF constitution.

Unless the IOOF Directors determine otherwise, in respect of transfers not effected by a proper ASTC transfer, every transfer must be left at IOOF's registered office or other place determined by the IOOF Directors and the transfer is to be accompanied by the certificate (if any) for the IOOF Shares to be transferred. In addition, the transfer must be accompanied by any other evidence which the IOOF Directors may require to prove the title of the transferor, the transferor's rights to transfer the IOOF Shares, execution of the transfer or compliance with the provision of any law relating to stamp duty.

(v) *Issue of further IOOF Shares*

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Business Rules and the IOOF constitution and without affecting any special rights conferred on the holders of any shares, any shares or other securities may be issued as the IOOF Directors may determine and on any terms the IOOF Directors consider appropriate.

(vi) *Winding up*

If IOOF is wound up, the liquidator may divide among all or any of the contributories any part of the assets of IOOF, and may vest any part of the assets of IOOF in trustees on any trusts for the benefit of all or any of the contributories as the liquidator thinks fit.

On a winding up of IOOF, holders of the redeemable converting preference shares currently on issue in IOOF (described in Section 3.5 of this Scheme Booklet) will be entitled to a return of the redemption price before any return of capital is made to holders of ordinary IOOF Shares.

(vii) *Variation of class rights*

Subject to the Corporations Act, IOOF may vary or cancel rights attached to IOOF Shares by a special resolution of IOOF and a special resolution passed at a meeting of IOOF Shareholders holding shares in that class or with the written consent of IOOF Shareholders who are entitled to at least 75% of the votes that may be cast in respect of shares in that class.

The IOOF constitution provides that by resolution of the IOOF Directors, IOOF may vary the rights attached to shares in a class of shares in IOOF by the issue of new shares in IOOF not having the same rights attached as any shares already issued by IOOF.

(viii) *Alteration of IOOF Constitution*

The IOOF constitution can only be amended by special resolution passed by at least three-quarters of the votes cast by IOOF members entitled to vote on the resolution at a general meeting of IOOF.

(ix) *Preference shares*

IOOF is entitled to create and issue preference shares. The rights which attach to preference shares may include a preferential right to dividends and certain priorities on redemption of shares and in a winding-up of IOOF. Holders of preference shares would be entitled to vote at general meetings on only a limited range of questions and proposals. Further information on preference shares currently on issue is included in Section 3.5 of this Scheme Booklet.

(x) *Share buy backs*

IOOF may buy IOOF Shares in itself on the terms and at the times determined by the IOOF Directors, to the extent and in the manner permitted by the Corporations Act.

(xi) *Number of IOOF Directors*

The constitution of IOOF provides that the IOOF Directors may determine the number of directors of IOOF, subject to the number of directors of IOOF not being less than 5 nor more than 11. A majority of IOOF Directors must be non-executive directors.

(xii) *Indemnification of IOOF officers*

Each officer of IOOF and its subsidiaries may be indemnified by IOOF against any liability incurred (other than a liability to IOOF and its related bodies corporate, or for a pecuniary penalty order or compensation order) arising out of the conduct of the business of IOOF or the discharge of their duties as an officer of IOOF, except where the liability arises out of conduct involving a lack of good faith on their part. Officers of IOOF are also indemnified by IOOF for costs incurred in defending proceedings in which judgement is given in their favour or in which they are acquitted, or the claim is withdrawn. For the purposes of this indemnification, an officer includes an IOOF Director, a company secretary, or any person appointed as a trustee by IOOF or who acts as a trustee at the request of IOOF.

(xiii) *Unmarketable parcels*

In certain circumstances, IOOF may give notice to IOOF Shareholders holding unmarketable parcels of IOOF Shares that it proposes to sell the IOOF Shares. The notice must set a period of six weeks within which the IOOF Shareholder can notify IOOF that they wish to retain the IOOF Shares. If the IOOF Shareholder does not do that or increase their IOOF Shareholding to a marketable parcel (within the meaning of the ASX Listing Rules), IOOF may sell their IOOF Shares and distribute the proceeds of sale to the IOOF Shareholder.

(xiv) *IOOF's right to recover certain payments relating to IOOF Shares*

If a law imposes a liability, or future or possible liability, on IOOF to make any payment in respect of IOOF Shares held by an IOOF Shareholder, then IOOF has certain rights including an entitlement to recover that payment from the IOOF Shareholder and their personal representatives and assigns, including by way of lien or charge on the IOOF Shares and benefits in respect of the IOOF Shares.

(c) **IOOF executive incentive plans**

(i) *Overview*

Remuneration for senior executives of IOOF (including the executive directors) is broken down into the following categories:

- a fixed remuneration package comprising a combination of base salary, superannuation and other fringe benefits the executive may choose to salary sacrifice;
- a short term incentive (**STI**) opportunity, which is tied to the achievement of pre-agreed financial and strategic objectives; and
- a long term incentive (**LTI**) component.

The LTI is primarily delivered through an offer of performance shares under the IOOF Executive Performance Share Plan, and in some circumstances also by the grant of share options to executives as part of their employment contracts.

The terms of the LTI for each senior executive are determined by the IOOF Board.

(ii) *IOOF Executive Performance Share Plan*

Under the IOOF Executive Performance Share Plan, eligible executives are entitled to receive allocations of IOOF Shares, which vest upon the satisfaction of performance or service based conditions (or both) determined by the board of directors of IOOF. The performance shares are allocated and vest at no cost to the executive. IOOF's obligation to provide shares under the plan may be satisfied by the issue of IOOF Shares to the executive or the acquisition of new IOOF Shares on market by the IOOF Executive Performance Share Plan trustee using cash reserves.

In accordance with the terms of the IOOF Executive Performance Share Plan, and at the discretion of the IOOF Board, in specified circumstances (redundancy, permanent disability, death), grants of performance shares

may be the subject of accelerated or pro-rata vesting (even though some or all of the vesting conditions may not have been satisfied).

In October 2008, IOOF offered to a number of nominated executives the opportunity to have the terms of their participation in the Executive Performance Share Plan amended so as to provide a revised definition of Change of Control and revised entitlements in the event of a Change of Control as newly defined.

Under the terms of the amended Change of Control provisions for those executives who agreed to the amendment, the performance conditions applicable to unvested performance shares allocated prior to the Implementation Date will be waived in connection with the Merger. Vesting conditions that are time-based will not be waived.

The amendment also provides for the performance shares to vest in the proportions set out below in the event that an executive's employment with the IOOF Group (or associated companies) ceases within 12 months of the Merger (except where the cessation is voluntary or for misconduct of the executive):

- 75% of the performance shares which, prior to the amendment, were subject to performance-based vesting conditions; and
- 100% of the performance shares which, prior to the amendment, were subject only to time-based vesting conditions.

(iii) *IOOF Options*

The IOOF Board has agreed to issue options to acquire IOOF Shares to certain senior executives as part of their employment contracts, subject to the satisfaction of applicable performance or service based conditions. If the conditions are satisfied, options will be issued at no cost to the executive. Once issued, the options may be exercised during the applicable exercise period upon payment of the agreed exercise price by the executive. Upon the exercise of options (including payment of the exercise price), the executive will be allocated one IOOF Share for each option exercised.

(iv) *CEO Incentives*

In October 2008, IOOF announced that, following an annual review of the remuneration of the Chief Executive Officer, Mr Tony Robinson, for the 2008-09 financial year, Mr Robinson would continue to be paid an annual base remuneration of \$500,000 and would also be entitled to an STI of up to \$1 million for achieving financial and individual performance objectives and strategic targets set by the IOOF Board.

If the Merger is Implemented, Mr Robinson will have achieved the strategic target for 50% of his STI and may be eligible for an additional proportion of the STI subject to the achievement of other financial and individual performance objectives.

In accordance with Mr Robinson's employment contract, if his employment is terminated by IOOF (other than for dishonesty, fraud, gross misconduct or other cause), he is entitled to 12 months' written notice or payment in lieu of notice equivalent to his base remuneration for the relevant period of notice.

In addition, in accordance with the terms of Mr Robinson's employment contract, the IOOF Board has determined that, subject to any requirement to obtain shareholder approval, all of Mr Robinson's unvested LTIs will vest if the Merger is Implemented.

At IOOF's 2007 annual general meeting, IOOF Shareholders approved Mr Robinson's LTIs of:

- an annual allocation of 50,000 performance shares allotted for each of the 2008, 2009 and 2010 financial years, which vest subject to the achievement of a performance hurdle based on the IOOF's Total Shareholder Return tested over a three year period. "Total Shareholder Return" measures the return to a shareholder over the performance period in terms of the changes in the market value of the shares plus the value of the dividends paid on the shares; and
- a grant of up to 675,000 options to acquire IOOF Shares. The options are divided into 3 equal tranches to be tested year by year over 2, 3 and 4 year performance periods, respectively. A tranche of options vests if the performance hurdle of 10% growth in IOOF's earnings per share is satisfied, otherwise the options lapse. Vested options may be exercised by the CEO at an exercise price of \$9.89.

In relation to the options component of the LTI, the IOOF Board intended that the performance hurdle for the options would be tested on a cumulative basis and that, accordingly, a tranche of options would vest if the performance hurdle of 10% growth in IOOF's earnings per share is achieved over the performance period of 2, 3 or 4 years (as applicable). However, the notice of meeting for IOOF's 2007 annual general meeting incorrectly stated that the options vest on an all or nothing basis and lapse if the performance hurdle is not achieved in any year of the applicable performance period. Accordingly, under the terms of the options approved by IOOF's shareholders, all of Mr Robinson's 675,000 options lapsed in the first year of the performance period for each tranche as the hurdle was not met. The options would not have lapsed had the cumulative performance test originally intended by the Board applied.

With the aim of correcting this position, the IOOF Board has agreed to issue new options to Mr Robinson, subject to shareholder approval at the next annual general meeting of IOOF (which is scheduled for November 2009). If the requisite shareholder approval is obtained, the options will be issued on terms that replicate the position Mr Robinson would have been in had the cumulative performance test originally intended by the Board applied. Accordingly, if the Merger is Implemented, the options will vest and become immediately exercisable upon shareholder approval at the next annual general meeting of IOOF.

The exercise price of \$9.89 will remain unchanged.

(v) *Shares, options and other interests in IOOF Shares held by or on behalf of IOOF Directors*

The number, description and amount of IOOF Shares, IOOF Options and other interests in IOOF Shares held by or on behalf of each IOOF Director as at 2 March 2009 is set out below.

IOOF Director	No. of IOOF Shares held	IOOF Options	No. of unvested performance shares held
Mr I Blair	9,677 held directly and 12,509 held indirectly		-
Dr R Sexton	12,313 held directly and 10,573 held indirectly		-
Mr R Harper	-		-
Ms J Harvey	5,335 held indirectly		-
Mr A Hodges	55,595 held directly and 378,685 held indirectly		132,474
Mr J Pfeiffer	15,820 held indirectly		-
Mr A Robinson	3,500 held directly and 4,000 held indirectly*	675,000*	100,000
Ms K Spargo	3,328 held directly and 5,975 held indirectly		-

* IOOF has agreed to issue 675,000 options to Mr Robinson, subject to shareholder approval at the next annual general meeting of IOOF. For further details see Section 9.3(c)(iv).

(d) **Quotation of New IOOF Shares**

IOOF will apply to ASX for the quotation of all New IOOF Shares which will be issued to AWM Shareholders under the terms of the Scheme within seven days after the date of this Scheme Booklet.

(e) **Transaction Confirmation Statements for New IOOF Shares**

Transaction Confirmation Statements for New IOOF Shares issued as consideration under the Scheme will be sent to Scheme Participants within 10 Business Days of the Implementation Date by prepaid post at their respective addresses as shown in the Share Register or at such other addresses as they may instruct AWM in writing prior to the date of posting.

9.4 AWM Shares

(a) **Restrictions in the constitution of AWM**

There are no restrictions on the right to transfer AWM Shares in the AWM Constitution.

(b) **AWM Shares issued as consideration for the acquisition of Ord Minnett**

On 1 June 2008 47,574,280 AWM Shares were issued in exchange for the transfer of 70% of the issued share capital of Ord Minnett to JV1 Pty Ltd, a wholly owned

subsidiary of AWM. The remaining 30% of the issued share capital in Ord Minnett is held by OMG Australia.

All of the AWM Shares described above are subject to escrow agreements prohibiting the holders from disposing of them, except in accordance with the terms of the escrow agreement. Copies of the escrow agreements were disclosed to ASX on 2 June 2008. The escrow agreements do not contain restrictions on the voting rights attaching to the shares.

On 10 February 2009 (the date on which AWM announced results for the 6 months ended 31 December 2008), one third of these shares were released from escrow in accordance with the escrow agreements.

The escrow agreements contain provisions stating that any AWM ordinary shares yet to be released from the restrictions on transfer are automatically released if there is a takeover or a scheme of arrangement or other event which has the result that any person has voting power in AWM in excess of 50%. The Merger will result in the release from escrow of the AWM ordinary shares described above.

(c) ***Dealings in AWM Shares***

To enable the Merger to be Implemented, AWM will apply to ASX for suspension as from the close of trading on the Effective Date. AWM Shares will not be able to be traded beyond the close of trading on the Effective Date.

For the purposes of Implementation of the Scheme, AWM will, between the Effective Date and the Record Date, determine who are the AWM Shareholders as at the Record Date, being those entitled to the consideration under the Scheme. Any dealing in AWM Shares received by Computershare before the Record Date will be recognised, but no dealing in AWM Shares (whenever effected) will be recognised if received by Computershare after the Record Date.

(d) ***Removal of AWM from the Official List***

Following the Implementation of the Scheme, application will be made to ASX for removal of AWM from the official list of ASX.

9.5 IOOF's relevant interest in Marketable Securities of AWM

The information in this Section 9.5 has been provided by IOOF and IOOF is responsible for its accuracy.

(a) ***Relevant interests of IOOF in AWM***

As at the date of this Scheme Booklet, no Marketable Securities of AWM are held by or on behalf of IOOF and IOOF does not have any voting power in AWM.

(b) ***Relevant interests of IOOF Directors in AWM***

No Marketable Securities of AWM are held by or on behalf of any IOOF Director.

(c) ***No dealings in AWM Shares and no collateral benefits offered by IOOF in last 4 months***

Except for the consideration to be provided under the Scheme, in the four months ending on the day immediately before the day on which the Scheme Booklet was lodged for registration by ASIC, neither IOOF nor any Associate of IOOF:

-
- has provided, or agreed to provide, or has received or agreed to receive consideration for an AWM Share under a sale, purchase, or agreement for sale or purchase of AWM Shares; or
 - gave, offered to give or agreed to give a benefit to another person that was likely to induce the other person or an Associate of the other person to vote in favour of the Scheme or dispose of AWM Shares, which benefit was not offered to all AWM Shareholders.

9.6 Interests of IOOF Directors in the Scheme

The information in this Section 9.6 in relation to the AWM Directors who are proposed new IOOF Directors has been provided by AWM and AWM is responsible for its accuracy. The remainder of the information in this Section 9.6 in relation to IOOF Directors has been provided by IOOF and IOOF is responsible for its accuracy.

As described in Section 9.3(c), if the Scheme is Implemented, Mr Robinson will have achieved the strategic target for 50% of the short term incentive component of his remuneration and, subject to any requirement to obtain shareholder approval, all of Mr Robinson's unvested long term incentives will vest and become immediately exercisable. See Section 9.3(c) for further information on Mr Robinson's incentives.

Except as otherwise described in this Section 9, no IOOF Director or proposed IOOF Director has, or has had in the two years before the date of this Scheme Booklet, an interest in the Merger or AWM Shares.

9.7 Qualification as IOOF Director

The information in this Section 9.7 has been provided by IOOF and IOOF is responsible for its accuracy.

Except as described in this Section 9 no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit to any person to induce that person to become or to qualify as an IOOF Director.

9.8 AWM's relevant interest in Marketable Securities of IOOF

AWM holds a relevant interest in 1,460,632 IOOF Shares as at 2 March 2009, being the last practical date before this Scheme Booklet was lodged for registration with ASIC.

Under section 259D of the Corporations Act, if the Merger proceeds and IOOF acquires all of the AWM Shares, AWM may not continue to own the IOOF Shares it currently holds (or any bonus shares issued in respect of those IOOF Shares) for a period of more than 12 months (or such greater period as ASIC may agree to). Accordingly, if the Merger proceeds and IOOF acquires all of the AWM Shares, AWM will be required to dispose of the IOOF Shares it holds within the statutory 12 month period (or such longer period as ASIC agrees to). Any voting rights attached to the IOOF Shares held by AWM cannot be exercised while IOOF continues to control AWM.

It is intended that the IOOF Shares held by AWM will be either cancelled or sold on-market over the 12 month period following Implementation. Those IOOF Shares are expected to represent in the order of 0.64% of the Merged Entity's share capital, assuming that the Merger is Implemented.

If the Scheme is not Implemented by 31 May 2009, then IOOF will issue AWM 2 million new IOOF Shares as compensation for AWM agreeing to withdraw from the bidding process to acquire the OM Business.

Further information on the acquisition of the OM Business and the funding arrangements are included in Section 9.11(a) of this Scheme Booklet.

9.9 Effect on AWM creditors

AWM has paid and is paying all its creditors within normal terms of trade. It is solvent and is trading in an ordinary commercial manner. The Scheme will not adversely affect the interests of AWM's creditors.

9.10 Impact on material contracts of AWM

In addition to the escrow agreements described in paragraph 9.4(b), the following other agreements were entered into as part of the acquisition of the shares in Ord Minnett. Their principal terms are summarised below. It is not anticipated that the Merger will affect these agreements:

(a) Shareholders Agreement

The Shareholders Agreement governs the relationship between the shareholders in Ord Minnett.

JV1 Pty Ltd can appoint a majority of directors to the board of Ord Minnett.

OMG Australia has been granted a put option to require JV1 Pty Ltd to purchase all of its shares in Ord Minnett at a price calculated in accordance with an agreed formula.

OMG Australia also has, in the event of AWM becoming controlled by or controlling a "Proscribed Person", a right to acquire shares resulting in it holding 50.1% of the issued share capital of Ord Minnett at a price calculated in accordance with an agreed formula. A Proscribed Person is defined as an Investment Bank (being an entity which provides financial and investment related services) operating in Australia or that is in the business of being a lead manager, underwriter or distributor of primary equity or hybrid securities.

The Shareholders Agreement contains restrictions on the transfer of shares, pre-emption rights and tag along rights that apply to both shareholders. It also contains a change of control clause that is only triggered if AWM ceases to own or control JV1 Pty Ltd.

(b) Distribution Agreement

The Distribution Agreement is for an initial term of 10 years from 11 May 2008 and is subject to early termination if OMG Australia ceases to hold voting shares in Ord Minnett.

The AWM Group must use its reasonable endeavours to ensure that J.P. Morgan Australia, an affiliate of OMG Australia, is given a role on any primary equity, fixed income securities and hybrid transactions that the AWM Group is involved in. After the Merger this would include the IOOF Group.

J.P. Morgan Australia must use its reasonable endeavours to ensure that where it is appointed as a retail arranger on a capital raising or IPO, the AWM Group is given an invitation to provide retail distribution services. After the Merger this would include the IOOF Group.

The agreement also contains more general obligations on the parties to promote each others services to their clients.

(c) **Research Agreement**

The agreement is for an initial term of 10 years from 11 May 2008 and is subject to early termination if J.P. Morgan Australia or one of its related bodies corporate ceases to hold voting shares in Ord Minnett.

The agreement provides for J.P. Morgan Securities to provide certain research in relation to financial products to OML and the basis on which OML can use this research.

9.11 Other material information regarding IOOF

The information in this Section 9.11 has been provided by IOOF and IOOF is responsible for its accuracy.

(a) **Acquisition of OM Business**

On 27 February 2009, IOOF entered into a share sale agreement (**SSA**) to acquire the "Skandia" and "Intech" businesses in Australia from OM Group (UK) Limited (**OM**), by acquiring 100% of the issued shares in the Australian subsidiaries of OM, Old Mutual Australia Holdings Pty Ltd and Old Mutual Australia Ltd (**Target Companies**).

The Skandia business was established in 2001 and acquired by the Old Mutual Group in March 2006. It is a platform administration business with approximately \$3.9 billion of "funds under administration" (meaning the funds of clients administered by Skandia on its Platforms) as at 31 December 2008. The business provides long term savings products to the retail investment sector in Australia that incorporate managed investments, personal and corporate superannuation and pension products. These products are packaged using Skandia's administration platform, with a choice of over 125 investment options from over 40 specialist investments managers. Skandia has relationships with a number of large non-aligned independent financial advisor groups in Australia.

Intech was founded in 1989 and acquired by Old Mutual Group in November 2006. A provider of multi-manager and investment portfolio solutions, at 31 December 2008, Intech had approximately \$4.2 billion of "funds under management" (meaning the funds managed by Intech). Intech offers a wide range of investment trusts including sophisticated single sector, alternative strategy and diversified investment trusts. The trusts are generally available to wholesale / institutional investors, and to retail investors via retail platform products (including Skandia). The Intech business also provides specialist capital markets research, investment manager research and portfolio management services.

In accordance with the terms of the Implementation Deed, AWM has consented to the acquisition by IOOF.

The acquisition by IOOF is expected to result in benefits to the Merged Entity, including:

- (i) an increase in scale and FUMA for the Merged Entity's:
 - Platform Management & Asset Administration business - to include the Skandia business; and
 - Investment Management business - to include the Intech business;
- (ii) the integration of additional products that have proven to be successful, as demonstrated by their existing use in the market place;

-
- (iii) allowing the Merged Entity the opportunity to develop deeper relationships with significant unaligned financial planning businesses that are existing customers of the Skandia business.

A summary of the terms of the acquisition is set out in this Section.

The purchase price is \$20 million payable by IOOF at completion, with a further payment to be made (no more than 60 days after completion) equal to the total net tangible assets of the Target Companies, estimated to be approximately \$14 million (which amount may be subject to a post-completion review and adjustment). Completion is scheduled to occur on or around 6 March 2009.

In the period prior to completion, OM will ensure that the Target Companies continue to carry on their businesses (together, the **OM Business**) in the ordinary course.

OM gives a number of seller's warranties under the SSA including warranties regarding OM's title to the shares in the Target Companies, OM's authority to enter into the SSA and the assets, liabilities, financial position and performance of the Target Companies. IOOF's right to make warranty claims is subject to limitations including a minimum aggregate claims threshold of \$200,000 and a time period of 18 months from completion for making general warranty claims. OM's maximum liability for all general warranty claims is limited to 50% of the purchase price (but 100% of the purchase price for claims regarding title to the sale shares).

IOOF does not acquire the "Old Mutual" or "Skandia" trade marks under the SSA, but may continue to use the trade marks after completion to enable the normal operation of the OM Business for a limited transition period of 4 months (or 12 months for use in existing product disclosure statements).

OM licenses IOOF to use the Target Companies' key software platform for a transition period of 3 years after completion to enable the normal operation of the OM Business. IOOF is required to use its reasonable endeavours to separate IOOF's information technology systems from OM's information technology systems within a 4 month transition period after completion.

The SSA provides for a 10 month restraint period after completion during which OM must not compete with the OM Business within Australia or solicit customers of the OM Business. OM may continue to operate other existing businesses within Australia and may be acquired by an entity operating a competing business, but, for 12 months after completion, is prohibited from soliciting employees of the Target Companies or their subsidiaries.

IOOF grants to OM a fixed and floating charge over all of its present and future undertaking, assets and rights to secure IOOF's completion obligations under the SSA. The amount recoverable under the charge is limited to \$14.7 million. The charge is otherwise on usual commercial terms.

Under a loan agreement dated 26 February 2009 between AWM and IOOF, AWM agreed to loan to IOOF \$10 million to fund part of the completion payment for the acquisition by IOOF of the OM Business. The loan must be drawn before 31 May 2009 (or such extended date as agreed by AWM). Once the loan is drawn, the maturity date is 6 months from the latest of:

- if the Scheme is not approved by AWM Shareholders at the Scheme Meeting, the date of the Scheme Meeting (expected to be 22 April 2009);
- if the Scheme is not approved by the Court, the date of the Court Hearing (expected to be 29 April 2009); and

- 31 May 2009.

The loan facility, including the applicable interest rate and covenants, is otherwise on usual commercial terms.

If the Scheme is not Implemented by 31 May 2009, then IOOF will issue AWM 2 million new IOOF Shares as compensation for AWM agreeing to withdraw from the bidding process to acquire the OM Business.

(b) **PIPL Acquisition**

On 5 October 2006, IOOF entered into an agreement to acquire the 21.85% of the issued capital of PIPL held by PIPL's minority shareholders (generally members of the PIPL management team) (**Minorities**), which was varied by the parties by Deed of Variation dated 25 October 2006 (together the "**PIPL Acquisition Agreement**"). Since completion of the acquisition, IOOF has retained ownership of 100% of PIPL. The Perennial business is comprised of PIPL and the investment management boutiques (in which PIPL has an equity interest). PIPL does not have 100% ownership of all of the investment management boutiques. Under the Perennial model, individual investment managers own substantial equity interests in a number of the investment management boutiques. For further details of the Perennial business, refer to Section 3.3(d).

In certain circumstances, a "Change in Control" of IOOF, IIML (the IOOF subsidiary that acquired the PIPL shares under the PIPL Acquisition Agreement) or PIPL will trigger a right for the investment managers to exercise call options to acquire PIPL's shares in their respective investment management boutiques and, if the "Change in Control" occurs prior to 30 June 2009, an obligation for IOOF to pay up to \$42,293,436 in accelerated deferred payments to PIPL executives.

A "Change in Control" of IOOF would occur if, for example, a bidder for IOOF became entitled to more than 40% of the voting shares in IOOF pursuant to a takeover bid or a scheme of arrangement involving the acquisition of IOOF Shares.

The Merger will not result in a "Change of Control" of IOOF, IIML or PIPL for the reasons set out in Section 9.11(d) of this Scheme Booklet.

Further details of the call and put options and the accelerated deferred payments are provided below.

(c) **Perennial call and put options**

In connection with the PIPL acquisition, the shareholders agreements for the partly owned investment management boutiques were amended to include call options which, in general terms, entitle the relevant investment managers to purchase PIPL's shares in the investment management boutiques upon a "Change in Control". Upon a "Change in Control", the call options are exercisable by the investment managers at a price determined by PIPL in its sole discretion. In the event that the investment managers of an investment management boutique do not elect to acquire all of PIPL's shares in that boutique through the exercise of their call options, the investment managers must sell to PIPL (and PIPL must buy) all of their shares in that investment management boutique at the same exercise price first determined by PIPL for the call options. Further details of the "Change in Control" trigger for the call options is provided below.

In accordance with the terms of the PIPL Acquisition Agreement, in addition to the initial payment made to the Minorities for their PIPL shares, IOOF agreed to pay the Minorities a deferred payment based on PIPL's 2008/09 financial performance. In connection with the acquisition, IOOF also agreed to pay certain PIPL

executives (**Offerees**) a deferred payment in consideration of the Offerees relinquishing their claims to PIPL equity. Except as provided below, the deferred payments to the Minorities and the Offerees (**Deferred Payments**) (if any) become due and payable by IOOF within a specified period following 30 June 2009.

If payable, each Deferred Payment would be calculated as an agreed proportion of the value of PIPL at completion of the 2008/09 financial year (**Deferred Valuation**) less \$320 million (being the valuation of 100% of PIPL as at the date of the acquisition). The Deferred Valuation is to be calculated as 25 times the 2008/09 Net Profit after Tax and Outside Equity Interests made by PIPL as determined by reference to the audited accounts of IOOF for the financial year ended 30 June 2009.

Given market conditions and the prior performance of PIPL, it now appears unlikely that any Deferred Payments will be payable to the Minorities or the Offerees unless, as set out below, an obligation for IOOF to pay an accelerated deferred payment is triggered prior to 30 June 2009.

Under the terms of the PIPL Acquisition Agreement and the separate deeds of release between IOOF and each Offeree, if at any time prior to 30 June 2009 a "Change of Control" occurs in respect of IOOF, IIML or PIPL, or if certain executives of PIPL (who represent the Minorities) have their employment terminated or are otherwise removed from their current roles, the Minorities and the Offerees have, or, in the case of cessation of employment of an executive other than Mr Patterson, the Minority or Offeree affected has, the right to trigger an early realisation of the deferred payment (**Accelerated Deferred Payment**) based on forecast financial performance for the 2008/2009 year. The accelerated deferred payment for each Minority and Offeree is a fixed amount, set out in the PIPL Acquisition Agreement or the relevant deed of release (as the case may be). The aggregate amount of the accelerated deferred payments potentially payable to the Minorities and the Offerees is \$42,293,436.

(d) **"Change in Control" trigger**

For the purposes of the Perennial call and put options and the accelerated deferred payments, "Change in Control" means:

- in relation to the shareholding of IOOF, where a person and that person's associates together become entitled to more than 40% of the voting shares in IOOF or its holding company, if any;
- in relation to the board of directors of IOOF, where there is a change to the majority of the IOOF Board as a result of a resolution passed at a meeting of members of IOOF where the resolution to change the directors has been put to members without the support of both the IOOF managing director and chairman of the IOOF Board; or
- in relation to the shareholding of PIPL or IIML, where a person other than IOOF or its associates become entitled to more than 40% of the voting shares in that company.

The obligation to pay accelerated deferred payments to the Minorities and the Offerees is not triggered unless the "Change in Control" occurs prior to 30 June 2009. The Perennial call and put options are not subject to the same limitation. They are triggered upon a "Change in Control", whenever it occurs.

The Perennial call and put options would be triggered where, for example, a bidder became entitled to more than 40% of the voting shares in IOOF pursuant to a

takeover bid or a scheme of arrangement involving the acquisition of IOOF Shares. An obligation to pay the accelerated deferred payments to the Minorities and the Offerees would be triggered if, for example, the same circumstances arose prior to 30 June 2009.

The Merger will not result in a "Change of Control" for the following reasons:

- the AWM Shares are widely held. As at 2 March 2009, no shareholder held more than 17.06% of the AWM Shares on issue;
- based on the Share Register as at 2 March 2009, the issue of New IOOF Shares to Scheme Participants will not result in any one AWM Shareholder acquiring more than 40% of IOOF Shares and IOOF and AWM are not aware of any association between IOOF Shareholders and/or AWM Shareholders that could result in any one AWM Shareholder or IOOF Shareholder and its associates acquiring more than 40% of IOOF Shares in connection with the Scheme;
- under the takeovers provisions of the Corporations Act, the acquisition of a stake of 20% or more of IOOF Shares or AWM Shares is prohibited, except, for example, if the acquisition is made pursuant to a takeover bid. Accordingly, unless a superior offer for AWM or IOOF emerges before the Scheme is implemented, the put and call options should not be triggered by normal trading in AWM Shares and IOOF Shares between 2 March 2009 and the Implementation Date;
- the shareholding of PIPL and IIML will not change as a result of the Scheme; and
- a majority of the existing members of the IOOF Board will remain as directors of IOOF following Implementation of the Scheme and, in any event, the proposed changes to the IOOF Board are supported by IOOF's Managing Director and Chairman.

9.12 ASIC relief and ASX waivers

AWM has been granted a waiver by ASX from Listing Rule 6.23.2 to permit AWM to cancel the AWM Options in the manner described in Section 6.8 without AWM Shareholder approval.

IOOF has been granted waivers by ASX from Listing Rule 10.14 to permit IOOF to issue IOOF Options to Chris Kelaher and Ian Griffiths, who will each be appointed as a director of IOOF following Implementation of the Scheme, without IOOF Shareholder approval.

9.13 Regulatory and legal matters

(a) Foreign exchange controls

The Reserve Bank of Australia generally does not restrict the import and export of Australian dollars. There are currently no Australian exchange controls or other limitations, other than an applicable withholding of Australian tax, which restrict the remittances of any dividend, interest or other payment by IOOF to non-resident holders of IOOF Shares outside Australia, provided they are not certain persons identified as supporters of the former Government of the Federal Republic of Yugoslavia, specified ministers and senior officials of the Government of Zimbabwe certain entities associated with the Democratic People's Republic of Korea (North Korea), certain individuals associated with the Burmese regime, or certain Iranian entities and persons not already listed by the United Nations Security Council, in which case remittance is prohibited without the specific

approval of the Reserve Bank of Australia under the *Banking (Foreign Exchange) Regulations 1959* (Cth).

Accounts of persons and entities identified from time to time by the Australian Minister of Foreign Affairs as being associated with terrorism and any person named on the list maintained pursuant to paragraph 1(c) of Resolution 1373 of the Security Council of the United Nations are frozen, and transactions with these entities are prohibited, under Part 4 of the *Charter of the United Nations Act 1945* (Cth) and the *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth).

(b) **Restrictions on foreign ownership**

The right of non-residents to hold or exercise voting rights attaching to IOOF Shares is limited by the FATA. The FATA may affect the right of certain persons, including US residents, to hold or control IOOF Shares.

Acquisitions of shares in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the FATA, unless certain exceptions apply. The FATA applies to the acquisition of a substantial interest by a foreign person and any associates which is a holding of 15% or more of the issued shares of, or control of 15% or more of the voting power in, an Australian company. Further, it applies to acquisitions that would result in a holding by these persons of 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company.

9.14 Material changes in the financial position of AWM

Within the knowledge of the AWM Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of AWM has not materially changed since 30 June 2008 other than as disclosed to ASX. Further information on AWM's ASX announcements is contained in Annexure G.

9.15 Auditors

Deloitte Touche Tohmatsu is the auditor of AWM.

9.16 Consents

(a) **Consent to be named**

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- Deutsche Bank as financial adviser to AWM;
- Blake Dawson as legal adviser to AWM;
- Deloitte Touche Tohmatsu as AWM's auditor and taxation adviser;
- Computershare as the share registry of AWM;
- IOOF;
- J.P. Morgan Australia;
- J.P. Morgan Securities; and
- OMG Australia.

(b) **Consent to inclusion of information**

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to the inclusion of the following information in this Scheme Booklet in the form and context in which it is included and to all reference in this Scheme Booklet to that information in the form and context in which they appear:

- Ernst & Young to be named as the Independent Expert and to the inclusion of the Independent Expert's Report set out in Annexure C of this Scheme Booklet; and
- Deloitte Touche Tohmatsu to be named as the Investigating Accountants and to the inclusion of the Investigating Accountants' Report set out in Annexure D of this Scheme Booklet.

9.17 Fees

Each of the Advisers will be entitled to receive professional fees charged in accordance with their normal basis of charging. If the Scheme proceeds, AWM estimates professional fees to be approximately \$2.75 million.

Except as otherwise described in this Section 9, none of the Advisers has, or has had, in the two years before the date of this Scheme Booklet, an interest in the Merger or AWM Shares.

9.18 Other information material to the making of a decision in relation to the Scheme

There is no information material to the making of a decision in relation to the Scheme, or a decision by an AWM Shareholder whether or not to agree to the Scheme (being information that is within the knowledge of any AWM Director or of a related company) that has not previously been disclosed to Scheme Participants other than as set out elsewhere in this Scheme Booklet and the Annexures.

9.19 Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, AWM or IOOF becomes aware that:

- a material statement in this Scheme Booklet is misleading or deceptive;
- there is a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet has occurred; or
- a significant new matter has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

AWM will prepare a supplementary document to this Scheme Booklet.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

9.20 Further information

Further information on AWM and IOOF can be found on the companies' web-sites:

- AWM: <http://www.awmlimited.com.au>; and

- IOOF: <http://www.ioof.com.au>

9.21 AWM Directors consent to lodgement

Each AWM Director has given, and not withdrawn, their consent to the lodgement of this Scheme Booklet with ASIC.

BY ORDER OF THE BOARD OF AUSTRALIAN WEALTH MANAGEMENT LIMITED

John Warburton
Chairman
6 March 2009

10. GLOSSARY AND INTERPRETATION

10.1 Glossary

The following is a glossary of certain terms used in this Scheme Booklet.

\$	means Australian dollars.
Advisers	persons named in Section 9.16 of this Scheme Booklet (except IOOF, OMG Australia, J.P. Morgan Australia and J.P. Morgan Securities) as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet.
AET	means Australian Executor Trustees Limited (ABN 84 007 869 794).
AFSLs	means Australian Financial Services Licences.
AIFRS	means Australian Equivalents to International Financial Reporting Standards.
Announcement Date	means the date that the proposed Scheme was announced by AWM and IOOF to ASX, being 24 November 2008.
APRA	means the Australian Prudential Regulation Authority.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given to that term in Chapter 6 of the Corporations Act.
ASTC	means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).
ASTC Business Rules	means the business rules of ASTC.
ASX	means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691).
ASX Listing Rules	means the official listing rules of ASX.
AWM	means Australian Wealth Management Limited (ABN 53 111 116 511).
AWM Board	means the board of directors of AWM.
AWM Directors	means directors of AWM.
AWM Group	means AWM and its related bodies corporate.
AWM Material Adverse Effect	means one or more occurrences or matters which individually, or when aggregated with all

	<p>such occurrences or matters, has had or is reasonably likely to have one of the following effects:</p> <ul style="list-style-type: none"> (a) to diminish the total consolidated net tangible assets of the AWM Group (calculated on the basis of AIFRS) by \$15 million or more; (b) to diminish the annualised consolidated NPAT of the AWM Group by \$7.5 million or more below the NPAT of the AWM Group (as specified in the Implementation Deed); (c) to materially adversely affect any forecast material provided by AWM, or the status or terms of any Regulatory Approval that is applicable to the AWM Group; or (d) prevent or be likely to prevent AWM from discharging its obligations under the Implementation Deed, <p>provided that an AWM Material Adverse Effect will not include any occurrence or matter:</p> <ul style="list-style-type: none"> (e) which was fairly disclosed (except for any successful enforcement by any third party of any right under any contract where such right is triggered by the entry into the Implementation Deed, or by the acts or omissions which were required to be done or procured by AWM under the Implementation Deed or the Scheme); (f) to the extent which the occurrence or matter was due to one or more acts or omissions which were required to be done under the Implementation Deed or the Scheme; (g) to the extent which the occurrence or matter is expressly consented to in writing by IOOF; or (h) to the extent the occurrence or matter is attributable to a decline in the level of the ASX 200 index as at the close of trading on the date of this document.
AWM Optionholder	means a registered holder of AWM Options.
AWM Options	means the unlisted options to subscribe for AWM Shares, details of which are set out in Section 2.5.
AWM Shareholder Approval	means a resolution in favour of the Scheme passed by a majority of AWM Shareholders under section 411(4)(a)(ii) of the Corporations Act.
AWM Shareholder	means a registered holder of an AWM Share.
AWM Share	means a fully paid ordinary share of AWM.
Bridges	means Bridges Financial Service Group Pty Limited (ABN 80 094 238 829).
Business Day	means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne.
CGT	means capital gains tax, in accordance with the manner in which that term is used in Parts 3-1 and 3-3 of Chapter 3 of the <i>Income Tax Assessment Act 1997</i> (Cth).
Competing Proposal	<p>means any proposal or offer that would, if completed substantially in accordance with its terms, result in:</p> <ul style="list-style-type: none"> (a) in the case of AWM, any person or persons other than IOOF or a member of the IOOF Group acquiring (directly or indirectly): <ul style="list-style-type: none"> (i) an interest in all or a substantial part of the assets of AWM or the AWM Group; (ii) a relevant interest in more than 20% of the voting shares of AWM; or

	<ul style="list-style-type: none"> (iii) control of AWM; or (iv) otherwise acquiring or merging with AWM (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure) except for any acquisition by AWM of any entity whose consolidated gross assets as shown in its most recently published financial statements are less than 20% of the consolidated gross assets of the AWM Group; and <p>(b) in the case of IOOF, any person or persons other than AWM or a member of the AWM Group acquiring (director or indirectly):</p> <ul style="list-style-type: none"> (i) an interest in all or a substantial part of the assets of IOOF or the IOOF Group; (ii) a relevant interest in more than 20% of the voting shares of IOOF; or (iii) control of IOOF; or (iv) otherwise acquiring or merging with IOOF (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure) except for any acquisition by IOOF of any entity whose consolidated gross assets as shown in its most recently published financial statements are less than 20% of the consolidated gross assets of the IOOF Group.
Computershare	means Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	means the <i>Corporations Regulations 2001</i> (Cth).
Court	means the Supreme Court of Victoria, or any other court of competent jurisdiction under the Corporations Act agreed by AWM and IOOF.
Deed Poll	means the document executed by IOOF set out in Annexure B.
Disclosed FUMAS	means Funds Under Advice, Funds Under Administration, Funds Under Management and Funds Under Supervision as at 31 December 2008.
DKN	means DKN Financial Group Limited ABN 75 008 112 150.
EBIT	means earnings before interest and income tax.
EBITDA	means earnings before interest, income tax, depreciation and amortisation.
Effective	when used in relation to the Scheme means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
Effective Date	means the date on which the Scheme becomes Effective.
End Date	means 31 July 2009, subject to any extension under the Implementation Deed.
Ernst & Young	means Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844).
EPS	means earnings per share.
Exclusivity Period	means the period commencing on the date of the Implementation Deed and ending on the earlier of termination of the Implementation Deed, the Implementation Date and the End Date.
FATA	means the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
FPA	means Financial Planning Association of Australia Limited.

Funds Under Administration	means funds of clients administered by AWM and/or IOOF on their Platforms, but unless otherwise indicated, does not include the impact of the acquisition of the OM Business by IOOF.
Funds Under Advice	means funds of clients advised by a financial adviser operating under one of AWM's and/or IOOF's AFSLs, but unless otherwise indicated, does not include the impact of the acquisition of the OM Business by IOOF.
Funds Under Management	means funds managed by AWM and/or IOOF, but unless otherwise indicated, does not include the impact of the acquisition of the OM Business by IOOF.
Funds Under Supervision	means funds under supervision of AWM.
FUMA	means the total of Funds under Management, Funds Under Administration and Funds Under Advice, but unless otherwise indicated, does not include the impact of the acquisition of the OM Business by IOOF. AWM and IOOF calculate FUMA at each point in the wealth management value chain. Accordingly, where a client's funds use more than one service offered by AWM and/or IOOF, these funds would be counted more than once reflecting the separate revenue stream received by AWM and/or IOOF for each service.
FUMAS	means the total of FUMA and Funds Under Supervision. AWM and IOOF calculate FUMAS at each point in the wealth management value chain. Accordingly, where a client's funds use more than one service offered by AWM and/or IOOF, these funds would be counted more than once reflecting the separate revenue stream received by AWM and/or IOOF for each service.
GST	has the meaning it has in the GST Act.
GST Act	means the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
IIML	means I.O.O.F. Investment Management Limited (ABN 53 006 695 021).
Implementation	means the Implementation of the Scheme, on it becoming effective under section 411(10) of the Corporations Act (and Implemented has a corresponding meaning).
Implementation Date	means the third Business Day after the Record Date.
Implementation Deed	means the Implementation Deed between AWM and IOOF dated 24 November 2008. A summary of the Implementation Deed is contained in Section 6.6 of this Scheme Booklet. A full copy of the Implementation Deed was disclosed by AWM as part of its announcement to ASX in respect of the Merger on 24 November 2008.
Independent Expert	means Ernst & Young, who has been engaged by AWM to opine on whether the Scheme is in the best interests of AWM Shareholders.
Independent Expert's Report	means the report prepared by the Independent Expert stating whether the Scheme is in the AWM Shareholders' best interests. The Independent Expert's Report is included in Annexure C to this Scheme Booklet.
Ineligible Overseas Scheme Participant	means an Overseas Scheme Participant other than one in respect of whom IOOF is satisfied that: <ul style="list-style-type: none"> (a) the laws of the Overseas Scheme Participant's country of residence or address as shown in the Share Register permit the issue and allotment of New IOOF Shares to the Overseas Scheme Participant, either unconditionally or after compliance with conditions which IOOF in its sole discretion regards as acceptable and not unduly onerous; and (b) the issue and allotment of New IOOF Shares to that Overseas Scheme Participant would not be unduly onerous or impractical.
Insolvency Event	means, a person, being in liquidation or provisional liquidation or under administration, having a controller or analogous person appointed to it or any of its property, being taken under section 459(1) of the Corporations Act to have failed to comply with a statutory demand, being unable to pay its debts or otherwise insolvent, dying, ceasing to be of full

	legal capacity or otherwise becoming incapable of managing its own affairs for any reason, becoming an insolvent under administration (as defined in section 9 of the Corporations Act), entering into a compromise or arrangement with, or assignment for the benefit of, any of its members (other than the Scheme) or creditors or any analogous event.
Investigating Accountants	means Deloitte Touche Tohmatsu.
Investigating Accountants' Report	means the report prepared by the Investigating Accountants included in Annexure D to this Scheme Booklet.
IOOF	means IOOF Holdings Ltd ABN 49 100 103 722.
IOOF Board	means the board of directors of IOOF.
IOOF Directors	means directors of IOOF.
IOOF Group	means IOOF and its related bodies corporate.
IOOF Life Ltd	means IOOF Life Ltd ABN 86 006 718 707
IOOF Ltd	means IOOF Ltd ABN 21 087 649 625
IOOF Material Adverse Effect	<p>means one or more occurrences or matters which individually, or when aggregated with all such occurrences or matters, has had or is reasonably likely to have one of the following effects:</p> <ul style="list-style-type: none"> (a) to diminish the total consolidated net tangible assets of the IOOF Group (calculated on the basis of AIFRS) by \$10 million or more; (b) to diminish the annualised consolidated UNPAT of the IOOF Group by \$2.5 million or more (as specified in the Implementation Deed); (c) to materially adversely affect any forecast material provided by IOOF, or the status or terms of any Regulatory Approval that is applicable to the IOOF Group; or (d) prevent or be likely to prevent IOOF from discharging its obligations under the Implementation Deed, <p>provided that an IOOF Material Adverse Effect will not include any occurrence or matter:</p> <ul style="list-style-type: none"> (e) which was fairly disclosed (except for any successful enforcement by any third party of any right under any contract where such right is triggered by the entry into the Implementation Deed, or by the acts or omissions which were required to be done or procured by IOOF under the Implementation Deed or the Scheme); (f) to the extent which the occurrence or matter was due to one or more acts or omissions which were required to be done under the Implementation Deed or the Scheme; (g) to the extent which the occurrence or matter is expressly consented to in writing by AWM; (h) that is an action undertaken to sell the business of, or the issued share capital of IOOF Life Ltd; or (i) to the extent the occurrence or matter is attributable to a decline in the level of the ASX 200 index as at the close of trading on the date of this document.
IOOF Options	means unlisted options to subscribe for IOOF Shares.
IOOF Shareholder	means holder of an IOOF Share.
IOOF Share	means a fully paid ordinary share of IOOF.

J.P. Morgan Australia	means J.P. Morgan Australia Limited (ABN 52 002 888 011).
J.P. Morgan Securities	means J.P. Morgan Securities Australia Limited (ABN 61 003 245 234).
Marketable Securities	has the meaning given to it in the Corporations Act.
Material Transaction	<p>means:</p> <ul style="list-style-type: none"> (a) an acquisition, offer to acquire or agreement to acquire any asset or interest in an asset or a disposal, offer to dispose or agreement to dispose of any asset or interest in an asset (unless there exists a binding agreement as at the date of the Implementation Deed which has been disclosed); (b) a joint venture or partnership in respect of any asset or undertaking; (c) a new, renewed, or varied commitment (including any undertaking to a government agency); (d) an exercise of a contractual right or other option to renew or extend an existing agreement (including under any lease); (e) a variation of the employment arrangements of any of its directors or employees with the effect of increasing the remuneration of, or terminating the employment of, the director or employee; (f) the acceleration of the rights of any of its directors or employees to compensation or benefits of any kind (including under any executive or employee share plans); (g) the payment of any bonus, termination or retention payment to any of its directors or employees other than in accordance with a contract in place at the date of the Implementation Deed; or (h) a new contract of employment under which the annual remuneration of the director or employee is \$200,000 or more, <p>that is not in the ordinary course of business or has a value or involves a liability (whether actual, contingent or prospective) or expenditure, as the case may be, of \$200,000 or more, or when aggregated with other transactions, of \$500,000 or more, but does not include a transaction or matter:</p> <ul style="list-style-type: none"> (i) that was fairly disclosed or consistent with a fairly disclosed policy relating to employment; (j) required to be done under the Implementation Deed or the Scheme; (k) to which the other of AWM and IOOF expressly consented to in writing or has unreasonably withheld or delayed its consent; or (l) undertaken to sell the business of or the issued share capital of IOOF Life Ltd.
Merged Entity	means IOOF and each of its controlled entities on completion of the Merger (which will include AWM as a wholly owned subsidiary).
Merger	means the proposed merger of IOOF and AWM upon Implementation of the Scheme.
New IOOF Shares	means IOOF Shares to be issued as consideration pursuant to the Scheme.
NPAT	means net profit after tax.
OM	has the meaning given to it in Section 9.11(a).
OM Business	has the meaning given to it in Section 9.11(a).
OMG Australia	means OMG Australia Pty Limited (ABN 58 002 773 444).

OML	means Ord Minnett Limited (ABN 86 002 733 048).
Ord Minnett	means Ord Minnett Holdings Pty Ltd (ABN 32 062 323 728).
Overseas Scheme Participant	means a Scheme Participant whose address shown in the Share Register is a place outside of Australia or New Zealand and their respective external territories.
Perennial	means PIPL and the Perennial investment management boutiques, including Perennial Fixed Interest, Perennial Growth, Perennial Real Estate and Perennial Value.
Perennial Fixed Interest	means Perennial Fixed Interest Partners Pty Ltd (ABN 35 099 336 357).
Perennial Growth	means Perennial Growth Management Pty Ltd (ABN 41 099 336 384).
Perennial Real Estate	means Perennial Real Estate Investments Pty Limited (ABN 35 117 913 685).
Perennial Value	means Perennial Value Management Limited (ABN 22 090 879 904).
PIPL	means Perennial Investment Partners Limited (ABN 59 087 901 620).
Platform	means systems that allow the selection, management and administration of a diverse investment portfolio.
Prescribed Event	<p>means, in relation to either AWM or IOOF:</p> <ul style="list-style-type: none"> (a) that party converts all or any of its shares into a larger or smaller number of shares; (b) that party resolves to reduce its share capital in any way; (c) that party enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act; (d) that party issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option, excluding any issue or grant contemplated by the Scheme and any shares issued as a result of the exercise of existing options or to meet an existing obligation to officers or employees under share or share option plans; (e) that party issues, or agrees to issue, securities or other instruments convertible into shares; (f) that party creates, or agrees to create, any mortgage, charge, lien or other encumbrance over the whole or a substantial part of the business or property of that party's group, except in the ordinary course of business; (g) an Insolvency Event occurs in relation to that party or its subsidiary; (h) that party makes any material change or amendment to its constitution; (i) that party declares any dividend or pays, makes or incurs any liability to pay or make any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets, subject to certain exceptions contemplated in the Implementation Deed; (j) proceedings are brought against that party or its subsidiary which are likely to result in damages or compensation payable by that party or its subsidiaries greater than \$2 million, in aggregate and which are not recoverable under any insurance arrangements; (k) that party or its subsidiary waives, forgoes or otherwise fails to seek the enforcement of any debt or other liability owed to it by any other entity within that party's group; or

	<p>(l) that party or its subsidiary makes any change to their accounting practices or policies, other than to comply with generally accepted Australian accounting standards and any domestically accepted international accounting standards or elects to form a consolidated group for the purposes of the <i>Income Tax Assessment Act 1997</i> (Cth),</p> <p>but excluding any matter fairly disclosed, required to be done or procured by that party under the Implementation Deed or the Scheme or in relation to which the other party has expressly consented in writing.</p>
Record Date	means 7.00pm on the date that is five Business Days after the Effective Date or any other date agreed by AWM and IOOF to be the record date to determine entitlements to receive scheme consideration under the Scheme.
Regulatory Approvals	means the consents, approvals, clearances, decisions, determinations or other acts by a government agency which AWM and IOOF agree are necessary to effect Implementation or the Options offer, including all consents, waivers and approvals by ASIC, APRA, ASX or any other government agency.
SAF	means small APRA fund.
Scheme	means the scheme of arrangement described in the document set out in Annexure A (or, if the context so requires, that document itself).
Scheme Booklet	means this scheme booklet.
Scheme Meeting	means the meeting of AWM Shareholders ordered by the Court under section 411(1) of the Corporations Act to be convened for the purposes of the Scheme.
Scheme Participant	means each AWM Shareholder as at the Record Date (taking into account registration of all registrable transfers and transmission applications received at AWM's share registry by the Record Date).
Scheme Share	means each AWM Share held by a Scheme Participant on issue as at the Record Date.
Second Court Date	means the first day of the Court hearing of an application for orders approving the Scheme under section 411(4)(b) and 411(6) of the Corporations Act.
Select	means Select Managed Funds Limited (ACN 009 529 471).
Share Register	means the register of AWM Shareholders maintained by Computershare Investor Services Pty Ltd.
SMSF	means self managed superannuation fund.
SPAA	means Self-Managed Super Fund Professionals' Association of Australia.
SSA	has the meaning given to it in Section 9.11(a).
Target Companies	has the meaning given to it in Section 9.11(a).
TOWER	means TOWER Limited (ARBN 088 481 234).
United	means United Funds Management Limited ABN 65 073 186 419.
UNPAT	means the underlying profit after tax of IOOF excluding the after tax impact of investment value write-downs, the PIPL acquisition, re-evaluations of liabilities arising from the PIPL group shareholder agreements and PIPL restructuring costs.
VWAP	means the volume weighted average price of a particular security on ASX over a specified period of time.

10.2 Interpretation

Except as otherwise provided, all words and phrases used in this Scheme Booklet have the meanings (if any) given to them by the Corporations Act. Headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet.

Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

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Annexure A

SCHEME OF ARRANGEMENT

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Scheme Of Arrangement

**Australian Wealth Management Limited
(Target)**

ABN 53 111 116 511

**The holders of ordinary fully paid shares
issued in Australian Wealth Management
Limited**

ABN 53 111 116 511

Blake Dawson

Level 39
101 Collins Street
Melbourne VIC 3000
Australia
T 61 3 9679 3000
F 61 3 9679 3111

Reference

03-2001-8240

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Scheme of Arrangement

Under section 411 of the Corporations Act

DATE

PARTIES

Australian Wealth Management Limited ABN 53 111 116 511 (**Target**)

Each holder of fully paid ordinary shares in the Target.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document:

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

Bidder means IOOF Holdings Ltd ABN 49 100 103 722.

Bidder Register means the register of members of Bidder.

Bidder Share means a fully paid ordinary share in Bidder.

Bidder Share Registry means the persons operating the Bidder Register.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne.

CHESS means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement and Transfer Corporation Limited ABN 49 008 504 532.

Condition means a condition precedent in clause 3.2 of the Implementation Deed.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria.

Deed Poll means a document in the form of Schedule 3 to the Implementation Deed.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Eligible Scheme Shareholder means a Scheme Participant other than an Ineligible Overseas Shareholder.

End Date means 31 July 2009, subject to any extension under clause 3.8 of the Implementation Deed.

First Court Date means the first day of the hearing of the Court of an application for an order under section 411(1) of the Corporations Act convening the Scheme Meeting.

GST has the meaning given to it in the GST Act.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Implementation means the implementation of the Scheme, on it becoming effective under section 411(10) of the Corporations Act.

Implementation Deed means the deed between Target and Bidder dated 24 November 2008 relating to the implementation of the Scheme.

Implementation Date means the third Business Day following the Record Date.

Ineligible Overseas Shareholder means an Overseas Scheme Participant other than one in respect of whom Bidder is satisfied that:

- (a) the laws of the Overseas Scheme Participant's country of residence or address (as shown in the Target Register) would permit the issue and allotment of new Bidder Shares to the Overseas Scheme Participant, either unconditionally or after compliance with conditions which Bidder in its sole discretion regards as acceptable and not unduly onerous; and
- (b) the issue and allotment of new Bidder Shares to that Overseas Scheme Participant would not be unduly onerous or impractical.

Meeting Date means the date on which the Scheme Meeting is to be held.

Overseas Scheme Participant means a Scheme Participant whose address shown in the Target Register is a place outside of Australia or New Zealand and their respective external territories.

Proceeds means the proceeds of sale after deduction of any applicable brokerage and other selling costs, taxes and charges.

Record Date means 7.00pm on the day which is 5 Business Days after the Effective Date or any other date agreed by the parties to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.

Registered Address means, in relation to a Target Shareholder, the address of the shareholder shown in the Target Register.

Sale Agent means the person nominated by Bidder and approved by Target to sell the Bidder Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Scheme.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Participants, set out in this document, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Booklet means the document approved by the Court and distributed to the Target Shareholders containing, among other things, the explanatory statement (as

required by Part 5.1 of the Corporations Act relating to the Scheme), this document and notices of meeting relating to the Scheme and other related information (including supplemental information).

Scheme Consideration means 1 Bidder Share for every 3.73 Target Shares held by a Scheme Participant as at the Record Date.

Scheme Meeting means the meeting of Target Shareholders, to be convened by the Court to consider the Scheme.

Scheme Participant means each Target Shareholder as at the Record Date (taking into account registration of all registrable transfers and transmission applications in accordance with clause 7.1).

Scheme Share means each Target Share on issue as at the Record Date.

Second Court Date means the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act approving the Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Target Register means the register of members of Target.

Target Share means each fully paid ordinary share in the capital of the Target.

Target Share Registry means the persons operating the Target Register.

Target Shareholder means each person who is registered in the Target Register as a holder of Target Shares.

Target Shareholder Approval means a resolution in favour of the Scheme passed by the required majority of Target Shareholders under section 411(4)(a)(ii) of the Corporations Act.

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
- (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and

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- (v) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The words **associate, entity, officer, relevant interest** and **subsidiary** have the same meaning as in the Corporations Act.
- (g) The words **related body corporate** have the same meaning as in section 50 of the Corporations Act.
- (h) A reference to **\$** or **dollar** is to Australian currency.
- (i) The word **agreement** includes an undertaking or other binding arrangement or understanding, whether or not in writing.
- (j) The expression **this document** includes the agreement, arrangement, understanding or transaction recorded in this document.
- (k) Words defined in the GST Act have the same meaning in clauses concerning GST.
- (l) If a person is a member of a GST group, references to GST for which the person is liable and to input tax credits to which the person is entitled include GST for which the representative member of the GST group is liable and input tax credits to which the representative member is entitled.
- (m) References to GST extend to any notional liability of any person for GST and to any amount which is treated as GST under the GST Act, and references to an input tax credit extend to any notional input tax credit to which any person is entitled.
- (n) A reference to time in this document is a reference to time in Melbourne.

1.3 Non-Business Days

If the day on or by which a person must do something under this document is not a Business Day:

- (a) if the act involves a payment that is due on demand, the person must do it on or by the next Business Day; and
- (b) in any other case, the person must do it on or by the previous Business Day.

1.4 Multiple Parties

If a party to this document is made up of more than one person, or a term is used in this document to refer to more than one party:

- (a) an obligation of those persons is joint and several;
- (b) a right of those persons is held by each of them severally; and

- (c) any other reference to that party or term is a reference to each of those persons separately, so that (for example) a representation, warranty or undertaking relates to each of them separately.

2. BACKGROUND TO SCHEME

2.1 Target

- (a) Target is a public company incorporated in Australia. It is registered in Victoria and is a company limited by shares. It has its registered office at Level 22, 207 Kent Street, Sydney, New South Wales 2000.
- (b) Target is admitted to the official list of ASX and Target Shares are quoted on the stock market conducted by ASX.
- (c) As at 24 November 2008, 599,525,017 of Target Shares were on issue.

2.2 Bidder

- (a) Bidder is a public company incorporated in Australia. It is registered in Victoria and is a company limited by shares. It has its registered office at Level 29, 303 Collins Street, Melbourne, Victoria 3000.
- (b) Bidder is admitted to the official list of ASX and its fully paid ordinary shares are quoted on the stock market conducted by ASX.
- (c) As at 24 November 2008, 68,821,801 of Bidder Shares were on issue.

2.3 What happens if Scheme becomes Effective

If the Scheme becomes Effective then:

- (a) in consideration of the transfer of each Scheme Share held by Scheme Participants, Bidder will pay the Scheme Consideration to each Scheme Participant in accordance with the terms of this Scheme;
- (b) all the Scheme Shares will be transferred to Bidder and Target will become a wholly owned subsidiary of Bidder; and
- (c) Target will enter Bidder's name in the Target Register as the holder of all Scheme Shares.

2.4 Implementation Deed

Target and Bidder have entered into the Implementation Deed, to facilitate the implementation of the Scheme. In particular, Target and Bidder have agreed that each of them will perform their respective obligations under the Scheme which relate to each of them respectively and to do everything within their power that is necessary to give full effect to the Scheme.

2.5 Deed Poll

Bidder has executed a Deed Poll under which it covenants to carry out its obligations under the Scheme including to pay the Scheme Consideration in accordance with the terms of this Scheme.

3. CONDITIONS PRECEDENT

3.1 Conditions precedent to the Scheme

The Scheme is conditional on the following:

- (a) all the Conditions (other than the conditions set out in clause 3.2(d) and (e) of the Implementation Deed) having been satisfied or waived in accordance with the terms of the Implementation Deed;
- (b) as at 8.00am on the Second Court Date and immediately before Implementation, the Implementation Deed having not been terminated;
- (c) the Court making orders under section 411(4)(b) of the Corporations Act approving the Scheme;
- (d) an office copy of the Court orders approving the Scheme being lodged with ASIC under section 411(10) of the Corporations Act; and
- (e) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Target and Bidder having been satisfied.

3.2 Satisfaction of Conditions

The satisfaction or waiver of each condition in clause 3.1 is a condition precedent to the provisions of clause 4.

3.3 Parties to provide certificate to Court

Target must provide to the Court on the Second Court Date, a certificate or such other evidence as the Court requests, confirming whether or not all the Conditions have been satisfied or waived in accordance with the terms of the Implementation Deed.

3.4 Termination of Implementation Deed

Without limiting any rights under the Implementation Deed, in the event that the Implementation Deed is terminated in accordance with its terms before 8.00am on the Second Court Date, Target and Bidder are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

3.5 End Date

The Scheme will lapse and be of no further effect if the Effective Date has not occurred on or before the End Date.

4. THE SCHEME

4.1 Target to lodge orders with ASIC

Target will lodge with ASIC office copies of the Court order approving the Scheme under section 411(4)(b) of the Corporations Act as soon as practicable and by no later than 10.00am on the first Business Day after the date on which the Court makes that order.

4.2 Scheme effective on Effective Date

The Court order referred to in clause 4.1 is taken to have effect, and the Scheme comes into effect, on the Effective Date.

4.3 Implementation steps

On or before 12.00pm (Melbourne time) on the Implementation Date:

- (a) Bidder will provide evidence to target that the Scheme Consideration is or will be available for distribution to Scheme Participants in accordance with the Scheme;
- (b) all the Scheme Shares, together with all rights and entitlements attaching to those shares as at the Implementation Date, will be transferred to Bidder without the need for any further act by any Scheme Participant (other than acts performed by Target or its directors and officers as attorney and agent for the Scheme Participants under clause 8.2); and
- (c) Target will deliver to Bidder a duly completed, executed and if applicable, stamped share transfer form or forms to transfer all of the Scheme Shares to Bidder for registration.

4.4 Bidder to execute transfer forms

Bidder will immediately execute the share transfer forms referred to in clause 4.3(c) as transferred and deliver the share transfer forms to Target for registration.

4.5 Target to enter Bidder's details in Target Register

Target will, immediately following receipt of the transfer form in respect of the Scheme Shares and on the Implementation Date, subject to Bidder complying with its obligations under clause 3, enter the name and address of Bidder in the Target Register in respect of the Scheme Shares.

4.6 Bidder to provide Scheme Consideration

In consideration for the transfer of the Scheme Shares to it, Bidder will provide the Scheme Consideration in accordance with clause 5.1 to each Scheme Participant in respect of each Target Share registered in the name of the Scheme Participant in the Target Register at the Record Date.

5. SCHEME CONSIDERATION

5.1 How Scheme Consideration is to be provided

Subject to clauses 5.3 and 5.4, Bidder will provide the Scheme Consideration to each Eligible Scheme Shareholder by:

- (a) issuing one Bidder Share to that Eligible Scheme Shareholder for every 3.73 Scheme Shares registered in the name of that Eligible Scheme Shareholder in the Target Register at the Record Date, which obligation will be satisfied by causing the name and Registered Address (at the Record Date) of that Eligible Scheme Shareholder to be entered into the Bidder Register as the holder of the Bidder Shares issued to that Eligible Scheme Shareholder; and
- (b) within 10 Business Days after the Implementation Date, procuring the dispatch to that Eligible Scheme Shareholder, if their Target Shares are held on the issuer sponsored subregister of Target, by pre-paid post to their Registered Address (at

the Record Date), of an uncertified holding statement in the name of that Eligible Scheme Shareholder relating to the number of Bidder Shares issued to that Eligible Scheme Shareholder.

5.2 Ineligible Overseas Shareholders

- (a) Bidder will be under no obligation under the Scheme to issue, and will not issue, any Bidder Shares to an Ineligible Overseas Shareholder, and instead:
- (i) all the Bidder Shares which would be required to be issued to any Ineligible Overseas Shareholder under the Scheme if they were an Eligible Scheme Shareholder will be issued to the Sale Agent;
 - (ii) Bidder will procure that, as soon as reasonably practicable (and in any event not more than 15 Business Days after the Implementation Date), the Sale Agent sells on the financial market conducted by ASX all of the Bidder Shares issued to the Sale Agent pursuant to clause 5.2(a)(i) in such manner, at such price and on such other terms as the Sale Agent determines in good faith (and at the risk of the Ineligible Overseas Shareholder), and remits to Bidder the Proceeds; and
 - (iii) Bidder will pay, or will procure the payment, to each Ineligible Overseas Shareholder such fraction of the Proceeds as is equal to the number of Bidder Shares which would have been issued to that Ineligible Overseas Shareholder if they were an Eligible Scheme Shareholder divided by the total number of Bidder Shares issued to the Sale Agent under clause 5.2(a)(i), promptly after the last sale of Bidder Shares by the Sale Agent,
- in full satisfaction of Bidder's obligations to that Ineligible Overseas Shareholder under the Scheme in respect of the Scheme Consideration.
- (b) Bidder will pay, or will procure the payment of, the relevant fraction of the Proceeds to each Ineligible Overseas Shareholder by either:
- (i) dispatching, or procuring the dispatch, to that Ineligible Overseas Shareholder by prepaid post to that Ineligible Overseas Shareholder's Registered Address (at the Record Date), a cheque in the name of that Ineligible Overseas Shareholder; or
 - (ii) making a deposit in an account in Australia notified by the Ineligible Overseas Shareholder to Target and recorded in or for the purposes of the Target Register at the Record Date,
- for the relevant amount, with that amount being denominated in Australian dollars.
- (c) Each Ineligible Overseas Shareholder appoints Target as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Overseas Shareholders under the Corporations Act.

5.3 Fractional entitlements

If a fractional entitlement to a Bidder Share arises from the calculation of the total Scheme Consideration in respect of a Scheme Participant, then any such fractional entitlement:

- (a) of less than 0.5 will be rounded down to the nearest whole number of Bidder Shares; and
- (b) of 0.5 or more will be rounded up to the nearest whole number of Bidder Shares.

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5.4 Shareholding splitting or division

If Bidder is of the opinion that two or more Scheme Participants, each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 5.3, have, before the Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, Bidder may give notice to those Scheme Participants:

- (a) setting out the names and Registered Addresses of all of them;
- (b) stating that opinion; and
- (c) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after the notice has been so given, the Scheme Participants specifically identified in the notice will, for the purposes of the other provisions of this clause 5, be taken to hold all those Scheme Shares and each of the other Scheme Participants whose names and Registered Addresses are set out in the notice will, for the purposes of the other provisions of this clause 5, be taken to hold no Scheme Shares. Bidder, in complying with the other provisions of this clause 5 relating to it in respect of the Scheme Participant specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Participants named in the notice under the terms of the Scheme.

5.5 Agreement of Scheme Participants

Each Scheme Participant to whom Bidder Shares are to be issued under the Scheme agrees:

- (a) to become a member of Bidder for the purposes of clause 5.1 and section 231 of the Corporations Act;
- (b) to have their name and address entered in the Bidder Register; and
- (c) to be bound by the constitution of Bidder as in force from time to time in respect of the Bidder Shares.

5.6 Binding instruction or notifications

Except for a Scheme Participant's tax file number, any binding instruction or notification between a Scheme Participant and Target relating to Scheme Shares at the Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from Target) will, from the Record Date, be deemed to be a similarly binding instruction or notification to, and accepted by Bidder, in respect of the Bidder Shares issued to the Scheme Participant until that instruction or notification is revoked or amended in writing addressed to Bidder at the Bidder Share Registry. Any such instructions or notifications accepted by Bidder will apply to and in respect of the issue of Bidder Shares as part of the Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Scheme.

5.7 Status of Bidder Shares

The Bidder Shares which are issued to Scheme Participants in accordance with the Scheme will be:

- (a) duly and validly issued;

- (b) fully paid; and
- (c) rank equally in all respects with all other Bidder Shares then on issue.

5.8 Appointment of Bidder as attorney and agent

Each Scheme Participant, without need for any further act, irrevocably appoints Bidder and each of its directors and officers, jointly and severally, as that Scheme Participant's attorney and agent for the purpose of executing any form of application required for Bidder Shares to be issued to that Scheme Participant under the Scheme.

5.9 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to Scheme Participants will be payable to the joint holders; and
- (b) any uncertified holding statements for Bidder Shares to be issued to Scheme Participants will be issued in the names of the joint holders,

and will be forwarded to the holder whose name appears first in the Target Register on the Record Date.

6. DEFERRED SETTLEMENT TRADING OF BIDDER SHARES

Bidder will use its best endeavours to ensure that the Bidder Shares issued under the Scheme will be quoted on the financial market conducted by ASX as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on a normal T+3 settlement basis.

7. DEALINGS IN TARGET SHARES

7.1 What Target Share dealings are recognised?

To establish the persons who are Scheme Participants, dealings in Target Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Target Register as the holder of the Target Shares at or before the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Target Share Registry at or before the Record Date.

7.2 Target to register transfer and transmission applications

Target will register registrable transfers or transmission applications of the kind referred to in clause 7.1(b) by, or as soon as practicable after, the Record Date.

7.3 Transfers received after Record Date not recognised

Target will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Scheme Shares received after the Record Date.

7.4 Target to maintain Target Register to determine entitlements

In order to determine entitlements to the Scheme Consideration, Target will maintain, or procure the maintenance of, the Target Register until the Scheme Consideration has been provided to Scheme Participants and the Target Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Holding statements no effect from Record Date

From the Record Date, all holding statements for Scheme Shares will cease to have effect as documents of title, and each entry on the Target Register at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Participants to the Scheme Consideration.

7.6 Target to provide contact information for Scheme Participants

As soon as practicable after Record Date and in any event at least 3 Business Days before the Implementation Date, Target will give to Bidder or procure that Bidder be given details of the name, Registered Address and the number of Target Shares held by each Scheme Participant, as shown in the Target Register at the Record Date, in whatever form Bidder reasonably requires.

7.7 Suspension of trading

It is expected that the suspension of trading in Target Shares on the stock market conducted by ASX will occur from close of business on the Effective Date. Target must apply to ASX for suspension of trading in Target Shares with effect from close of business on the Effective Date.

7.8 Target to apply for termination of quotation of Target Shares

On a date after the Implementation Date to be determined by Bidder, Target will apply for termination of the official quotation on the stock market conducted by ASX of Target Shares and must apply to have itself removed from the official list of ASX.

7.9 Target Shares transferred free from encumbrance

The Target Shares transferred to Bidder under the Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, but without prejudice to the rights (other than as they relate to or affect the Target Shares) of such third parties against the relevant Scheme Participants in respect of such mortgages, charges, liens, encumbrances and interests, including any such rights in respect of the Scheme Consideration.

7.10 Each Scheme Participant warrants Target Shares free from encumbrance

Each Scheme Participant is deemed to have warranted to Bidder and appointed and authorised Target as their agent to warrant to Bidder that all their Scheme Shares (including any rights and entitlements attaching to those Shares) will, as at the time of the transfer of them to Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Bidder under the Scheme. Target undertakes in favour of each Scheme Participant that it will provide such warranty to Bidder on behalf of the Scheme Participant.

7.11 Bidder beneficially entitled to Scheme Shares

Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Target of the name and address of Bidder in the Target Register as the holder of the Scheme Shares.

8. GENERAL PROVISIONS**8.1 Target giving effect to the Scheme**

Target must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that is necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it.

8.2 Scheme Participants

Each Scheme Participant:

- (a) agrees to the transfer of their Target Shares, together with all rights and entitlements attaching to those Shares, to Bidder, in accordance with the Scheme;
- (b) acknowledges that the Scheme binds Target and all Bidder Shareholders from time to time, including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme;
- (c) consents to Target doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, expedient or incidental to Implementation and to give full effect to the Scheme and the transactions contemplated by it and Target, as agent of each Scheme Participant, may sub-delegate its functions under this clause 8.2(c) to any of its directors and officers, jointly and severally;
- (d) without the need for any further act, irrevocably appoints Target and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Participant's attorney and agent, to execute any document or do any other act necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it, including the provision of a proper instrument of transfer of that Scheme Participant's Target Shares for the purposes of section 1071B of the Corporations Act (which may be a master transfer of all or part of the Scheme Shares);
- (e) from the Effective Date until Bidder is registered as the holder of all Scheme Shares:
 - (i) irrevocably appoints Target and each of its directors and officers, jointly and severally, as its attorney and agent (and directs Target in such capacity) to:
 - (A) appoint the chairman of Bidder or failing him as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Target;
 - (B) exercise the votes attaching to the Target Shares registered in the name of the Scheme Participant;
 - (C) sign any Target Shareholders' resolution; and

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- (ii) must take all other action in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs.

From the Effective Date, no Scheme Participant may attend or vote at any of those meetings or sign any Target Shareholders resolution (whether in person, by proxy or by corporate representative) other than under this clause 8.2(e). Target undertakes in favour of each Scheme Participant that it will appoint the chairman of Bidder as the Scheme Participant's proxy or, where applicable, corporate representative in accordance with this clause 8.2(e).

8.3 Alteration or conditions to the Scheme

If the Court proposes to approve the Scheme subject to any alteration or condition Target may, by its counsel or solicitors, but subject to the prior approval of Bidder (which may not be unreasonably withheld or delayed), consent on behalf of all persons concerned, including each Scheme Participant, to those alterations or conditions.

8.4 Scheme is binding

The Scheme binds Target and all Target Shareholders and, to the extent of any inconsistency, overrides the constitution of Target.

8.5 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Target, it will be deemed to be received on the date (if any) on which it is actually received at Target's Registered Office and on no other date.

8.6 Enforcement of Deed Poll

- (a) Each Scheme Participant appoints Target as its agent and attorney to enforce the Deed Poll against Bidder.
- (b) Target undertakes in favour of each Scheme Participant to enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Participants.

8.7 Costs and stamp duty

- (a) Subject to clause 8.7(b), Target will pay all the costs of the Scheme.
- (b) Bidder will pay all stamp duty and any stamp duty related fines, penalties and other stamp duty costs in respect of the Scheme (including in connection with the transfer of the Scheme Shares to Bidder) in accordance with the terms of the Scheme.

8.8 Governing law

This document is governed by the law in force in Victoria.

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Annexure B

DEED POLL

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Deed Poll

IOOF Holdings Ltd
ABN 49 100 103 722

Blake Dawson

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Reference
03-2001-8240
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Deed Poll

DATE

PARTIES

IOOF Holdings Ltd ABN 49 100 103 722 (**Bidder**) in favour of each holder of ordinary shares in Australian Wealth Management Limited ABN 53 111 116 511 (**Target**) as at the Record Date (**Target Shareholders**).

RECITALS

- A. The directors of Target have resolved that Target will propose the Scheme.
- B. Under the Scheme, all issued shares in Target will be transferred to Bidder.
- C. On 24 November 2009, Target and Bidder entered into an Implementation Deed (**Implementation Deed**).
- D. In the Implementation Deed, subject to the satisfaction of certain Conditions, Bidder agreed to use reasonable endeavours to give effect to the Scheme and to provide the Scheme Consideration.
- E. Bidder is entering into this document to covenant in favour of the Scheme Participants to perform certain obligations under the Implementation Deed.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Definitions

In this document:

Bidder Register means the register of members of Bidder.

Eligible Scheme Shareholder means a Scheme Participant other than an Ineligible Overseas Shareholder.

Proceeds means the proceeds of sale after deduction of any applicable brokerage and other selling costs, taxes and charges.

Registered Address means, in relation to a Scheme Participant, the address of the shareholder shown in the Target Register.

Sale Agent means the person nominated by Bidder and approved by Target to sell the New Bidder Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Scheme.

Scheme Share means each Target Share held by a Scheme Participant on issue as at the Record Date.

Target Register means the register of members of Target.

1.2 Other terms

Terms that are not defined in this document and that are defined in the Implementation Deed have the same meaning in this document as given to the term in the Implementation Deed, unless the context makes it clear that a definition is not intended to apply.

1.3 Rules for interpreting this document

The rules specified in clauses 1.2, 1.3 and 1.4 of the Implementation Deed apply in interpreting this document, except that references to “this document” are to be read as references to this Deed Poll, unless the context makes it clear that a rule is not intended to apply.

2. SCHEME PARTICIPANTS MAY RELY ON THIS DOCUMENT

Bidder acknowledges that:

- (a) this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it; and
- (b) under the Scheme, each Scheme Participant irrevocably appoints Target as its agent and attorney for the purpose of, among other things, enforcing this document against Bidder.

3. CONDITIONS PRECEDENT AND TERMINATION

- (a) Bidder's obligations under clause 4 are subject to the Scheme becoming Effective.
- (b) If the Implementation Deed is terminated or the Scheme does not become Effective on or before the End Date, Bidder's obligations under this document will automatically terminate when the Implementation Deed terminates and the terms of this Deed Poll will be of no further force or effect, unless Bidder and Target otherwise agree in writing in accordance with the Implementation Deed.
- (c) If this document is terminated under this clause 3 then, in addition and without prejudice to any other rights, powers or remedies available to it:
 - (i) Bidder is released from its obligations to further perform this document except those obligations contained in clause 7 and any other obligations which by their nature survive termination; and
 - (ii) each Scheme Participant retains any rights, powers or remedies it has against Bidder in respect of any breach of its obligations under this document which occurred before this document is terminated.

4. PROVISION OF SCHEME CONSIDERATION

4.1 Scheme Consideration

Subject to clause 3, in consideration of the transfer of each Target Share to Bidder, Bidder undertakes to provide to each Scheme Participant, the Scheme Consideration on the Implementation Date in accordance with the terms of the Scheme.

4.2 How Scheme Consideration is to be provided

Bidder will provide the Scheme Consideration to each Eligible Scheme Shareholder by:

- (a) issuing the number of New Bidder Shares to each Eligible Scheme Shareholder that the Eligible Scheme Shareholder is entitled to as Scheme Consideration for each Scheme Share held by them in accordance with the terms of the Scheme; and
- (b) within 10 Business Days after the Implementation Date, procuring the dispatch to each Eligible Scheme Shareholder, if their Target Shares are held on the issuer sponsored subregister of Bidder, by pre-paid post to their Registered Address (at the Record Date), of an uncertified holding statement in the name of each Eligible Scheme Shareholder relating to the number of New Bidder Shares issued to that Eligible Scheme Shareholder.

4.3 Ineligible Overseas Shareholders

- (a) Bidder will be under no obligation under the Scheme to issue, and will not issue, any New Bidder Shares to an Ineligible Overseas Shareholder, and instead:
 - (i) all the New Bidder Shares that would be required to be issued to any Ineligible Overseas Shareholder under the Scheme if they were an Eligible Scheme Shareholder will be issued to the Sale Agent;
 - (ii) Bidder will procure that, as soon as reasonably practicable (and in any event not more than 15 Business Days after the Implementation Date), the Sale Agent sells on the financial market conducted by ASX all of the New Bidder Shares issued to the Sale Agent pursuant to clause 4.3(a)(i) in such manner, at such price and on such other terms as the Sale Agent determines in good faith (and at the risk of the Ineligible Overseas Shareholder), and remits the Proceeds to Bidder; and
 - (iii) Bidder will pay, or will procure the payment, to each Ineligible Overseas Shareholder such fraction of the Proceeds as is equal to the number of New Bidder Shares which would have been issued to that Ineligible Overseas Shareholder if they were an Eligible Scheme Shareholder, divided by the total number of New Bidder Shares issued to the Sale Agent under clause 4.3(a)(i), promptly after the last sale of New Bidder Shares by the Sale Agent,

in full satisfaction of Bidder's obligations to that Ineligible Overseas Shareholder under the Scheme in respect of the Scheme Consideration.

- (b) Bidder will pay, or will procure the payment of, the relevant fraction of the Proceeds to each Ineligible Overseas Shareholder by either:
 - (i) dispatching, or procuring the dispatch, to that Ineligible Overseas Shareholder by prepaid post to that Ineligible Overseas Shareholder's Registered Address (at the Record Date), a cheque in the name of that Ineligible Overseas Shareholder; or
 - (ii) making a deposit in an account in Australia notified by that Ineligible Overseas Shareholder to Target and recorded in or for the purposes of the Register at the Record Date,

for the relevant amount, with that amount being denominated in Australian dollars.

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4.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to Scheme Participants must be made payable to the joint holders and must be forwarded to the holder whose name first appears in the Register at the Record Date;
- (b) any entry in the register of members of Bidder required to be made must record the names and registered addresses of the joint holders; and
- (c) any uncertificated holding statement or notices for New Bidder Shares must be issued to Scheme Participants in the names of the joint holders and must be forwarded to the holder whose name first appears in the Register at the Record Date.

4.5 Binding Instructions

Except for a Scheme Participant's tax file number, any binding instruction or notification between a Scheme Participant and Target relating to Scheme Shares at the Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from Target) will, from the Record Date, be deemed to be a similarly binding instruction or notification to, and accepted by Bidder, in respect of the New Bidder Shares issued to the Scheme Participant until that instruction or notification is revoked or amended in writing addressed to Bidder at the Bidder Share Registry. Any such instructions or notifications accepted by Bidder will apply to and in respect of the issue of New Bidder Shares as part of the Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Scheme.

4.6 Status of Bidder New Shares

Bidder must ensure that the New Bidder Shares which are issued to Scheme Participants in accordance with the Scheme will be:

- (a) duly and validly issued;
- (b) fully paid; and
- (c) rank equally in all respects with all other Bidder Shares then on issue.

4.7 Deferred settlement trading of New Bidder Shares

Bidder will use its best endeavours to seek confirmation and ensure that the New Bidder Shares issued under the Scheme will be quoted on the financial market conducted by ASX as soon as practicable after the Effective Date (or such later date as ASX requires), initially on a deferred settlement basis and thereafter on a normal T+3 settlement basis.

4.8 Miscellaneous obligations

Bidder will comply with its obligations under clauses 5.4 and 5.5 of the Scheme.

5. REPRESENTATIONS AND WARRANTIES

Bidder represents and warrants that:

- (a) **(status)** it is a company limited by shares under the Corporations Act;
- (b) **(power)** it has full legal capacity and power to:

- (i) own its property and to carry on its business; and
 - (ii) enter into this document and carry out the transactions that this document contemplates;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise it entering into this document and carrying out the transactions this document contemplates; and
- (d) **(documents effective)** this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditor's rights generally) subject to any necessary stamping.

6. CONTINUING OBLIGATIONS

This document is irrevocable and, subject to clause 3, remains in full force and effect until Bidder has completely performed its obligations under this document or the earlier termination of this document under clause 3.

7. NOTICES

7.1 How to give a notice

A notice, consent or other communication under this document is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either:
 - (i) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address;
 - (ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full.

7.2 When a notice is given

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if it is delivered or sent by fax:
 - (i) by 5.00 pm (local time in the place of receipt) on a Business Day – on that day; or
 - (ii) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day – on the next Business Day;
- (b) if it is sent by mail:
 - (i) within Australia – 3 Business Days after posting; or
 - (ii) to or from a place outside Australia – 7 Business Days after posting.

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7.3 Address for notices

A person's address and fax number are those set out below, or as the person notifies the sender:

Target

Address: Level 22, 207 Kent Street, Sydney, New South Wales, 2000

Fax number: (02) 9028 5938

Attention: Company Secretary

Bidder

Address: Level 29, 303 Collins Street, Melbourne, Victoria, 3000

Fax number: (03) 8614 4888

Attention: Adrianna Bisogni

8. AMENDMENT AND ASSIGNMENT

8.1 Amendment

A provision of this document may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Target; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Target and is approved by the Court; and

Bidder enters into a further deed poll in favour of Scheme Participants giving effect to that amendment.

8.2 Assignment

The rights and obligations of Bidder and the rights of each Scheme Participant under this document are personal. They cannot be assigned, encumbered, charged or otherwise dealt with at law, or in equity, and no person shall attempt or purport to do so.

9. GENERAL

9.1 Governing law

- (a) This document is governed by the law in force in Victoria.
- (b) Bidder submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Victoria, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document, and waives any right it might have to claim that those courts are an inconvenient forum.

9.2 Liability for expenses

- (a) Bidder must pay its own expenses incurred in negotiating, executing and registering this document.
- (b) Bidder is solely responsible for, and must indemnify each Scheme Participant on demand against, any stamp duty that is payable on or in relation to this document and the transactions that this document contemplates.

9.3 Waiver of rights

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

9.4 Operation of this document

- (a) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

EXECUTED as a deed.

SIGNED, SEALED and DELIVERED for
IOOF HOLDINGS LTD under power of
attorney in the presence of:

Signature of attorney

Signature of witness

Name

Name

Date of power of attorney

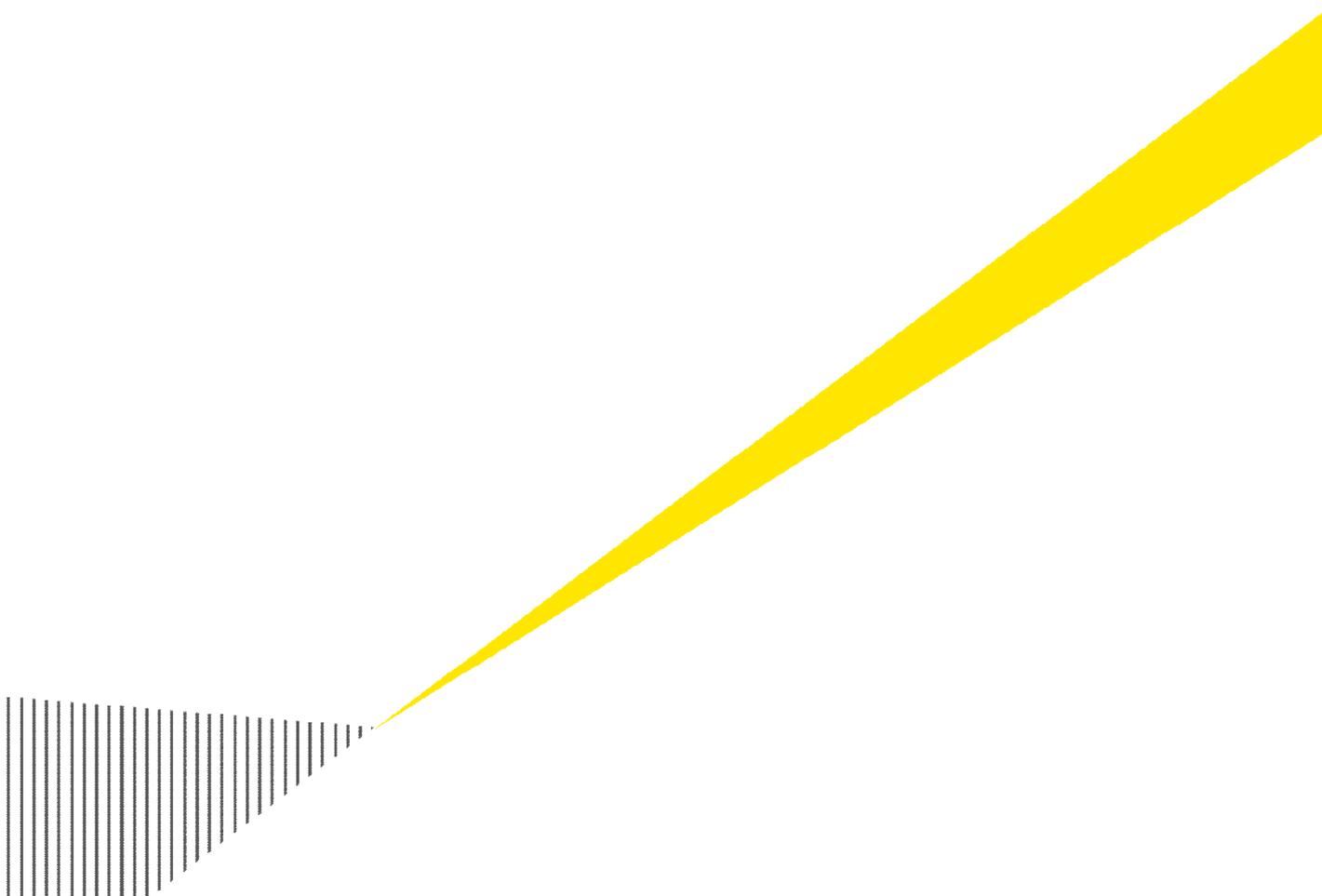
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Annexure C

INDEPENDENT EXPERT'S REPORT

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**Independent Expert's Report
and Financial Services Guide**

Australian Wealth Management Limited

Proposed merger with IOOF Holdings Limited

4 March 2009

INDEPENDENT EXPERT'S REPORT and FINANCIAL SERVICES GUIDE**PART 1 - INDEPENDENT EXPERT'S REPORT**

The Directors
Australian Wealth Management Limited
Level 22, 207 Kent Street
Sydney NSW 2000

4 March 2009

Dear Directors

**Independent Expert's Report
Proposed merger with IOOF Holdings Limited****Introduction and purpose of the report**

On 24 November 2008, IOOF Holdings Limited (IOOF) and Australian Wealth Management Limited (AWM) announced they had signed an Implementation Deed to effect the merger of the two companies. Under the Implementation Deed, IOOF will issue AWM shareholders (Shareholders) 1 IOOF share for every 3.73 AWM shares which they own (the Proposal). If the Proposal is implemented, the merged group (the Merged Entity) will be approximately 30% owned by IOOF shareholders and 70% owned by AWM shareholders.

Further, AWM will become a wholly owned subsidiary of IOOF and AWM will be delisted from the Australian Stock Exchange.

The Proposal will be implemented by way of a Scheme of Arrangement (the Scheme) between AWM and its shareholders, which will be voted upon by AWM shareholders at a meeting expected to be held in April 2009.

There is no statutory or other regulatory requirement for the preparation of an Independent Expert's Report in relation to the Proposal. However, given the significant nature of the Proposal, AWM has engaged Ernst & Young Transaction Advisory Services Limited (Ernst & Young Transaction Advisory Services) to prepare an Independent Expert's Report setting out whether, in its opinion, the Proposal is "in the best interests" of the Shareholders (the Independent Expert's Report).

Summary of opinion

In Section 10.2 we set out our valuation conclusion. This indicates that the value of the consideration being offered to AWM shareholders (being shares in IOOF) is greater than the value of an AWM share on a standalone basis.

In Section 10.3 we set out some other qualitative factors which should be taken into consideration.

In Sections 10.3.11 and 10.3.12 we considered the likelihood of a superior proposal being made to shareholders and the other alternatives available to shareholders.

Taking into consideration the matters detailed in the attached Independent Expert's Report, in the opinion of Ernst & Young Transaction Advisory Services, the Scheme is in the best interests of AWM shareholders.

Other matters

This Independent Expert's Report has been prepared specifically for the Shareholders. Neither Ernst & Young Transaction Advisory Services, Ernst & Young nor any member or employee thereof undertakes any responsibility to any person, other than the Shareholders, in respect of this Independent Expert's Report, including any errors or omissions howsoever caused.

This Independent Expert's Report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Shareholders. The decision as to whether to vote in favour or against the Proposal is a matter for individual shareholders. Shareholders should have regard to the scheme booklet (Scheme Booklet) prepared by the directors and management of AWM in relation to the Proposal. Shareholders should also consider the taxation implications in relation to the Proposal. The Scheme Booklet contains general information in relation to the taxation implications of the Proposal. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional advisers.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full Independent Expert's Report as attached.

Yours faithfully

Ernst & Young Transaction Advisory Services Limited

A handwritten signature in black ink, appearing to read 'J. Selak'.

John Selak
Director and Representative

A handwritten signature in black ink, appearing to read 'T. Hatherley'.

Tim Hatherley
Representative

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1. Introduction

1.1 Background

On 24 November 2008, IOOF Holdings Limited (IOOF) and Australian Wealth Management Limited (AWM) announced they had signed an Implementation Deed to effect the merger of the two companies. Under the Implementation Deed, IOOF will issue AWM shareholders 1 IOOF share for every 3.73 AWM shares which they own (the Proposal). If the Proposal is implemented, the Merged Entity will be approximately 30% owned by IOOF shareholders and approximately 70% owned by AWM shareholders.

Further, AWM will become a wholly owned subsidiary of IOOF and AWM will be delisted from the Australian Stock Exchange.

The merger will be undertaken by way of a Scheme of Arrangement between AWM and its shareholders, which will be voted upon by AWM shareholders at a meeting expected to be held in April 2009.

1.2 Conditions precedent

Implementation of the Scheme is subject to a number of conditions (which can be variously waived by one or other, or both together, of AWM and IOOF), including:

- ▶ This Independent Expert's Report concludes that the Scheme is in the best interests of Shareholders
- ▶ The Court making orders convening the Scheme meeting and, following the Scheme meeting, approving the Scheme
- ▶ The requisite majorities of Shareholders approving the Scheme
- ▶ The orders of the Court approving the Scheme being lodged with the Australian Securities and Investment Commission (ASIC)
- ▶ All Regulatory Approvals being obtained
- ▶ No court order or other legal restraint or prohibition being issued which would prevent implementation of the Scheme
- ▶ The new IOOF shares issued to Shareholders being approved for official quotation on the Australian Stock Exchange (ASX)

Full disclosure of all conditions precedent to the Scheme is included in the Scheme Booklet.

2. Scope of the Independent Expert's Report

2.1 Purpose of the Independent Expert's Report

There is no legal requirement for an Independent Expert's Report in respect of the Proposal. However, the directors of AWM have requested Ernst & Young Transaction Advisory Services prepare this report for Shareholders to assist them in assessing the merits of the Proposal.

This report sets out the opinion of Ernst & Young Transaction Advisory Services as to whether the Proposal is in the best interests of Shareholders.

This Independent Expert's Report considers the interests of the Shareholders as a whole and not individually. Individual Shareholders may have issues that affect them in particular ways that are not general to the shareholders as a whole and this report cannot, and does not, consider such issues.

Ernst & Young Transaction Advisory Services' opinion should not be construed as a recommendation as to whether or not to vote in favour of the Proposal. Approval or rejection of the Proposal is a matter for individual shareholders based on their own circumstances including their appetite for risk, investment objectives, investment portfolio and tax positions. Shareholders should consult their own financial advisors.

2.2 Definition of "In the best interests"

Whilst our Independent Expert's Report is not required by law, we have followed the guidance of the Regulatory Guides issued by ASIC in the preparation of our report.

There is no legal definition of the expression "in the best interests". ASIC has issued Regulatory Guide 111 *Content of expert reports* (RG 111), which provides some guidance as to how "in the best interests" should be interpreted in a range of circumstances. Clause 15 of RG 111 indicates that, in respect of control transactions, the form of analysis should be substantially the same as for a takeover bid under Chapter 6 of the Corporations Act 2001. Under such transactions the independent expert is required to conclude as to whether the transaction is "fair and reasonable".

- ▶ Clause 17 of RG 111 indicates that where an independent expert would conclude that a proposal is "fair and reasonable" if it was in the form of a takeover bid, it would also be able to conclude that the scheme is "in the best interests" of shareholders
- ▶ Clause 18 of RG 111 indicates that where an independent expert would conclude that a proposal is "not fair but reasonable" if it was in the form of a takeover bid, it is still open to the independent expert to also conclude that the scheme is "in the best interests" of shareholders
- ▶ Clause 19 of RG 111 indicates that where an independent expert would conclude that a proposal is "not fair and not reasonable" if it was in the form of a takeover bid, then it would also conclude that the scheme is "not in the best interests" of shareholders

RG 111 sets out how to analyse a takeover bid under Chapter 6 of the Corporations Act. It indicates that an offer is "fair" if the value of the consideration is equal to or greater than the value of the securities which are the subject of the offer. It also indicates that an offer is "reasonable" if it is "fair" and that it might also be "reasonable" despite being "not fair" if the independent expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Ernst & Young Transaction Advisory Services has considered the definition of “fair and reasonable” as set out in RG 111 and deems it as the most appropriate approach in forming its opinion in relation to whether or not the Proposal is “in the best interests” of the Shareholders.

2.3 Control transactions

RG 111 is framed largely in relation to reports prepared involving “control transactions” (i.e. where a change in control occurs) and comments on the meaning of “fair and reasonable” in this context.

Clause 28 of RG 111 states that in the case of a control transaction by way of a takeover, where non-cash consideration is being offered, the value of the securities being offered on a minority basis should be compared with the value of the target’s securities, assuming 100% of the securities are available for sale i.e. building in a control premium.

However, this section of RG 111 also indicates that in the case of a merger, where control of the merged entity will be shared equally between the bidder and the target, the independent expert may be justified in using an equivalent approach in valuing the securities of the bidder and target.

Ernst & Young Transaction Advisory Services has taken into consideration the circumstances of this Proposal. In particular, we note that:

- ▶ Shareholders in AWM and IOOF will hold shares in the Merged Entity in the approximate proportions of 70% and 30% respectively
- ▶ All shareholders will be able to share in any synergistic benefits resulting from the transaction
- ▶ The current CEO of AWM will take over as CEO of the Merged Entity if the Proposal proceeds

On the basis of the above, we consider this transaction to be more akin to a merger rather than a takeover of AWM by IOOF and hence does not involve a change of control for Shareholders. Consequently, in assessing the value of an AWM share and comparing it with the consideration being offered (being shares in IOOF), we have done so using an equivalent approach and have not included a premium for control in our valuation of AWM. Instead, bearing in mind that individual shareholders in AWM will become shareholders in IOOF, we have valued the securities of both AWM and the Merged Entity on an equivalent minority interest basis.

We note that this Proposal would not preclude Shareholders receiving a control premium from a subsequent transaction.

2.4 Basis for evaluation

In forming our opinion, we have considered the advantages and disadvantages to Shareholders if the Scheme proceeds. In particular, we have considered:

- ▶ Whether the value of an AWM share is higher or lower than the value of the consideration being offered by IOOF, being 1 share in the Merged Entity for every 3.73 AWM shares held
- ▶ Other qualitative factors which we believe represent either advantages or disadvantages to Shareholders
- ▶ The likelihood of an alternative superior offer being made to Shareholders
- ▶ The alternatives available to Shareholders

2.5 Shareholders' decisions

This Independent Expert's Report has been prepared specifically for the directors and shareholders of AWM. Neither Ernst & Young Transaction Advisory Services, Ernst & Young, nor any member or employee thereof undertakes responsibility to any person, other than AWM Shareholders, in respect of this Independent Expert's Report, including any errors or omissions howsoever caused.

This Independent Expert's Report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Shareholders. The decision to accept or reject the Scheme is a matter for individual Shareholders. Shareholders should consider the advice in the context of their own circumstances, preferences and risk profiles. Shareholders should have regard to the Scheme Booklet prepared by the directors and management of AWM in relation to the Scheme.

Shareholders should also consider the taxation implications in relation to the Scheme. Section 7 of the Scheme Booklet contains general information in relation to the taxation implications of the Scheme.

Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included as Part 2 of this Independent Expert's Report.

2.6 Limitations and reliance

In the preparation of this Independent Expert's Report, Ernst & Young Transaction Advisory Services was provided with information in respect of AWM and IOOF and obtained additional information from public sources, as set out in Appendix D.

We have had discussions with management of AWM and IOOF in relation to the Proposal, operations, financial position, operating results and outlook of AWM and IOOF.

Ernst & Young Transaction Advisory Services' opinion is based on economic, market and other external conditions prevailing at the date of this report. These conditions can change significantly over relatively short periods of time.

This Independent Expert's Report is also based upon financial and other information provided by AWM and IOOF in relation to the Proposal. Ernst & Young Transaction Advisory Services has considered and relied upon this information.

The information provided to Ernst & Young Transaction Advisory Services has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposal is in the best interest of the Shareholders. However, Ernst & Young Transaction Advisory Services does not warrant that its enquiries have identified all of the matters that an audit, an extensive examination or 'due diligence' and/or tax investigation might disclose.

Preparation of this report does not imply that Ernst & Young Transaction Advisory Services has, in any way, audited the accounts or records of AWM. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles, including Australian equivalents to International Financial Reporting Standards (AIFRS) as applicable.

In forming its opinions Ernst & Young Transaction Advisory Services has also assumed that:

- ▶ Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed
- ▶ The information set out in the Scheme Booklet and accompanying documents sent by AWM to Shareholders is complete, accurate and fairly presented in all material respects
- ▶ The publicly available information relied upon by Ernst & Young Transaction Advisory Services in its analysis was accurate and not misleading
- ▶ To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, Ernst & Young Transaction Advisory Services assumes no responsibility and offers no legal opinion or interpretation on any issue

The statements and opinions given in this Independent Expert's Report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Ernst & Young Transaction Advisory Services provided draft copies of this Independent Expert's Report to the directors and management of AWM and IOOF for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Changes made to this Independent Expert's Report as a result of this review by the directors and management of AWM and IOOF have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A of this Independent Expert's Report.

All amounts in this report are expressed in Australian dollars (\$) unless otherwise stated.

3. Industry overview

3.1 Funds management overview

The wealth management industry in Australia provides products and services to individuals and institutions to assist them in managing and investing funds. The key businesses include platform management and administration, financial planning and distribution, investment management and trust services.

The performance of companies in this industry is linked to the performance of the underlying financial markets in which they operate. The turbulence in those markets over the past 18 months has had a marked impact on the performance of the funds management industry. Australian managed fund institutions' consolidated assets under management fell by around 10.5 per cent over the six months to June 2008, to stand at \$1.3 trillion, reflecting investment losses over the second half of the year¹. Consolidated assets under management fell by around a further 2.2% in the three months to 30 September 2008.

3.2 Major products and services

The major products and services in the Australian wealth management industry are discussed in detail below.

3.2.1 Financial planning

Financial planners advise individuals on risk management, insurance, taxation, retirement and estate planning issues. As such, financial planners have a strong influence on the placement of funds into the various investment management products.

The Financial Planning Association has estimated that there are over 12,000 financial planners in Australia, the majority of which are employed by, or associated with, life insurance companies and domestic banks². The financial advice and distributions sector has grown in line with the overall industry, with the growth primarily attributable to the growth in superannuation funds under management.

3.2.2 Platform management and administration

One of the fastest growing areas in the wealth management industry in recent years has been the use of platforms, such as Master Trusts and Wraps. Platforms are investment vehicles that assist investors or superannuation funds in a range of tasks associated with the management of a diverse investment portfolio by providing accounting, reporting and taxation services. Master Trusts are platforms where the assets are held on behalf of the client, where the nominated trustees are usually the legal owners of the assets. Wrap accounts are platforms where assets are held in the client's title.

Financial advisors are the primary users of platforms and are responsible for the growth within this sector. The platform sector is concentrated, with the platforms provided by domestic banking institutions dominating the sector.

¹ Reserve Bank of Australia

² Financial Planners Association of Australia's 2008 Annual Review

3.2.3 Investment management

Investment management involves the management of assets (including shares, bonds and property) in order to meet the investment goals of investors.

In recent years the investment management sector has shifted towards the use of specialist investment managers, who specialise in investment management within specific asset classes. Consistent with the move towards specialist investment managers, multi-manager products have become increasingly popular.

3.2.4 Trust services

Trust services include the provision of trustee and custodian services. The trustees are the legal owners of the assets held within a trust and are legally responsible for the management of assets of the trust and ensuring that decisions are made in the best interests of the beneficiary or beneficiaries. An advantage of professional trustees is that they can offer continuity, permanence and investment expertise.

A custodian acts on direction from the clients, who order purchases (or sales) electronically through the Platform facilities. Custodians are simply responsible for holding the assets on behalf of their owners. The main benefit of a custodian is administrative efficiency through the collection of income and the reporting on asset values. A custodian also brings together a fund's investment portfolios, which enables a closer watch on investments. The use of trust services has grown in line with the broader wealth management industry.

3.3 Economic and legislative factors affecting the industry

The industry has been, and continues to be, shaped by a number of economic and legislative factors, including:

- ▶ Compulsory 9% superannuation contributions for Australian employees resulting in superannuation funds accounting for over 60% of all funds under management at 30 June 2008
- ▶ Changes to superannuation legislation on 1 July 2007 which increased the attractiveness of making additional voluntary contributions to superannuation
- ▶ From March 2004, a corporation carrying on a business of providing financial services as defined by the Corporations Act 2001 is required to hold an Australian Financial Services Licence (AFSL), issued by ASIC
- ▶ The introduction of the 'Choice of Fund' legislation on 1 July 2005 which led to significant growth in self managed superannuation funds
- ▶ Strong economic growth and financial markets performance in recent years. The subsequent recent downturn in equity markets and its impact on the industry is discussed in Section 3.7

3.4 Regulatory environment

Superannuation and non-superannuation products are separately regulated. The following is a summary of the key regulations of the respective products.

3.4.1 Superannuation products

Superannuation funds are regulated by the Australian Prudential Regulation Authority (APRA) and ASIC, under the Superannuation Industry (Supervision) Act, 1993 (SIS Act). Businesses offering superannuation advice and/or products to the public must be licensed under the SIS Act.

The Investment and Financial Services Association Limited (IFSA), is a non-statutory body which represents the retail and wholesale funds management, superannuation and life insurance industries, developing industry standards and guidelines designed to inform both wealth managers and investors.

3.4.2 Non-superannuation products

ASIC is the key statutory regulator for all non-superannuation entities. ASIC has supervisory powers over the managed investment industry and is responsible for issuing Australian Financial Services licenses and registering managed investment schemes. It is also responsible for enforcing compliance with legislation, and supervises the conduct of financial advisers.

3.5 Industry developments

In recent years, the industry has experienced considerable change, including:

- ▶ The emergence of Master Trust and Wrap Platforms
- ▶ The increased outsourcing of corporate superannuation funds
- ▶ The growth of alternative asset classes, particularly hedge funds, infrastructure funds and private equity funds
- ▶ The increased range of services and investment products available such as margin lending, equity warrants, derivatives and financial planning
- ▶ The increased complexity and range of investment markets and products, which has made managed funds an easier alternative for investors seeking to allocate their assets. Investors can achieve exposure to a range of financial products and markets through a single mutual fund
- ▶ The growth of banks in the market through the acquisition of a number of major wealth management companies
- ▶ The emergence of a shortage of highly qualified and experienced staff required for investment research, investment management and portfolio management
- ▶ The increased presence of international investors in the Australian market
- ▶ An ageing population, with increased non compulsory superannuation and retirement savings
- ▶ Increasing regulation, impacting on compliance costs and fee structures

3.6 Key success factors

As a result of the abovementioned developments, key success factors for participants within the industry include:

- ▶ Possession of an extensive advice and distribution network - this is important to ensure a customer base from which to generate new business
- ▶ Cost competitiveness - the ability to improve cost efficiency is rapidly becoming a key to sustaining profitability due to the competitiveness of the industry and the commoditisation of certain products
- ▶ Access to efficient technology - increasing investor demands and the move to the use of specialist fund managers has placed increased importance on the efficiency of technology, including integrated systems, data consolidation and streamlined business processes
- ▶ Access to specialist or niche funds managers, especially in the alternative asset classes
- ▶ Ability to provide staff training - the changing regulatory environment in recent years, such as the Financial Services Reform legislation, has resulted in the need for significant training for staff
- ▶ Access to market research and knowledge - financial advisors must have an in-depth knowledge of the products and services available in order to successfully advise clients

3.7 Global financial crisis

The recent turmoil in debt markets resulting from the significant issues in the US sub-prime mortgage market, increased credit spreads on a range of debt instruments and an extreme contraction in liquidity, have led to a deterioration in the financial markets generally and the financial position of many investment funds. The key impacts of the global credit crisis on the Australian funds management industry are discussed below.

3.7.1 Equity inflows and redemption requests

Falling risk appetites and a flight to cash have worsened the impact of downward market movements at each phase of the global financial crisis. The deterioration of the financial markets has led to a reduction in equity inflows, as investors have shied away from market-linked assets in the current environment. An increase in redemption requests and the associated flight to cash has been encouraged by government guarantees of cash deposits intended to stem outflows from banks. This is placing pressure on the cash flows of funds.

3.7.2 Profitability under pressure

Faltering investment performance has reduced most performance fees, falling asset values have eroded management fees and the move to lower margin monetary assets has also diluted the fee mix. The need to hold large amounts of cash against redemptions further limits revenues and restricts fund managers' ability to act on perceived opportunities. Consequently the industry has experienced a significant reduction in revenues.

Cost bases of industry participants, on the other hand, are more fixed. The industry has therefore experienced a material reduction in profits.

3.7.3 Availability of debt financing

There has been a substantial tightening and, in some instances, closing of global credit, money and financial markets. Funds that have relied on short term funding, both in Australia and internationally, are experiencing difficulties in rolling over debt and accessing debt funding.³ Any new financing is now likely to be subject to tighter covenants and increased financing costs.

3.7.4 Impact

Whilst the eventual extent of the global credit crisis is unknown, it is clear that wealth managers have been significantly impacted and will continue to be in the short term future.

3.8 Outlook

The wealth management industry performed strongly over the five years to December 2007. Since early 2008, the flow on effect of the global financial crisis has resulted in falls in stockmarkets around the world, a general decline in asset values and increasing uncertainty leading investors to redeem funds as discussed in Section 3.7. As a result, the value of funds under management (FUM) has declined, lowering industry revenue. Difficult conditions for this industry are expected to continue in the short term, whilst current market uncertainties remain.

Nevertheless, the long term fundamentals are considered good, driven by an expectation of the need to continue to increase superannuation contributions and the demand for wealth management services. However, whilst asset values remain depressed, trading conditions will remain difficult.

³ Reserve Bank of Australia.

4. Overview of AWM

4.1 Company history

AWM is a provider of wealth management products and services including stockbroking, investment, superannuation, and trustee products. AWM was formed in July 2003 as a separate business within Tower Limited (Tower) and initially comprised a number of Tower's wealth management businesses.

On 15 February 2005, AWM was de-merged from Tower and became a separately listed entity on the ASX.

During January 2006, AWM and Select Managed Funds Limited announced a proposal to merge the two companies by way of a scheme of arrangement. The merger was completed in May 2006.

In June 2008, AWM acquired a 70% interest in wealth management company, Ord Minnett Holdings Limited, in exchange for 47.6 million new AWM shares.

AWM has also completed several smaller acquisitions recently as part of its growth strategy. Acquisitions include:

- ▶ 80% of Holiday Coast Wealth Management Pty Ltd for \$2.64 million in October 2007
- ▶ 100% of JK Rye Pty Ltd for \$3.15 million in December 2007
- ▶ 100% of CK Brisbane Pty Ltd for \$1.1 million in October 2008
- ▶ 100% of KE Sunshine Coast Pty Ltd for \$1.1 million in October 2008
- ▶ 100% of DD Charlestown Pty Ltd for \$2.1 million in January 2009

4.2 Business structure

AWM has five key businesses:

- ▶ platform management and administration
- ▶ financial advice and distribution (wealth management division)
- ▶ corporate trustee services
- ▶ estate planning and administration
- ▶ investment management

Each of the businesses is outlined briefly below:

4.2.1 Platform management and administration

This division, represented by Spectrum Super, The Portfolio Service and Australian Ethical Trustees (AET), provides and administers personal and corporate superannuation, Self Managed Super Funds (SMSF) and Small APRA Funds for retail and corporate clients.

4.2.2 Financial advice and distribution

This division comprises the businesses of Bridges Financial Services (Bridges), Wealth Managers and the recently acquired Ord Minnett. This division provides advice on investment strategies, wealth accumulation, retirement planning and stockbroking to retail clients through a distribution network of 300 Bridges financial planners and 180 Ord Minnett private wealth advisers.

4.2.3 Corporate trustee services

Operating under the AET brand, the corporate trust business acts as a custodian for investment schemes, trustee or security trustee for securitisation and structured finance transactions, and trustee for note issues.

4.2.4 Estate planning and administration

The estate planning and administration business, which also operates under the AET brand, offers estate planning, trustee, agency and estate administration services. Additionally, the business is able to act as attorney or trustee for clients with these services being delivered in conjunction with the client's key advisors. The estate planning and administration division also has a team of estate administrators who manage deceased estates and trusts on behalf of clients.

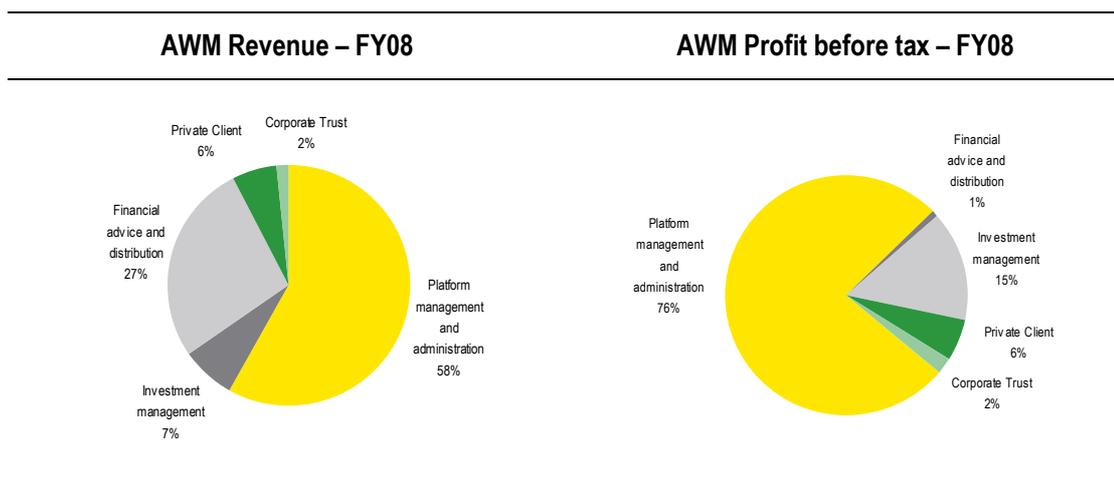
4.2.5 Investment management

As United Funds Management (United), AWM provides investment management services for wholesale and retail investors, using a 'manage the manager' (or fund of funds) approach. Inflows are assisted by United being the default fund manager in the AWM platform business should no specific choice be made.

United provides a wide range of retail managed investments including sector specific funds as well as a selection of diversified funds. It also offers institutional managed investments across all major asset classes. United has been managing multi-manager funds since 1993.

4.2.6 Historic divisional performance

In FY08, AWM generated \$316.2 million in revenue and \$91.3 million in profit before tax (PBT)⁴. As shown in the charts below, the platform management and administration business contributed the majority of revenues (58%) and profit before tax (76%).



Source: AWM Annual Report 2008

The above historical analysis includes one month of results from the contribution of Ord Minnett, which was acquired in June 2008.

⁴ Source: AWM Annual Report 2008

4.3 Funds under management, administration and advice

AWM's funds under management, administration, advice and supervision (FUMAS) as at 31 December 2007, 30 June 2008 and 31 December 2008 are shown in the table below:

<i>Currency: \$ bn</i>	31 Dec 07	30 Jun 08	31 Dec 08
Funds under management	7.1	6.5	5.9
Funds under administration	17.1	14.6	12.6
Funds under advice	16.1	13.4	12.7
FUMA Total	40.3	34.5	31.2
<i>% Change (period on period)</i>		-14.4%	-9.6%
Supervision	27.4	25.9	24.7
Total	67.8	60.4	56.0
<i>% Change (period on period)</i>		-10.9%	-7.3%
Ord Minnett FUMA		15.5	11.6
<i>% Change (period on period)</i>			-25.2%
Source: AWM Management			

- ▶ AWM FUMAS has declined from \$60.4 billion at 30 June 2008 to \$56.0 billion as at 31 December 2008, which is primarily attributable to the impact of declining equity markets
- ▶ We understand that the proportion of FUMAS held in cash or cash equivalent investments has increased over recent months
- ▶ We note that a movement out of equity investments in favour of cash and cash equivalents has reduced AWM's exposure to movements in the equity markets, as evidenced in the relatively lower decline in FUMAS in comparison to the All Ordinaries and S&P/ASX 200 Indices over the period 30 June 2008 to 31 December 2008. Whilst the All Ordinaries Index and S&P ASX 200 have declined by 31.4% and 28.6% respectively between 30 June 2008 and 31 December 2008, AWM FUMAS has only declined 7.3%
- ▶ The ASX200 has fallen a further circa 8.5% since 31 December 2008⁵ which would be expected to result in further decreases in FUMAS

4.4 Capital structure and shareholders

As at 10 February 2009, AWM had 599,525,017 shares on issue and a total of 34,721 shareholders.

4.4.1 Options

In addition, AWM has 13,493,000 executive share options on issue to executive directors and senior executives of AWM. Each option entitles the option holder to one ordinary share in AWM on exercise.

Under the Proposal, AWM intends to enter into cancellation deeds with each option holder pursuant to which AWM will cancel the options. AWM will then enter into a separate agreement with IOOF under which IOOF will agree to issue each AWM Option holder with options to subscribe to IOOF shares (IOOF Options) in consideration of the cancellation of the AWM Options. In each case:

- ▶ the IOOF Options will be issued in consideration of the cancellation of the AWM Options and at no additional cost to the AWM Option holders
- ▶ the number of IOOF Options will be the same as the number of AWM Options adjusted only by the merger ratio (being 1 IOOF Share for every 3.73 AWM Shares)

⁵ To 27 February 2009

- ▶ the exercise price of the IOOF Options will be the same as the exercise price of the AWM Options adjusted only by the merger ratio
- ▶ the expiry date of the IOOF Options will be the same as the expiry date of the AWM Options
- ▶ for unvested options, the vesting conditions for the AWM Options that are time-based will apply to the IOOF Options, but any other vesting conditions for the AWM Options will not apply to the IOOF Options
- ▶ if an IOOF Option vests and becomes exercisable, the holder of the option will have a right to acquire one IOOF Share upon payment of the exercise price for that option

Details of grant date, expiry date exercise price and balances of the different options outstanding are detailed below:

Date granted	Expiry date	Exercise price	Balance
15 February 2005	15 February 2014	\$0.80	600,000
28 February 2005	16 June 2014	\$1.00	100,000
17 January 2006	17 January 2011	\$1.48	800,000
9 January 2007	9 January 2011	\$2.46	1,600,000
29 March 2007	29 March 2011	\$2.60	400,000
5 September 2007	30 June 2013	\$2.51	1,550,000
5 September 2007	30 June 2013	\$2.51	1,045,000
22 November 2007	22 November 2012	\$2.68	750,000
1 July 2008	31 August 2012	\$1.34	1,248,000
1 July 2008	1 July 2011	\$1.70	5,400,000

Source: AWM Management

Given the AWM share price at 11 February 2009 of \$0.80 and the expiry date of the different AWM Options, we have assumed that all AWM Options with exercise price greater than \$2.00 will not be exercised. For the purposes of our analysis, we have included 8,148,000 AWM Options in our calculation of the diluted shares on issue.

4.4.2 Diluted shares in AWM

The table below summarises the diluted shares of AWM on issue:

<i>AWM diluted shares on issue</i>	Ref	
Number of existing AWM shares on issue	4.4	599,525,017
Number of existing AWM options	4.4.1	8,148,000
Diluted number of AWM shares on issue		607,673,017

The following table summarises the twenty largest AWM shareholders at 10 February 2009:

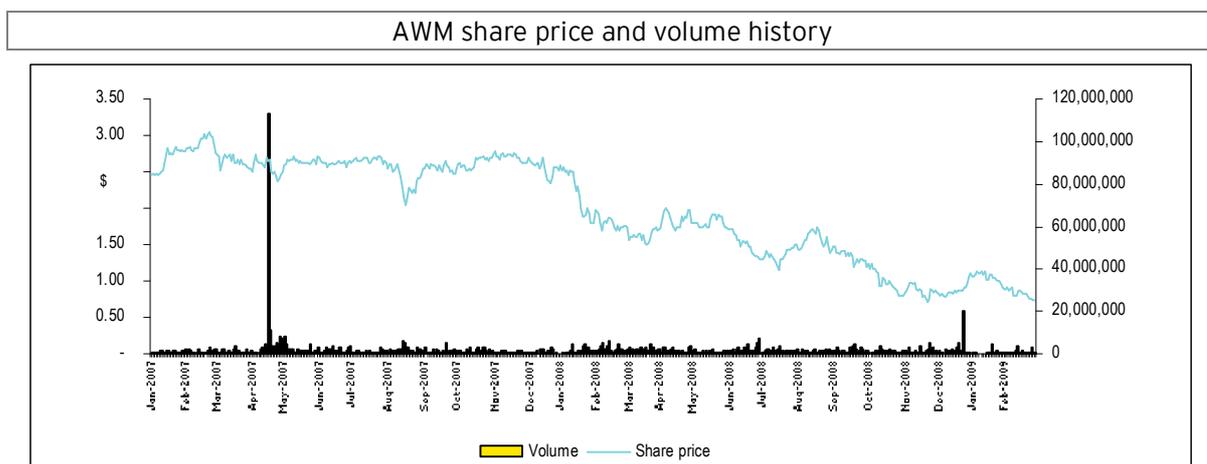
AWM <i>Largest shareholders</i>	Number of ordinary shares held	% of issued shares held
Trust Company Fiduciary Services Ltd	102,249,994	17.1%
JP Morgan Nominees Australia Ltd	63,024,377	10.5%
UBS Wealth Management Australia Nominees Pty Ltd	47,973,522	8.0%
National Nominees Ltd	47,509,569	7.9%
HSBC Custody Nominees (Australia) Ltd	39,457,258	6.6%
ACN 100 037 474 Pty Ltd (Share plan account)	36,058,466	6.0%
Bendigo Bank Ltd	33,110,444	5.5%
Citicorp Nominees Pty Ltd	16,101,088	2.7%
ANZ Nominees Ltd	10,442,543	1.7%
Cogent Nominees Pty Ltd	8,678,003	1.4%
David Vautin Pty Ltd	6,546,127	1.1%
Citicorp Nominees Pty Ltd (CFSIL CFS WS small comp account)	6,336,721	1.1%
Mr Ian Gregory Griffiths	5,000,000	0.8%
Queensland Investment Corporation	4,914,264	0.8%
Citicorp Nominees Pty Ltd (CFS Future Leaders Fund account)	3,727,619	0.6%
HSBC Custody Nominees (Australia) Ltd - GSCO ECSA	3,085,920	0.5%
Custodial Services Ltd	3,025,414	0.5%
AMP Life Ltd	2,527,788	0.4%
Mr Neil Patrick BIGG	2,450,000	0.4%
Mr Michael Kenneth Harvey	2,317,138	0.4%
Top twenty shareholders	444,536,255	74.1%
Other shareholders	154,988,762	25.9%
Total	599,525,017	100.0%

Source: Management

We note that shares in AWM are relatively tightly held, with approximately 50% held by the top five shareholders and 74.1% held by the top twenty shareholders.

4.5 Recent share price performance

The graph below shows the daily share price and trading volumes for AWM since 1 January 2007:



Average daily volume of shares traded over this period was 1,825,883 shares or approximately 0.3% of the diluted shares on issue. Between 24 November 2008 and 27 February 2009, AWM shares have closed at between \$0.75 and \$1.13.

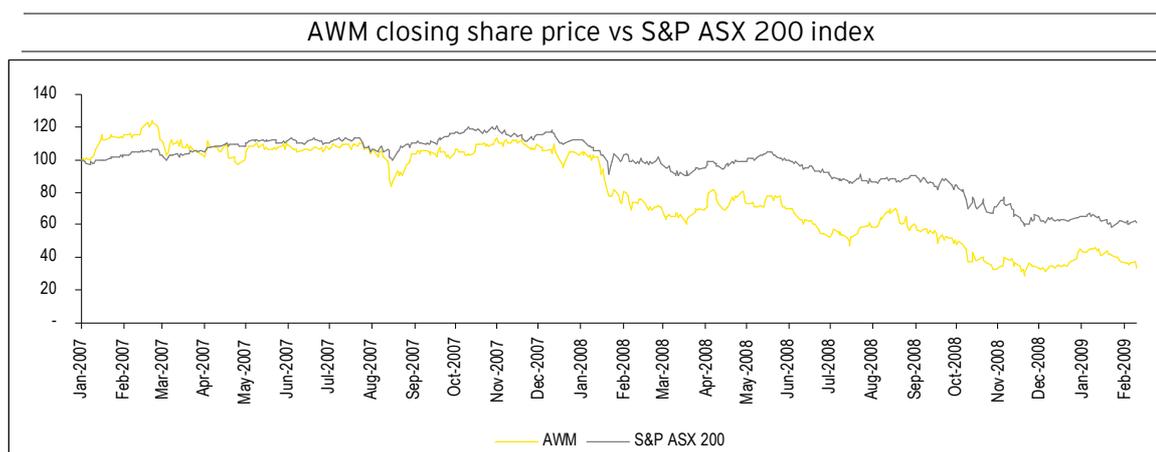
Notable events since 1 January 2007 which may have affected share price movements as disclosed in company announcements by AWM are as follows:

Ref	Date	Event
1	30 March 2007	Acquisition of i.super and Finium
2	28 August 2007	Announcement of FY07 results
3	21 February 2008	Announcement of H108 results
4	4 March 2008	Announcement of on-market share buy back
5	12 June 2008	Acquisition of majority stake in Ord Minnett
6	30 June 2008	Announcement of extension of on-market share buy back
7	27 August 2008	Announcement of FY08 results
8	24 November 2008	Announcement of proposed merger with IOOF
9	23 December 2008	Bendigo and Adelaide Bank announced it intends to purchase 3.7 million shares in IOOF and 20 million shares in AWM
10	10 February 2009	Announcement of H109 results
11	2 March 2009	Announcement by IOOF of acquisition of Skandia and Intech

Source: AWM Company Announcements

We note that the AWM share price rose from \$0.76 on the trading day before the announcement to \$0.89 at close on the day of the announcement.

The chart below outlines AWM's closing share price relative to the S&P ASX 200 index for the period from 1 January 2007 to 27 February 2009.



Note: prices indexed to a base of 100 at 1 January 2007

AWM's share price has underperformed the market since the time the market peaked in November 2007. AWM has shown an overall decline in share price of 70% over this period relative to a decline of 38% for the S&P ASX 200.

4.6 Financial position

The table below summarises AWM's consolidated financial position as at 30 June 2007, 30 June 2008 and 31 December 2008.

<i>AWM Financial position</i>			
<i>Currency: \$ 000</i>			
	Jun07A	Jun08A	Dec08A
CURRENT ASSETS			
Cash & Cash Equivalents	86,411	86,767	73,907
Trade & Other Receivables	46,740	124,895	45,954
Other Assets	6,103	6,652	7,282
Total Current Assets	139,254	218,314	127,143
NON-CURRENT ASSETS			
Investments Accounted For Using the Equity Method	8,935	1,989	1,978
Other Financial Assets	16,701	39,114	26,622
Property, Plant & Equipment	6,207	10,165	9,096
Goodwill	512,697	551,641	405,341
Other Intangible Assets	163,106	196,331	195,221
Deferred Tax Assets	9,970	11,637	10,774
Other Assets	4,733	3,707	2,922
Total Non-Current Assets	722,349	814,583	651,954
Total Assets	861,603	1,032,898	779,097
LIABILITIES			
CURRENT LIABILITIES			
Trade & Other Payables	37,316	124,557	47,244
Borrowings		14	25,014
Current Tax Liabilities	16,994	20,656	4,306
Other Liabilities	32,210	28,351	18,511
Total Current Liabilities	86,521	173,578	95,075
NON-CURRENT LIABILITIES			
Borrowings	35	30	25
Other Liabilities	10,147	13,400	13,700
Total Non-Current Liabilities	10,182	13,430	13,725
Total Liabilities	96,703	187,008	108,800
NET ASSETS	764,900	845,890	670,297

Source: Management accounts for Jun 07 and Jun 08, AWM press release

We note the following in relation to the financial position of AWM:

- ▶ 30 June 2007 position is exclusive of Ord Minnett which was acquired in June 2008
- ▶ Cash and cash equivalents of \$73.9 million as at 31 December 2008 includes regulatory cash balances of approximately \$17.8 million, \$12.0 million of which relates to AWM and \$5.8 million of which relates to Ord Minnett
- ▶ Cash and cash equivalents decreased by \$12.9 million between 30 June 2008 and 31 December 2008 primarily due to a share buy-back totalling \$25 million, of which \$13.7 million was paid post 30 June 2008

- ▶ Available for sale investments carried at fair value as at 31 December 2008 comprise investments in four listed securities:
 - ▶ 6% of the ordinary share capital of Tasmanian Perpetual Trustees Limited
 - ▶ 19.97% of the ordinary share capital of Australian Ethical Investment Limited
 - ▶ 2% of the ordinary share capital of IOOF Holdings Ltd
 - ▶ 18% of the ordinary share capital of DKN Financial Group Limited
- ▶ Investments accounted for using the equity method relate to various small unlisted financial planning companies
- ▶ A bills discount facility of \$25 million has been agreed with Commonwealth Bank of Australia in the period since 30 June 2008. This facility was fully drawn as at 31 December 2008
- ▶ The intangibles relate to the large number of recent transactions and are mainly customer related assets
- ▶ Goodwill written down as at 31 December 2008 relates primarily to the reassessment of goodwill recognised upon the merger of Select Managed Funds and AWM in 2006
- ▶ The market capitalisation of AWM at 27 February 2009 was less than its reported net assets as at 31 December 2008

4.7 Financial performance

The table below summarises AWM's consolidated financial performance for the two years ended 30 June 2008 and the six months to 31 December 2008.

<i>AWM financial performance</i>			
<i>Currency: \$ million</i>	FY07A	FY08A	6 months to 31 Dec 2008
Net operating revenue	174.0	189.2	99.8
Dividends received/share of associates profit	2.3	1.9	1.8
Operating expenses	(90.8)	(96.9)	(64.2)
EBITDA before impairment	85.5	94.2	37.4
Depreciation and amortisation	(5.9)	(6.8)	(5.1)
Impairment of assets	-	-	(154.2)
EBIT	79.6	87.4	(121.9)
Net interest	3.8	3.9	2.0
NPBT	83.4	91.3	(119.9)
Income tax expense	(26.0)	(26.3)	(11.2)
NPAT (before minority interest)	57.4	65.0	(131.1)

Source: AWM Management

We note the following in relation to the financial performance of AWM:

- ▶ FY07 results are exclusive of Ord Minnett which was acquired in June 2008. FY08 results include one month of results from the contribution of Ord Minnett in June 2008
- ▶ Management has indicated that FY09 net operating income will be impacted positively by the full year contribution of stockbroking revenue from the Ord Minnett business. It is anticipated that this will be offset to an unknown extent by the decline in performance as a result of the decline in FUM. The relative impact of these two factors is uncertain
- ▶ Impairment of assets in the six months to 31 December 2008 relates primarily to the reassessment of goodwill recognised upon the merger of Select Managed Funds and AWM in 2006

5. Overview of IOOF

5.1 Company history

IOOF is an Australian financial services provider, specialising in investment and superannuation management and administration. IOOF has its origins as the Independent Order of Odd Fellows formed in the mid-1800s. Following a period as a friendly society, IOOF subsequently evolved into a dedicated financial services organisation before demutualising in 2002. The company was listed on the ASX in December 2003.

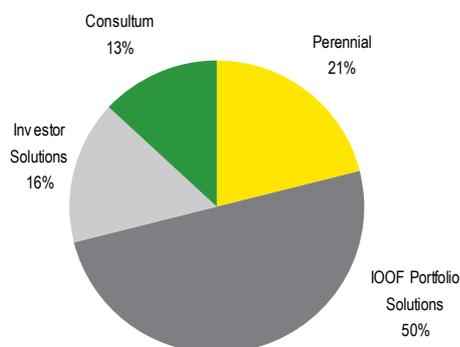
5.2 Business structure

IOOF has four main business units:

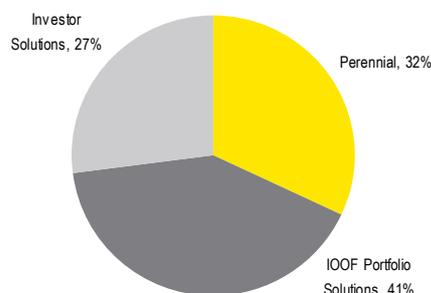
- ▶ Asset management (Perennial)
- ▶ Superannuation and Investment Administration (Portfolio Solutions)
- ▶ Funds management (Investor Solutions)
- ▶ Financial planning (Consultum)

In FY08, IOOF generated approximately \$270 million in revenue and approximately \$35 million in PBT. As shown in the charts below, the majority of revenue and PBT is generated through the Portfolio Solutions business (50% and 41% respectively). We note that Consultum made a loss before tax of \$1.8 million in FY08.

IOOF Revenue – FY08



IOOF Profit before tax – FY08



Source: Annual Report, excludes inter-segment sales

Note: above table excludes OM Businesses - refer Section 5.7

Each of the divisions is outlined briefly below.

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5.3 Perennial

The Perennial group of companies (incorporating Perennial Investment Partners Ltd and the investment management boutiques) provide investment management services for the majority of the IOOF branded funds, Perennial branded retail and wholesale products, in addition to its external mandates from institutional investors.

In December 2006, IOOF achieved 100% ownership of Perennial Investment Partners Ltd by acquiring the remaining 21.85% equity held by management for an initial payment of \$67.9 million plus a potential deferred payment. As at the date of this Report, Management consider it unlikely that the potential deferred payment will be required.

Through Perennial, IOOF offers managed investments in all the major asset classes, being:

- ▶ Australian equities (Perennial Value & Perennial Growth)
- ▶ International equities (Perennial International)
- ▶ Fixed interest (Perennial Fixed Interest)
- ▶ Property (Perennial Real Estate)

Under the Perennial model, individual investment managers own a substantial equity interest in the relevant investment management boutique. These boutiques cover most major asset classes and include:

- ▶ Perennial Value: IOOF Group's shareholding interest is 52.4% and its dividend entitlement is 42.3% of the profits of Perennial Value, with the balance held by staff. Perennial Value invests in Australian equities with a value investment philosophy focus
- ▶ Perennial Growth: 60% owned by IOOF Group with the balance held by staff. Perennial Growth invests in Australian equities with a growth investment philosophy focus
- ▶ Perennial Fixed Interest: 74.7% owned by IOOF Group with the balance held by staff. Perennial Fixed Interest invests in Australian and global fixed interest products
- ▶ Perennial Real Estate, 50% owned by IOOF Group with the balance held by staff. Perennial Real Estate invests in Australian and global listed property trusts

5.4 Portfolio Solutions

Portfolio Solutions provides investment and superannuation administration services to advisers, their clients and employers. IOOF simplifies the complexity of holding numerous managed investments by consolidating the individual investments into a single platform.

IOOF currently has three major administration platforms: Pursuit, IOOF Portfolio Service and LifeTrack.

5.5 Investor Solutions

Investor Solutions provides funds management services to IOOF's retail investors by developing simple and relevant investment solutions whilst reinforcing the value of financial advice. The two main product offerings of Investor Solutions are the multi-manager investment trusts and the investment bonds that are issued by IOOF's friendly society.

Investor Solutions also encompasses IOOF Private Client Advisers, which are IOOF's in-house financial advisors.

5.6 Consultum

Consultum is IOOF's financial advisory dealer group. Consultum acts as an Australian Financial Services Licensee to a panel of over 100 authorised financial advisers, located across Australia. In this capacity, Consultum delivers services such as software support, professional development, professional standards and marketing to the panel, allowing them to create and maintain successful advice businesses in their local areas.

Consultum financial advisers are licensed to offer guidance on the following areas; retirement planning, superannuation, wealth creation, estate planning and risk management.

5.7 Acquisition of Skandia and Intech

IOOF announced on 2 March 2009 that it had entered into a share sale agreement on 27 February 2009 to acquire the Skandia and Intech businesses (the OM Businesses) in Australia from OM Group (UK) Limited (OM Group) by acquiring 100% of the issued shares in the Australian subsidiaries of OM Group, Old Mutual Australia Holdings Pty Ltd and Old Mutual Australia Ltd. Whilst this acquisition has not yet completed, it is anticipated to occur on or around 6 March 2009, prior to the AWM shareholders voting on the Proposal in April 2009. Further details in relation to this acquisition are contained in Section 6.3.

5.8 Funds under management, administration and advice

IOOF's funds under management as at 31 December 2007, 30 June 2008 and 31 December 2008 are shown in the table below:

<i>Currency: \$ bn</i>	31 Dec 07	30 Jun 08	31 Dec 08
Perennial	22.4	18.5	14.3
Portfolio Solutions	7.5	6.7	5.7
Investor Solutions	4.7	4.3	3.7
Total FUM	34.6	29.4	23.7
<i>% Change (period on period)</i>		-15.1%	-19.5%

Source: IOOF Management

Note: the above table excludes FUM associated with the OM Businesses - as at 31 December 2008, the OM Businesses had FUMA of \$8.1 billion

- ▶ FUM decreased \$5.2 billion (15.1%) between 31 December 2007 and 30 June 2008, primarily as a result of the decline in equity markets
- ▶ In the period between 30 June 2008 and 31 December 2008, FUM decreased \$5.7 billion (19.5%), with the majority of that decrease occurring in October
- ▶ We note that IOOF has greater exposure to movements in the equity markets than AWM due to the asset specific funds managed by Perennial

5.9 Capital structure and shareholders

As at 10 February 2009, IOOF had 68,905,339 ordinary shares on issue, including 588,267 treasury shares held on trust under the IOOF Executive Performance Share Plan Trust. As at 10 February 2009, there were a total of 28,319 shareholders. In addition, there are 176,012 preference shares on issue and 170,893 IOOF Equity Participant Program shares. The IOOF Board has agreed to grant options to three executives. Option details are outlined in Section 5.9.3 below.

5.9.1 Treasury shares

Treasury shares are shares issued to the Executive Performance Share Plan Trust. Shares are initially issued to the trust and, once the performance hurdles are met by the executive or the employee, the shares vest to that person.

Based on discussions with Management around the conditions of entitlement, we have included the 588,267 Treasury shares in our analysis of the diluted shares of IOOF.

5.9.2 Preference shares

With respect to the preference shares, we note:

- ▶ The preference shares are redeemable converting preference shares (RCP shares)
- ▶ The RCPs were issued as part of the consideration for the purchase of Financial Partnership Pty Ltd which is part of the Consultum division
- ▶ The RCPs:
 - ▶ will automatically convert to ordinary shares on 30 April 2009, provided the nominated advisers remain authorised representatives of IOOF Group
 - ▶ are entitled to dividends declared in respect of the ordinary shares
 - ▶ do not have voting rights at a general meeting of the company except in very limited circumstances
- ▶ The Proposal will not trigger an early conversion of RCPs

Based on discussions with Management, we have included the 176,012 RCP shares in our analysis of the diluted shares of IOOF.

5.9.3 Options

The IOOF Board has agreed to grant options to three executives as part of their long term incentive remuneration, subject to the satisfaction of applicable performance or service based conditions. If the conditions are satisfied, options will be issued at no cost to the executive. Once issued, the options may be exercised during the applicable exercise period upon payment of the agreed exercise price by the executive. In respect of Tony Robinson (Chief Executive Officer) any grant of the Options below is subject to shareholder approval at the next annual general meeting of IOOF.

Details of expiry date, exercise price and balances of the different IOOF Board agreements to issue IOOF Options are detailed in the table and commentary below:

Expiry date	Exercise price	Balance
1 July 2011	\$9.89	225,000
1 July 2012	\$9.89	225,000
1 July 2013	\$9.89	225,000
To be determined	\$3.1479	80,000
To be determined	Based on IOOF VWAP 1st week of Dec 2009	100,000
To be determined	Based on IOOF VWAP 1st week of Dec 2010	100,000
2 August 2012	\$3.1479	150,000
2 August 2013	Based on IOOF VWAP 1st week of Dec 2009	150,000
2 August 2014	Based on IOOF VWAP 1st week of Dec 2010	150,000

Source: IOOF Management

Given the trading share price for IOOF of \$2.77 as at 27 February 2009, we do not anticipate that the options with an exercise price of \$9.89 would be exercised in the event of shareholder approval.⁶

Given the IOOF share price at 27 February 2009 and the expiry date of the remaining IOOF Options, we have assumed that these IOOF Options will be exercised.

For the purposes of our analysis, we have included 730,000 IOOF Options in our calculation of the diluted shares on issue.

5.9.4 IOOF Equity Participation Program shares

IOOF has also implemented an IOOF Equity Participation Program for eligible authorised representatives of Consultum who are identified as key contributors to the Consultum business. Under this program, eligible authorised representatives are given the opportunity to receive IOOF Shares or (at the discretion of the board of directors of IOOF) a cash equivalent, subject to satisfying certain vesting conditions over a three year program cycle. The vesting conditions are both time and performance based.

As at 31 December 2008, the maximum number of IOOF Shares that may need to be provided to the current participants of the program is 170,893.

⁶ Please refer to Section 9.3 of the Scheme Booklet for further detail on CEO incentives and terms

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5.9.5 Diluted shares in IOOF

The table below summarises the diluted shares of IOOF on issue:

<i>IOOF diluted shares on issue</i>	Ref	
Number of existing IOOF ordinary shares on issue, excluding treasury shares	5.8	68,317,072
Number of treasury shares on issue	5.8.1	588,267
Number of preference shares	5.8.2	176,012
Number of options	5.8.3	730,000
Number of IOOF Equity Participant Program shares	5.8.4	170,893
Diluted number of IOOF shares on issue		69,982,244

The following table summarises the twenty largest shareholders of IOOF as at 10 February 2009:

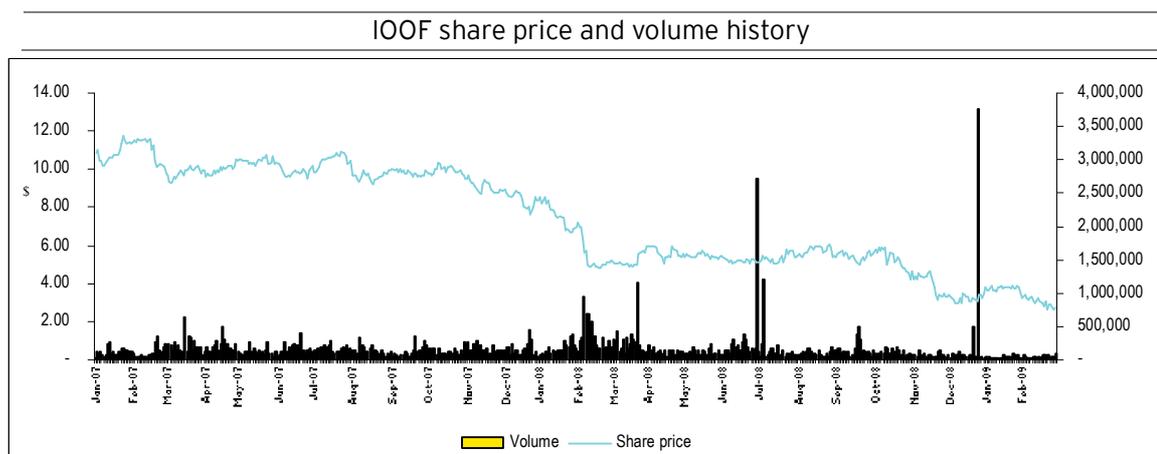
<i>IOOF</i>	Number of ordinary shares held	% of issued shares held
<i>Largest shareholders</i>		
Bendigo Bank Ltd	9,061,542	13.15%
Bell Potter Nominees Ltd	3,384,421	4.91%
JP Morgan Nominees Australia Ltd	1,946,294	2.82%
Citicorp Nominees Ltd	1,749,095	2.54%
UBS Wealth Management Australia Nominees Pty Ltd	1,563,215	2.27%
ANZ Nominees Ltd	1,431,052	2.08%
IOOF Holdings Trustee Pty Ltd	977,897	1.42%
National Nominees Ltd	862,923	1.25%
HSBC Custody Nominees (Australia) Ltd	640,738	0.93%
Diversified United Investment Ltd	637,375	0.93%
IOOF Investment Management Ltd	588,267	0.85%
Australian United Investment Company Ltd	437,375	0.63%
Sandhurst Trustees Ltd	353,174	0.51%
Neweconomy Com AU Nominees Pty Ltd	303,127	0.44%
Queensland Investment Corp	239,262	0.35%
Mr James Gardiner	201,000	0.29%
Citicorp Nominees Pty Ltd (Cwlt Small Co FD 2 account)	182,655	0.27%
Warbont Nominees Pty Ltd	162,417	0.24%
BNP Paribas	143,097	0.21%
Sylvania Pty Ltd	125,000	0.18%
Top twenty shareholders	24,989,926	36.27%
Other shareholders	43,915,413	63.73%
Total	68,905,339	100.00%

Source: Management

We note that approximately 26% of shares are held by the top five shareholders and 36.3% held by the top twenty shareholders.

5.10 Recent share price performance

The graph below shows the daily share price and trading volumes for IOOF since 1 January 2007:



Average daily volume of shares traded over this period was 151,050 shares or approximately 0.22% of the diluted shares on issue.

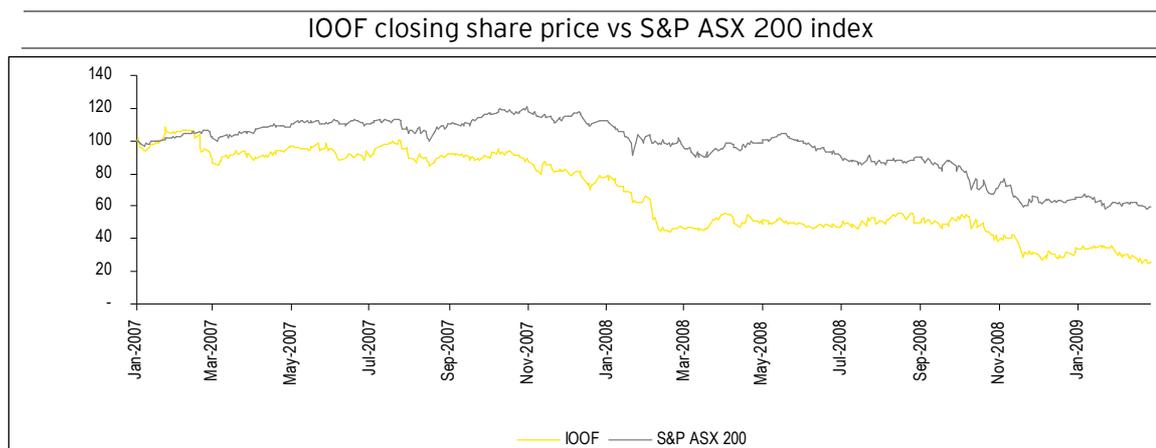
Notable events since 1 January 2007 which may have affected share price movements as disclosed in announcements placed on the company's ASX platform are as follows:

Ref	Date	Event
1	27 June 2007	Capital raising of 4.2 million of ordinary shares at \$9.20 per share
2	28 August 2007	Announcement of FY07 results
3	6 February 2008	Revised earnings guidance
4	24 April 2008	Revised earnings guidance
5	13 June 2008	Macarthur Cook and IOOF announce that they are to form a strategic investment management and distribution alliance
6	27 August 2008	Announcement of FY08 results
7	24 November 2008	Announcement of proposed merger with AWM
8	23 December 2008	Bendigo and Adelaide Bank announced it intends to purchase 3.7 million shares in IOOF and 20 million shares in AWM
9	10 February 2009	Announcement of H109 results
10	2 March 2009	Announcement of acquisition of OM Businesses

Source: Announcements placed on the Company's ASX platform

We note that the IOOF share price fell from \$3.39 on the trading day before the announcement to \$3.30 at close on the day of the announcement. Between 24 November 2008 and 27 February 2009, IOOF shares have closed at between \$2.68 and \$3.90.

The chart below outlines IOOF's closing share price relative to the S&P ASX 200 index for the period from 1 January 2007.



Note: prices indexed to a base of 100 at 1 January 2007

The above chart shows that IOOF has underperformed the S&P ASX 200 index since mid-February 2007. We note that IOOF has been impacted to a greater extent than AWM, which is attributed by management to its greater exposure to asset specific funds managed by Perennial.

5.11 Financial position

The table below summarises IOOF's consolidated financial position as at 30 June 2007, 30 June 2008 and 31 December 2008.

<i>IOOF Financial position</i> <i>Currency: \$ 000</i>	Jun07A	Jun08A	Dec08A
ASSETS			
Cash and cash equivalents	39,250	42,252	12,927
Receivables	24,580	20,967	25,348
Other financial assets	5,649	20,328	11,941
Investments accounted for using equity method	8,369	7,260	8,042
Other assets	16,139	10,335	9,755
Property and equipment	3,247	4,307	4,003
Deferred tax assets	7,006	8,678	10,241
Intangible assets	197,230	167,714	168,138
Related party receivable (gross)	42,271	26,043	12,421
Total assets	343,741	307,884	282,227
LIABILITIES			
Payables	31,106	27,087	18,652
Borrowings	33,500	-	-
Current tax liabilities	18,950	8,099	444
Provisions	45,120	9,584	9,528
Other financial liabilities	20,690	25,125	18,683
Deferred revenue liability	4,967	4,163	2,911
Outside interests in controlled trusts	-	3,349	-
Total liabilities	154,333	77,407	50,218
NET ASSETS	189,408	230,477	232,009

Source: Annual Reports (Jun07A and Jun08A) and Management reports (Dec08A)

Note: the above table does not include net assets attributable to the OM Businesses

We note the following in relation to the financial position of IOOF:

- ▶ The consolidated balance sheet of IOOF as included in the Annual Report as at 30 June 2007 and 30 June 2008 and interim report as at 31 December 2008 includes the assets and liabilities relating to the life insurance and friendly society funds. The balance sheets presented here exclude these assets and liabilities. Net assets as included in the Interim Report at 31 December 2008 are \$233.2 million
- ▶ Net assets increased \$41.1 million from 30 June 2007 to 30 June 2008, primarily due to the receipt of proceeds from a capital raising which were used to repay borrowings of \$33.5 million. In addition, there was a decrease in current tax liabilities of \$10.9 million offset by the increase in other financial liabilities (being the share buy back liability) of \$4.4 million
- ▶ Cash and cash equivalents of \$44.8 million as at 31 December 2008 includes cash needed for regulatory requirements. As at 31 December 2008, this requirement was assessed as \$18.5 million
- ▶ Investments accounted for using the equity method is the investment in Perennial Value Management Ltd (PVM)
- ▶ Other financial assets include:
 - ▶ An available for sale asset related to an interest in the equity of MacArthur Cook Limited
 - ▶ Units in the Perennial Partners Trust
 - ▶ Loans to related parties provided to executives of the Perennial boutique entities in order to fund the executive's purchase of shares in those entities

5.12 Financial performance

The table below summarises IOOF's consolidated financial performance for the two years ended 30 June 2008 and the six months to 31 December 2008.

<i>IOOF Financial performance</i> Currency: \$ million	FY07A	FY08A	6 months to 31 Dec 2008
Net operating revenue	370.3	403.7	164.0
Dividends / share of associates profits	7.8	7.4	2.7
Profit / (loss) on assets	103.8	(120.5)	(104.7)
Operating expenses	(407.0)	(262.3)	(38.2)
EBITDA	74.9	28.3	23.8
Depreciation	(1.3)	(1.6)	(0.8)
Amortisation	(5.8)	(9.7)	(5.5)
EBIT	67.8	17.0	17.5
Net interest income / (expense)	(2.3)	1.0	-
Profit before tax	65.5	18.0	17.5
Income tax benefit / (expense)	(41.0)	8.1	(8.0)
NPAT before minority interests	24.5	26.1	9.5
Minority interests	(2.2)	(2.7)	(0.4)
NPAT	22.3	23.4	9.1

Source: IOOF Management

Note: the above table does not include the financial performance of the OM Businesses

We note the following in relation to the financial performance of IOOF:

- ▶ IOOF's consolidated financial performance includes the benefit funds of IOOF Ltd, a subsidiary of IOOF Holdings Ltd and any controlled trusts. It is not possible to directly compare lines in the above table from period to period due to the impact of the inflows and outflows associated with IOOF's friendly society and life insurance businesses. The net impact of these items on the EBITDA is negligible
- ▶ A decrease in underlying profitability between FY07 and FY08 resulted from the adverse impact of equity and property market values on funds under management and administration combined with increased client service costs
- ▶ Revenues in the six months to 31 December 2008 have been unfavourably affected by continued adverse equity and property market values. This reduced IOOF's funds under management and administration from which it earns a relatively stable percentage as fees. A partial offset to this decline in revenue is the reduction in commissions and rebate expenses paid to financial advisers
- ▶ On an underlying basis, IOOF's operating expenses are comprised largely of commissions, rebates and management fees to fund managers and financial advisers (FY07A: \$135 million; FY08A: \$135 million; 6 months to 31 Dec 2008: \$55 million). These expenses arise from relatively stable percentages of funds under management and administration and therefore increase or decrease reasonably in line with revenue earned as fees
- ▶ IOOF's underlying other operating costs (FY07A: \$95 million; FY08A: \$104 million; 6 months to 31 Dec 2008: \$48 million) are driven largely by the number of investors with funds in IOOF products and platforms, and the extent to which the consolidated group is required to conform with changes in the regulatory environment. Annualised operating cost decreases in the six months to 31 December 2008 have arisen chiefly from lower levels of staffing and professional support required to meet regulatory compliance and major change activities

6. Overview of the Merged Entity

6.1 Introduction

The Merged Entity (which will retain the name IOOF Holdings Ltd) will provide its clients with a diverse range of financial services and products.

If the Proposal is completed, the Merged Entity will be one of Australia's prominent financial services companies with operations spanning the entire wealth management value chain. It will:

- ▶ Be expected to have an initial market capitalisation of approximately \$850 million
- ▶ Hold over \$82 billion of funds under management, administration, advice and supervision, excluding FUMA associated with Ord Minnett or the OM Businesses⁷ including:
 - ▶ Funds under management of approximately \$23.9 billion as at 31 December 2008
 - ▶ Funds under advice of approximately \$14.7 billion as at 31 December 2008
 - ▶ Funds under administration of approximately \$17.0 billion as at 31 December 2008
- ▶ Be ranked in the top ten platform providers in Australia
- ▶ Be ranked in the top ten financial planning groups in Australia (by number of financial planners)
- ▶ Have a distribution network with over 580 aligned financial advisers nationwide
- ▶ Hold a combined portfolio of brands in financial advice, distribution, administration and investment management
- ▶ Have enhanced financial size and capacity to pursue a wider range of growth opportunities

6.2 Intended strategy

If the Proposal is completed, the Merged Entity will:

- ▶ Maintain and develop the Merged Entity's existing businesses and the Merged Entity's vertical integration strategy of distribution, platform and investment
- ▶ Capitalise on revenue growth opportunities, and rationalise duplicated services, products and business functions
- ▶ Capitalise on the Merged Entity's increased financial capacity and flexibility to pursue value adding acquisition opportunities
- ▶ Maintain the various brands of AWM and IOOF and use its increased size to boost its marketing and advertising activities
- ▶ Retain the high degree of autonomy of key business units, including the Bridges business

⁷ Source: Scheme Booklet

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- ▶ Maintain the Merged Entity's existing strong focus on capturing scale benefits and growing earnings
- ▶ Maintain the employment of key employees of AWM and IOOF and, more broadly, maintain the employment of all other employees subject to the need to eliminate duplication of roles and responsibilities, which will be conducted on a merits basis

6.3 Acquisition of Skandia and Intech

IOOF announced on 2 March 2009 that it had entered into a share sale agreement on 27 February 2009 to acquire the Skandia and Intech businesses in Australia from OM Group (UK) Limited by acquiring 100% of the issued shares in the Australian subsidiaries of OM Group, Old Mutual Australia Holdings Pty Ltd and Old Mutual Australia Ltd. Whilst this acquisition has not yet completed, it is anticipated to occur on or around 6 March 2009, prior to the AWM shareholders voting on the Proposal in April 2009.

In accordance with the terms of the Implementation Deed, AWM has consented to the proposed acquisition by IOOF.

The proposed acquisition by IOOF is expected to result in benefits to the Merged Entity, including:

- ▶ an increase in scale and FUMA for the Merged Entity's:
 - ▶ Platform Management & Asset Administration business - to include the Skandia business
 - ▶ Investment Management business - to include the Intech business
- ▶ the integration of additional products that have proven to be successful, as demonstrated by their existing use in the market place
- ▶ allowing the Merged Entity the opportunity to develop deeper relationships with significant unaligned financial planning businesses that are existing customers of the Skandia business

For the year to 31 December 2008, the OM Businesses had revenue of \$33.5 million but were loss making. However, once integrated, it is anticipated that cost savings will be achieved such that the OM Businesses will contribute more to the Merged Entity than the cost of the acquisition. Total FUMA as at 31 December 2008 was \$8.1 billion.

6.4 Directors and management

If the Proposal is implemented, we understand that:

- ▶ IOOF Chairman, Ian Blair will be Chairman of the Merged Entity
- ▶ AWM Managing Director, Chris Kelaher will be Managing Director and Chief Executive Officer of the Merged Entity
- ▶ The Board will initially comprise four non-executive directors from the IOOF board and three directors from the AWM board
- ▶ Other senior management and staff positions will be drawn from the two organisations based on merit

6.5 Potential synergies and implementation costs

AWM and IOOF have indicated that the merger is expected to generate annual post tax cost synergies of approximately \$20 million within the first 12 months following the merger. These relate to cost savings which have been identified including corporate head offices and duplicated support infrastructure.

6.6 Capital structure

Based on the terms of the Proposal, AWM shareholders will be issued with approximately 162.9 million new shares in the Merged Entity, if the Proposal is implemented.

Accordingly, the Merged Entity is expected to have approximately 231.4 million fully paid ordinary shares on issue upon completion.

Existing AWM shareholders will own approximately 70% of the Merged Entity and existing IOOF shareholders will own approximately 30% of the Merged Entity.

The table below summarises the number of shares on issue should the Proposal be implemented.

<i>Number of shares in merged group</i>	
Diluted number of AWM shares on issue	607,673,017
Conversion ratio	3.73
New shares in IOOF to be issued to AWM shareholders	162,915,018
Diluted number of existing IOOF shares on issue	69,982,244
Cancellation of IOOF shares owned by AWM	1,460,632
Diluted number of New IOOF shares	231,436,630

It is assumed that the shares in IOOF owned by AWM will be cancelled if the Scheme is implemented (refer to Section 9.5).

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7. Valuation methodology and approach

7.1 Definition of market value

In forming our opinion as to whether the Proposal is fair and reasonable and therefore in the best interests of the Shareholders, we have determined the value of the issued shares of AWM on a fair market value basis. Business valuers typically define fair market value as:

"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser and is unique to each such purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

7.2 Common valuation methodologies

There are a number of commonly used valuation methodologies available to value a business. The four primary methodologies used for valuing a business are:

- ▶ Capitalisation of earnings
- ▶ Discounted cash flow
- ▶ Net realisable value of assets
- ▶ Market based assessments

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the business being valued, the methodology most commonly adopted in valuing such businesses and the availability of appropriate information.

7.2.1 Capitalisation of earnings

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology requires consideration of the following factors:

- ▶ Estimation of future maintainable earnings having regard to historical and forecast operating results, abnormal or non-recurring items of income and expenditure and other factors. Future maintainable earnings are generally based on net profit after tax, EBIT, EBITA or EBITDA
- ▶ Determination of an appropriate earnings multiple reflecting the risks inherent in the business, growth prospects and other factors
- ▶ Earnings multiples applied to net profit after tax are known as price earnings multiple and are commonly used in relation to listed public companies. Earnings multiples applied to EBIT, EBITA or EBITDA are known, respectively, as EBIT, EBITA or EBITDA multiples, and are commonly used in respect of companies comprising a number of businesses where debt cannot be precisely allocated or in acquisition scenarios where the purchaser is likely to control gearing
- ▶ An adjustment for financial debt, in the event maintainable earnings are based on EBIT, EBITA or EBITDA

- ▶ An assessment of any surplus assets and liabilities, being those which are not essential to the generation of the future maintainable earnings

This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

7.2.2 Discounted cash flow

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows.

This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as oil and gas fields). The utilisation of this methodology generally requires management to be able to provide long term cash flows for the subject company, asset or business.

7.2.3 Net realisable value of assets

The net realisable value of assets methodology involves the determination of the net realisable value of the assets of a business or company, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair market value.

This methodology is appropriate where a project, a business or company is not making an adequate return on its assets or where there are surplus non-operational assets.

7.2.4 Market based assessments

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

7.3 Valuation methodology selected

In determining the appropriate methodology with which to value AWM and the Merged Entity, we have considered the methodologies available to value a business, the nature of the operations of the AWM and IOOF businesses, the nature of the Merged Entity's business and the lack of forecast financial information available. We have had regard to the financial performance of AWM and IOOF for the year ended 30 June 2008 and the six months to 31 December 2008 and the likely synergies which would be realised if the Proposal was implemented.

We note that:

- ▶ It was not possible to utilise the discounted cash flow methodology in view of the lack of suitable forecast financial information
- ▶ Selection of the net realisable value of assets methodology was determined to be inappropriate in light of the expectation that these businesses are expected to continue trading rather than be wound up
- ▶ Selection of the market based assessments methodology was determined to be inappropriate given the significant reductions in market values over the previous 15 months. However, we have taken in to consideration the multiples implied in potentially relevant transactions and current share prices for potentially comparable listed companies

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Based on the above considerations and using our experience, we have selected the capitalisation of earnings methodology to value AWM and the Merged Entity. In utilising this methodology we have sought to ensure that:

- ▶ the maintainable earnings for each business is derived on a consistent basis, and with consistent assumptions
- ▶ the range of multiples applied to each business reflects the relative risks, uncertainties and prospects of each of those businesses

We consider this approach to be the most appropriate in the circumstances.

The earnings of AWM and the Merged Entity are influenced, amongst other matters, by movements in FUM values, which are in turn influenced by movements in underlying asset classes, such as equities, which are uncertain. We note that the primary driver of fluctuations in earnings (being FUM values) is likely to impact both AWM and the Merged Entity in similar ways. Bearing this in mind, in the event future earnings are inconsistent with the levels used in this report, although this will likely impact our valuation conclusions for the two businesses (irrespective of methodology used), it may do so in a similar manner for both businesses such that the relativity between the two may remain reasonably consistent. As it is this relativity in values rather than the absolute values that is key to our conclusion as to whether the Scheme is in the best interests of the AWM Shareholders, in these circumstances whilst such shifts in earnings may impact the absolute values of the two businesses, they may not have a significant impact on our overall conclusion.

When applying the capitalisation of earnings methodology, we have derived the fair market value of the issued shares of each company. We have:

- ▶ Made an assessment of the future maintainable earnings of each company, and have selected net profit after tax (NPAT) before amortisation as the most appropriate earnings base for our analysis. When considering the underlying value of the Merged Entity, we have aggregated the underlying earnings of AWM and IOOF, together with the value of the likely synergies resulting from the Scheme
- ▶ Assessed an appropriate range of earnings multiples to apply to each company's future maintainable earnings, having regard to potentially comparable listed companies, potentially relevant transactions and other factors specific to AWM and the Merged Entity respectively
- ▶ Considered any other assets, liabilities and contingent liabilities of the companies that are not reflected in their future maintainable earnings
- ▶ Considered any relevant expenses associated with the Scheme
- ▶ Calculated the fair market value of the issued share capital of each company
- ▶ When considering the value of an individual share, we have adopted the fully diluted number of shares on issue, including the effect of any outstanding treasury shares, RCP shares and options

Prior to reaching our valuation conclusions, we have assessed the reasonableness of our valuation calculations by cross-checking our valuation ranges using other valuation methodologies.

In establishing the value of the Merged Entity, we have sought to include information in relation to the acquisition of the OM Businesses by IOOF, which whilst not complete at the date of this report, is expected to complete prior to the AWM Shareholder vote in April 2009. In order to take account of this acquisition, we have made the following adjustments to our valuation of the Merged Entity:

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- ▶ Included the value of the OM Businesses, which is assumed to be equal to the price paid, as another asset in the other assets and liabilities of the Merged Entity – refer Section 9.4
- ▶ Included the reduction in the cash of the Merged Entity as a result of the acquisition
- ▶ Included the costs associated with acquiring the OM Businesses and integrating them into the Merged Entity as a reduction in cash

We have not sought to incorporate the forecast earnings into the maintainable earnings of the Merged Entity, due to the lack of suitable data in relation to the OM Businesses on a basis consistent with the AWM and IOOF businesses. We note that the net effect of the above steps is to imply a reduction in the value of the Merged Entity equal to the costs associated with acquiring the OM Businesses and integrating them into the Merged Entity. However, we further note that, once integrated, it is expected that the OM Businesses will contribute greater value to the Merged Entity, through realisation of synergies. It is however not possible to quantify the impact of these synergies on the Merged Entity at this stage.

7.4 Control premium

As outlined in Section 2.3, we have used an equivalent approach to valuing the securities of both AWM and the Merged Entity.

We have valued a share in AWM on a minority basis excluding a premium for control as we do not consider this to be a change of control transaction. This value reflects the fact that Shareholders are receiving minority interests in the Merged Entity and this value would be consistent with the amount AWM Shareholders could expect to realise, were they to seek to divest their Merged Entity shares once the Scheme is complete. It is not likely that AWM Shareholders would be able to realise a value inclusive of a control premium unless the Merged Entity were to itself become a target for acquisition. We note that this Proposal would not preclude Shareholders receiving a control premium from a subsequent transaction. Accordingly, we have also valued a share in the Merged Entity on a minority basis.

7.5 Cross checks adopted

As a cross check to our valuation of AWM and the Merged Entity, we have considered the implied earnings before interest and tax (EBIT) multiples of our valuation calculations to EBIT multiples of potentially comparable companies and implied transaction multiples.

We have also derived the percentage of FUM implied by the range of equity values calculated. We have compared the implicit range of percentages of FUM for AWM and the Merged Entity to those of potentially comparable listed companies.

8. Valuation of AWM

8.1 Approach

In valuing AWM, we have selected the capitalisation of earnings methodology as our primary valuation methodology.

8.2 Future maintainable earnings

When considering the future maintainable earnings of AWM, Ernst & Young Transaction Advisory Services notes that the operating performance of AWM in FY08 includes only one month of results of Ord Minnett, which was acquired in June 2008. Accordingly, we believe that these historical results are not a good guide when determining the future maintainable earnings of AWM for valuation purposes.

We also note that AWM has not made any announcement to the market regarding its expected level of earnings for the twelve months to 30 June 2009.

In order to derive future maintainable earnings, we have adopted the NPAT before amortisation for AWM for the six months ending 31 December 2008 as the most appropriate base for our analysis. We have then calculated annualised NPAT before amortisation using information supplied by AWM management and based on the following assumptions:

- ▶ 0% growth in FUM for the AWM business
- ▶ Nil inflow/outflow of FUM for the AWM business
- ▶ The original budget for the remaining six months of FY09 for Ord Minnett

In addition, we have adjusted AWM's NPAT before amortisation to reflect:

- ▶ The removal of dividends received from the investment in the four listed entities detailed in Section 4.6. We have separately considered the market value of these investments in Section 8.4
- ▶ The removal of interest received on surplus cash held above the level of regulatory cash required, as detailed further in Section 8.4

Based on the above, we have derived future maintainable earnings for AWM of \$39 million.

8.3 Earnings multiples

In assessing an appropriate range of earnings multiples to apply to the future maintainable earnings of AWM, we have had regard to the trading multiples implicit in the share prices of potentially comparable listed companies in the wealth management industry in Australia, together with the multiples implied by a number of potentially relevant transactions in Australia. A description of each of the potentially comparable listed companies and potentially relevant transactions is set out in Appendices B and C of this report and our findings are set out below.

8.3.1 Trading Multiples

In forming a view on an appropriate range of multiples with which to value AWM, we have had reference to the multiples implicit in the current share prices of a number of potentially comparable listed companies across the wealth management sector in which AWM operates.

We note that the number of listed Australian companies directly comparable to AWM is limited. We have also been mindful of the inherent differences with the potentially comparable companies chosen, particularly in relation to aspects such as their business makeup.

A summary of the trading multiples of the potentially comparable listed companies selected is shown in Appendix B. The trading multiples outlined in Appendix B are based on the market price for minority or portfolio shareholdings of those companies and do not include a premium for control.

We note that these multiples have all been materially impacted by the current global financial crisis.

8.3.2 Transaction Multiples

The multiples implied by transactions involving potentially relevant companies in Australia in the wealth management industry have also been considered in forming a view of an appropriate range of multiples with which to value AWM. A list of the implied multiples from these potentially relevant transactions can be found in Appendix C of this report.

In considering the relevance of this data, Ernst & Young Transaction Advisory Services notes that:

- ▶ The majority of the transactions in Appendix C occurred either prior to, or earlier in, the current global financial crisis, at a time when asset values were dissimilar to the current environment
- ▶ These multiples were derived using both historical and prospective earnings
- ▶ These multiples will implicitly incorporate a premium for control
- ▶ These multiples may reflect synergistic benefits and/or special value paid away by the acquirer

8.3.3 Assessment of Earnings Multiples

In assessing an appropriate range of earnings multiples to apply to AWM, we have had regard to both the trading multiples and transaction multiples as discussed in Sections 8.3.1 and 8.3.2 above. In addition, we have considered the following matters:

- ▶ The removal of any control premium to reflect of the value of AWM on a minority basis
- ▶ Size of company - the size of AWM relative to the size of comparable companies
- ▶ Liquidity of shares - the liquidity of comparable companies relative to AWM
- ▶ Market characteristics - differences between the markets in which the comparable companies operate when compared to AWM's markets
- ▶ Growth and earnings prospects - the relative growth and earnings prospects of the comparable companies when compared to AWM
- ▶ Timing - differences between the comparable companies and AWM in relation to the historic versus prospective nature of the earnings to which the multiples relate

Based on the foregoing, Ernst & Young Transaction Advisory Services has adopted a multiple range of 10 to 11 times in valuing AWM on a minority basis.

8.4 Other assets and liabilities

For valuation purposes, we have taken into consideration the following surplus assets and liabilities:

- ▶ AWM holds a regulatory cash balance of \$16.1 million on which interest is earned, including cash attributable to AWM through its 70% interest in Ord Minnett. The interest earned is included in our calculation of future maintainable earnings in Section 8.2 and this cash balance is not considered surplus. We understand that, in addition to this regulatory balance, AWM holds surplus cash of \$49.0 million, including cash attributable to AWM through its 70% interest in Ord Minnett⁸. Interest earned on this cash is excluded from our calculation of future maintainable earnings.

The net surplus cash position of \$49.0 million for the purposes of our valuation is summarised in the following table:

AWM	
<i>Net surplus cash</i>	Million (\$)
Cash - AWM	32.4
Cash - Ord Minnett (70%)	16.6
Surplus cash	49.0

- ▶ Our valuation is on a diluted basis and therefore, in assuming the exercise of 8,148,000 AWM Options in our diluted share calculation, as detailed in Section 4.4.1, we have considered the cash of \$12.6 million which would be received by AWM on exercise of these AWM Options
- ▶ We have taken into consideration certain costs associated with the Scheme (primarily adviser fees) which are payable by AWM and which are not contingent on whether the deal is implemented. These costs would impact the value of AWM on a stand alone basis, irrespective of whether the deal is completed or not. AWM management have advised that these non-contingent costs are estimated at approximately \$2 million. We have not considered costs which are only payable on successful completion of the Scheme
- ▶ We understand that AWM has interests in the following investments which are accounted for under assets available for sale:
 - ▶ Tasmanian Perpetual Trustees Limited
 - ▶ Australian Ethical Investment Limited
 - ▶ IOOF Holdings Ltd
 - ▶ DKN Financial Group Limited

The earnings from these investments in the form of dividends have been excluded from the future maintainable NPAT before amortisation of AWM outlined in Section 8.2 and we have separately considered the value of these listed investments. The market value of these investments as at 27 February 2009 was \$23.6 million, as detailed in the table below.

AWM			
<i>Investment in listed entities</i>	No of shares	Share price ⁹	\$
DKN Financial Group	26,667,164	0.40	10,666,866
IOOF	1,460,632	2.77	4,045,951
Tasmanian Perpetual	1,225,960	3.55	4,352,158
Australian Ethical Investments	196,472	23.00	4,518,856
Total			23,583,830

Source: EY calculation based on Management discussions

⁸ Both regulatory and surplus cash balances for AWM have been adjusted to reflect AWM's 70% ownership of Ord Minnett

⁹ As at 27 February 2009

- ▶ As detailed in Section 6.6, IOOF proposes to acquire the OM Businesses in Australia. Under a loan agreement dated 26 February 2009 between AWM and IOOF, AWM has agreed to loan \$10 million to IOOF to fund part of the purchase price for the acquisition by IOOF of the OM Businesses. The loan is conditional on the share sale agreement being executed by all parties and must be drawn before 31 May 2009 (or such extended date as agreed by AWM). The loan facility, including the applicable interest rate and covenants, is otherwise on usual commercial terms.

We have considered the impact on AWM's available cash balance of the loan to IOOF and the associated receivable. We are of the opinion that the net effect is nil and therefore we have not included a surplus asset and liability in our calculations.

If the Scheme is not implemented by 31 May 2009, then IOOF will also issue AWM with 2 million new IOOF Shares (total value of \$5.5 million based on IOOF share price of \$2.77 at 27 February 2009) as compensation for AWM agreeing to withdraw from the bidding process to acquire the OM Businesses. This is in addition to the repayment of the loan outlined above. We have considered the market value of this investment as a surplus asset in the event the Scheme does not proceed.

We understand that AWM has no further known material surplus assets or liabilities. On the basis of the above disclosures, we summarise below the various surplus assets and liabilities of AWM:

<i>AWM</i>	
<i>Surplus assets and liabilities</i>	
	Million (\$)
Surplus cash	49.0
Receipt of cash on exercise of AWM options	12.6
Transaction costs	(2.0)
Investments in listed entities	23.6
Shares in IOOF - compensation for OM Businesses acquisition	5.5
Total net surplus assets	88.7

8.5 Summary of valuation analysis

On the basis of the above analysis, we summarise below our calculation of the underlying value of an AWM share on a minority basis:

<i>Currency: \$ million</i>		
	Low	High
Future maintainable NPAT	39.0	39.0
PE multiple	10.0 x	11.0 x
Interim equity value	390.0	429.0
add: surplus assets / (liabilities)	88.7	88.7
Equity value	478.7	517.7
Diluted number of AWM shares (million)	607.7	607.7
Value per share (\$)	0.79	0.85

8.6 Valuation cross check

8.6.1 Implied EBIT multiple cross check

Prior to reaching our valuation conclusion in relation to AWM, we have considered the reasonableness of the above valuation analysis by comparing the EBIT multiples implied by our valuation calculations to the EBIT multiples implied by minority trading in potentially comparable listed companies to AWM.

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The following table summarises our cross-check:

<i>AWM valuation</i>		
<i>EBIT multiple cross check</i>		
<i>\$ million</i>	Low	High
Equity value (minority basis)	478.7	517.7
Surplus cash	(49.0)	(49.0)
Cash from AWM Options	(12.6)	(12.6)
Debt	25.0	25.0
Adjusted enterprise value (minority basis)	442.1	481.1
EBIT (FY08)	86.9	86.9
Implied EBIT multiple (times)	5.1	5.5

Note: The enterprise value is 'notional' and has been calculated for the specific purpose of deriving an implied EBIT multiple. Consequently, it excludes surplus assets.

The average EBIT multiples of potentially comparable listed fund managers and financial planners are summarised in the table below:

<i>Currency: \$A million</i>	Market Cap	EBIT (H) Multiple
Average Asset Managers	429	4.3
Average Financial Planning/Other	240	7.0
Average Life Insurance	8,985	7.9
Low	51	0.5
Mean	8,601	5.2
Median	459	4.6
High	49,148	12.4

Source: Annual Reports, Bloomberg, Reuters Estimates, Capital IQ

The valuation analysis outlined in Section 8.5 above implies a range of EBIT multiples of between 5.1 times and 5.5 times. Excluding "outliers", the range of EBIT multiples for the potentially comparable companies in Appendix B is between approximately 0.5 times and 12.4 times historic EBIT. The most comparable fund managers in the above analysis include BT Investment Management and Perpetual with EBIT multiples of 4.9 times and 4.1 times, respectively.

8.6.2 Ratio of FUM to equity value cross check

As a further cross check to our valuation of AWM, we have considered the ratio of FUM to equity value. Our valuation implies a percentage FUM of between 0.71% and 0.77% on the equity value of AWM and is shown as follows:

<i>AWM valuation</i>		
<i>FUM cross check \$ million</i>		
	Low	High
Equity value (minority basis)	478.7	517.7
Funds under management as at 31 December 2008	67,500	67,500
Implied equity value to FUM	0.71%	0.77%

Note: Includes Ord Minnett FUM of \$11.6 million

The average ratio of FUM to equity value based on the market capitalisation of potentially comparable listed fund managers and financial planners is summarised in the table below:

<i>FUM cross check of comparable companies</i>	Market capitalisation as %
<i>Currency: \$ million</i>	FUMAS
Average Asset Managers	4.4%
Average Financial Planning/Other	1.9%

Source: Bloomberg, Capital IQ, company announcements

Note: FUMAS as at last reported results

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The range of FUM to equity value ratio for these comparable companies is from 0.3% to 11.9%. This broad range is driven in part by the differing nature of the roles of the companies within the industry. The most comparable fund managers in the above analysis include BT Investment Management and Perpetual, with percentage of FUM based on market capitalisation of 0.6% and 3.6% respectively.

The average percentage of FUM based on the market capitalisation for listed asset managers and financial planners in Appendix B are approximately 4.4% and 1.9% respectively. The average ratio of FUM to equity value of the potentially comparable listed companies is based on prices achieved on minority trades of shares.

Taking into consideration differences between AWM and the potentially comparable listed companies, Ernst & Young Transaction Advisory Services does not consider our valuation to be unreasonable given the size and nature of AWM relative to the companies considered.

8.7 Valuation conclusion

Based on the foregoing, we conclude that the underlying value of an AWM share is in the range of \$0.79 to \$0.85 on a fully diluted, minority interest basis.

The payment of any dividend is currently uncertain and in part depends on the outcome of this Proposal. No announcement has been made in relation to payment of a dividend should the Proposal not proceed. In determining the above range of values, we have assumed a dividend is not paid. If, however, a dividend was paid, it would result in a commensurate reduction in our valuation range.

9. Valuation of the Merged Entity

9.1 Underlying value of Merged Entity

In valuing the Merged Entity, we have selected the capitalisation of earnings methodology as our primary valuation methodology.

When considering the underlying value of the Merged Entity, Ernst & Young Transaction Advisory Services has aggregated the values of AWM and IOOF, together with the value of the likely synergies, net of implementation costs and other payments and receipts resulting from the Scheme, and surplus assets and liabilities.

9.2 Future maintainable earnings

In order to derive the future maintainable earnings of the Merged Entity, we have combined the future maintainable earnings of AWM and IOOF, as well as the estimated annual cost synergies.

9.2.1 Cost synergies

In estimating the value of the Merged Entity, we have considered the potential impact on value as a result of the realisation of synergies expected by management.

In considering the value of the likely synergies resulting from the Proposal, we have had discussions with AWM and IOOF management in relation to:

- ▶ The quantum and timing of the likely synergies to be realised by the Proposal
- ▶ The quantum and timing of the likely implementation costs
- ▶ The processes undertaken by management of AWM and IOOF in identifying and quantifying the likely synergies, the likely implementation costs, and their respective timings
- ▶ The risks associated with the realisation of these synergies

Management have undertaken preliminary analysis of potential synergies and consider there is an opportunity for the Merged Entity to capture annual post tax cost synergies of approximately \$20 million within the first 12 months following the merger.

The synergies primarily relate to head office savings and the removal of duplicated support infrastructure.

9.2.2 Future Maintainable Earnings

In order to derive the future maintainable earnings of the Merged Entity, we have aggregated the future maintainable earnings for both AWM and IOOF, together with the synergies expected.

In order to derive future maintainable earnings of IOOF, and consistent with the methodology adopted for AWM, we have adopted the NPAT before amortisation for IOOF for the six months ending 31 December 2008 as an appropriate base for our analysis. We have then calculated annualised NPAT before amortisation based on the following assumptions:

- ▶ 0% growth in FUM for the IOOF business
- ▶ Nil inflow/outflow of FUM for the IOOF business

In addition, we have adjusted IOOF's NPAT before amortisation to reflect the removal of interest received on surplus cash held above the level of regulatory cash required, as detailed further in Section 9.4.

As outlined in Section 7.3, we have not incorporated the future maintainable earnings of the OM Businesses in our future maintainable earnings of the Merged Entity. We have considered the value of the OM Businesses to the Merged Entity in Section 9.4 as an additional asset. Please refer to this section for further discussion.

Based on the above approach, the FME of AWM as discussed in Section 8.2 and the cost synergies discussed in Section 9.2.1, we have derived future maintainable earnings for the Merged Entity of \$74 million.

9.3 Earnings multiples

In assessing an appropriate range of earnings multiples to apply to the future maintainable earnings for the Merged Entity outlined above, we have had regard to the similar business profiles of AWM and IOOF, the multiples implicit in the current share prices of a number of potentially comparable listed companies across the wealth management sector in which the Merged Entity will operate, as discussed in Section 8.3.1 and the multiples implied by transactions involving potentially relevant companies in Australia in the wealth management industry, as discussed in Section 8.3.2.

In addition, we have considered the following factors:

- ▶ The removal of any control premium to reflect of the value of the Merged Entity on a minority basis
- ▶ Size of company - the size of the Merged Entity relative to the size of comparable companies
- ▶ Liquidity of shares - the liquidity of comparable companies relative to the Merged Entity
- ▶ Market characteristics - differences between the markets in which the comparable companies operate when compared to the Merged Entity's market
- ▶ Growth and earnings prospects - the relative growth and earnings prospects of the comparable companies when compared to the Merged Entity
- ▶ Timing - differences between the comparable companies and the Merged Entity in relation to the historic versus prospective nature of the earnings, to which the multiples relate

Based on the foregoing, Ernst & Young Transaction Advisory Services has adopted a range of multiples for the purpose of valuing the Merged Entity on a minority basis of 10 to 11 times.

9.4 Other assets and liabilities

For valuation purposes, we have taken into consideration the following surplus assets and liabilities, in addition to those detailed in Section 8.4:

- ▶ Similar to AWM, IOOF holds a regulatory cash balance of \$18.5 million on which interest is earned. This interest earned is included in our calculation of future maintainable earnings in Section 9.2 as this cash balance is not considered surplus. We understand that, in addition to this regulatory balance, IOOF holds surplus cash of \$26.2 million
- ▶ Our valuation is on a diluted basis and therefore in assuming the exercise of 730,000 IOOF Options in our diluted share calculation, as detailed in Section 5.9.3, we have considered the cash of \$3.6 million which would be received by IOOF on exercise of these IOOF Options, in addition to the \$12.6 million detailed in Section 8.4 (i.e. a total of \$16.2 million)

- ▶ Total costs associated with the Scheme completing (including adviser fees and redundancy costs) which are payable by AWM and IOOF. IOOF and AWM management have advised that these contingent costs are estimated at approximately \$15.8 million
- ▶ Specific provisions of \$3.9 million relating to potential litigation payments
- ▶ We understand that IOOF has a 13% interest in Macarthur Cook. The earnings from this investment is in the form of dividends which have been excluded from the future maintainable NPAT before amortisation of the Merged Entity outlined in Section 9.2 and consequently we have separately considered the value of this listed investment. The market value of this investment as at 27 February 2009 was \$0.5 million¹⁰
- ▶ The value of the OM Businesses acquired by IOOF at the price negotiated between the parties
- ▶ The reduction in net cash resulting from the payments anticipated to be made to the OM Group by IOOF as a result of the acquisition of the OM Businesses
- ▶ Post tax transaction/integration costs which are anticipated to be incurred as a result of acquiring the OM Businesses

We understand that the Merged Entity has no further known material surplus assets or liabilities. On the basis of the above disclosures, we summarise below the various surplus assets and liabilities of the Merged Entity:

<i>Surplus assets and liabilities</i>	Section	Million (\$)
AWM surplus cash	8.4	49.0
IOOF surplus cash	9.4	26.2
Receipt of cash on exercise of Options	8.4 and 9.4	16.2
Transaction costs	9.4	(15.8)
Specific provisions	9.4	(3.9)
AWM investment in listed entities	8.4	19.5
IOOF investment in listed entities	9.4	0.5
Value of OM Businesses acquired	9.4	35.0
Reduction in net cash resulting from the acquisition of the OM Businesses	9.4	(35.0)
Transaction/integration costs associated with the acquisition of the OM Businesses	9.4	(7.0)
Total net surplus assets		81.8

9.5 Shares on issue

Based on the existing number of shares on issue for both AWM and IOOF, together with the outstanding treasury shares, preference shares, options and IOOF Equity Participation Program shares, and assuming that the 1,460,632 IOOF shares currently held by AWM (see Section 8.4) are cancelled¹¹, we have calculated the diluted number of shares on issue in the Merged Entity as outlined in Section 6.6.

Based on a conversion ratio of 1 IOOF share for every 3.73 AWM shares, we have calculated the diluted number of shares in the Merged Entity will be approximately 231.4 million.

¹⁰ Based on share price of \$0.145 at 27 February 2009 and total shares held of 3.45 million

¹¹ In the event that the AWM decides not to cancel its shares in IOOF following the implementation of the Scheme, AWM may not continue to own the IOOF Shares it currently holds (or any bonus shares issued in respect of those IOOF Shares) for a period of more than 12 months after implementation of the Scheme. Accordingly, if the Scheme is implemented and IOOF acquires all of the AWM Shares, AWM will be required to dispose of the IOOF Shares it holds within the statutory 12 month period (or such longer period as ASIC agrees to). Based on share price of \$2.77 as at 27 February 2009, the surplus cash balance of AWM would increase by \$4.0 million as a result.

9.6 Summary of valuation analysis

On the basis of the above analysis, we summarise below our calculation of the underlying value of a share in the Merged Entity on a minority basis:

<i>Currency: \$ million</i>	Low	High
Future maintainable NPAT - AWM	39.0	39.0
Future maintainable NPAT - IOOF	15.0	15.0
Future maintainable synergies	20.0	20.0
Future maintainable NPAT - Merged Entity	74.0	74.0
PE multiple	10.0 x	11.0 x
Interim equity value	740.0	814.0
add: surplus assets / (liabilities)	84.8	84.8
Equity value	824.8	898.8
Number of ordinary shares (million)	231.4	231.4
Value per share (\$)	3.56	3.88

We note that the impact of the acquisition of the OM Businesses as shown in the above tables implies a net decrease in value of the Merged Entity of approximately \$7 million. This acquisition is expected to generate synergies to the Merged Entity over the course of the next 1 to 2 years. However, the earnings associated with the OM Businesses and any synergistic benefits have not been quantified and, to the extent that these enhance value above the price paid, such benefits should therefore be seen as potential upside relative to the table shown above.

9.7 Valuation cross check

9.7.1 Implied EBIT multiple cross check

Prior to reaching our valuation conclusion in relation to the Merged Entity, we have considered the reasonableness of the above valuation analysis by comparing the EBIT multiples implied by our valuation calculations to the EBIT multiples implied by minority trading in potentially comparable listed companies to the Merged Entity. The following table summarises our cross-check:

<i>EBIT multiple cross check</i> <i>\$ million</i>	Low	High
Equity value (minority basis)	824.8	898.8
Surplus cash	(75.2)	(75.2)
Cash from Options	(16.2)	(16.2)
Debt	25.0	25.0
Enterprise value (minority basis)	758.4	832.4
EBIT (FY08) including synergies	116.0	116.0
Implied EBIT multiple (times)	6.5	7.2

Note: the above cross check does not include earnings in relation to the OM Businesses

The average EBIT multiples of potentially comparable listed fund managers and financial planners are summarised in the table in Section 8.6.1.

The valuation analysis outlined in Section 9.6 above implies a range of EBIT multiples of between 6.5 times and 7.2 times. Excluding "outliers", the range of EBIT multiples for the potentially comparable companies is summarised in Section 8.6.1.

9.7.2 Ratio of FUM to equity value cross check

As a further cross check to our valuation of the Merged Entity, we have considered the ratio of FUM to equity value. Our valuation implies a percentage FUM of between 0.90% and 0.98% on the equity value of the Merged Entity and is shown as follows:

<i>Merged Entity valuation</i>		
<i>FUM cross check \$ million</i>	Low	High
Equity value (minority basis)	824.8	898.8
Funds under management	91,154	91,154
Implied equity value to FUM	0.90%	0.99%

Note: the above cross check includes Ord Minnett FUM of \$11.6 million
the above cross check does not include FUM in relation to the OM Businesses

The average ratio of FUM to equity value based on the market capitalisation of potentially comparable listed fund managers and financial planners is summarised in the table in Section 8.6.2.

Taking into consideration differences between the Merged Entity and the potentially comparable listed companies, Ernst & Young Transaction Advisory Services does not consider our valuation to be unreasonable given the size and nature of the Merged Entity relative to the companies considered.

9.8 Valuation conclusion

Based on the foregoing, we conclude that the underlying value of a share in the Merged Entity is in the range of \$3.56 to \$3.88 on a fully diluted, minority interest basis.

The payment of any dividend is currently uncertain; the two parties announced on 10 February 2009 that a dividend of \$0.09 to \$0.14 per Merged Entity share will be considered by the Directors of the Merged Entity in July if the Proposal proceeds.

In determining the above range of values, we have assumed a dividend is not paid. If however, a dividend were paid it would result in a commensurate reduction in our valuation range, as this would implicitly be paid from assets included in our valuation.

10. Evaluation of the Proposal

10.1 Approach

In forming our opinion as to whether the Proposal is fair and reasonable and therefore in the best interests of Shareholders, we have considered:

- ▶ Whether the value of AWM is higher or lower than the value of the consideration being offered by IOOF
- ▶ Other qualitative factors which we believe represent either advantages or disadvantages to Shareholders
- ▶ The likelihood of an alternative superior offer being made to Shareholders
- ▶ The alternatives available to Shareholders

10.2 Valuation conclusion

In determining whether the Proposal is fair, we have compared the value of AWM with the value of the consideration being offered, both on a minority basis excluding any premium for control. Sections 8 and 9 provide our conclusions in relation to the value of AWM and the Merged Entity.

The following table summarises our valuation conclusions:

	Section	Low	High
Value per merged entity share (\$)	9.8	3.56	3.88
Ratio of AWM shares for shares in merged entity	1.1	3.73	3.73
Value of converted AWM share in merged entity (\$)		0.96	1.04
Value of AWM share - stand alone (\$)	8.7	0.79	0.85

As outlined in the above table, we conclude that the value of the consideration offered by IOOF is in excess of the value of AWM on a stand alone basis. Consequently, Ernst & Young Transaction Advisory Services considers that the Proposal is fair to Shareholders.

We note that an AWM share was trading at \$0.75 as at 27 February 2009. This is just below the range of our valuation of \$0.79 to \$0.85 per AWM share on a stand alone basis and a discount to our value of the proportion of a share in the Merged Entity of \$0.96 to \$1.04 as outlined above.

The premium between our valuation of \$0.79 to \$0.85 per AWM share on a stand alone basis and \$0.96 to \$1.04 per Merged Entity share reflects the cost synergies available to AWM shareholders, as discussed in Section 9.2.1 and 10.3.1.

10.3 Commercial and qualitative factors

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposal is reasonable. In assessing the reasonableness of the Proposal, we have also considered the potential advantages and disadvantages to the Shareholders and considered whether the advantages outweigh the disadvantages only in the context of the Proposal.

Ernst & Young Transaction Advisory Services has assessed that the advantages and disadvantages of rejecting the Proposal are in the inverse of accepting the Proposal.

In considering the commercial and qualitative factors relating to the Proposal, Ernst & Young Transaction Advisory Services considered factors relating to the Proposal. These factors are summarised below. We note that individual Shareholders may interpret these factors differently depending on their individual circumstances.

10.3.1 Synergy risk and upside

A significant proportion of the consideration being offered by IOOF of \$3.56 to \$3.88 per Merged Entity share is attributable to the cost synergies which AWM and IOOF have stated will result from the merger. The successful realisation of these synergies represents the key benefit to AWM shareholders should the Proposal proceed. Equally, failure to realise the synergies would substantially diminish the attraction of this Proposal to AWM shareholders. The acquisition of the OM Businesses is a further potential source of both integration risk and synergy benefits.

We note that the Proposal may result in annual synergistic benefits greater than the \$20 million that has been indicated. Such additional potential synergies include additional cost savings from the merger, revenue synergies (which are unquantified), together with synergies from the acquisition of the OM Businesses (which are also unquantified). We also note that AWM management has, through earlier transactions, experience in realising the synergistic benefits of such transactions. As a result, we regard this as a key advantage to shareholders.

10.3.2 Business scale and mix

We note that Shareholders will end up with shares in a business which will be ranked in the top ten platform providers in Australia and the top ten financial planning groups in Australia (by number of financial planners).

The Merged Entity is likely to hold a position within the top 115 companies on the ASX 200, with an initial market capitalisation of approximately \$850 million¹².

Its strong market position, increased scale and reach represent potential advantages to Shareholders, in terms of ability to raise capital, its profile in the investment community and its scale relative to competitors.

10.3.3 Access to voting rights and influence

If the Proposal proceeds, the current Shareholders will become shareholders of the Merged Entity and be able to attend general meetings and vote on issues that affect the Merged Entity's future direction and strategy, including electing the directors of the Merged Entity.

¹² Based on the range of equity values as shown in Section 9.6 of \$824.8 million to \$898.8 million

IOOF currently has 68,905,339 ordinary shares on issue, including 588,627 treasury shares held on trust. Should the Proposal proceed, it will result in the issue of approximately 162.9 million new ordinary shares to AWM shareholders. The current AWM Shareholders will then hold approximately 70% of the issued capital in the Merged Entity, calculated as follows:

<i>Number of shares in merged group</i>	
Diluted number of AWM shares on issue	607,673,017
Conversion ratio	3.73
New shares in IOOF to be issued to AWM shareholders	162,915,018
Diluted number of existing IOOF shares on issue	69,982,244
Cancellation of IOOF shares owned by AWM	1,460,632
Diluted number of New IOOF shares	231,436,630

If the Proposal proceeds, AWM Shareholders as a whole will effectively have a strong influence in the future direction and decisions of the Merged Entity, notwithstanding that no single Shareholder will hold a controlling interest in the issued shares of the Merged Entity.

10.3.4 Board view

We note that the AWM Board has unanimously recommended the Proposal to Shareholders in the absence of a superior proposal and subject to receipt of an independent expert's report confirming that the transaction is in the best interests of Shareholders. The support of the AWM Board should provide additional comfort to Shareholders.

10.3.5 Change in mix of businesses

We note that, at present, an AWM shareholder is exposed to several different sectors of the wealth management industry. If the Proposal proceeds, Shareholders will end up with shares in a business with a different mix of specialisations within the overall wealth management industry. For example, through their shares in the Merged Entity, Shareholders would now be exposed to a greater degree to the risks and benefits associated with the boutique asset management business (through Perennial).

This slight change in the profile of the businesses in which Shareholders have invested could be perceived either favourably and unfavourably, depending on the view of individual shareholders. We regard this change as a potential advantage given that, by owning AWM shares, Shareholders are implicitly supportive of the existing investment profile, which is not going to change materially.

10.3.6 One-off transaction costs

The directors of AWM have estimated that transaction costs associated with the Proposal will be approximately \$15.75 million, consisting of:

- ▶ AWM transaction costs of \$3 million
- ▶ IOOF transaction costs of \$2.75 million
- ▶ One-off implementation costs of \$10 million which include costs of redundancies associated with achieving the annual \$20 million post tax synergies

These transaction costs include the preparation of the Scheme Booklet, professional fees and costs associated with preparation and dispatch of documents. We note that a small proportion of these costs have already been incurred. Transaction costs of \$2 million will be borne by Shareholders regardless of whether the Proposal proceeds.

In addition to these costs, it is anticipated that approximately \$7 million of post tax transaction and integration costs will be incurred in relation to the acquisition of the OM Businesses.

AWM management believe that the cost savings and expected financial benefits resulting from the Proposal will far outweigh the once-off transaction costs incurred in the preparation of the Proposal.

In addition, we note that under the terms of the Implementation Deed, break fees of \$3 million are payable by either party under certain specific conditions.

10.3.7 Tax

The specific tax consequences of the Proposal will vary depending on the circumstances of each individual AWM shareholder. These specific tax consequences need to be borne in mind by each AWM shareholder in weighing up the merits of the Proposal.

10.3.8 Liquidity in IOOF Shares

Once implemented, the Merged Entity will have a broader shareholder base than either AWM or IOOF on a stand alone basis. This may result in improved liquidity.

10.3.9 Shareholder exit costs

We note that Shareholders will need to incur transaction costs in order to realise the value of the shares offered by IOOF in the event that they do not wish to hold shares in the Merged Entity.

10.3.10 Trading in the Merged Entity shares

If the Proposal proceeds, Shareholders will receive shares in the Merged Entity. It is likely that some Shareholders will not wish to retain their Merged Entity shares. It is also likely that other investors will wish to acquire shares in the Merged Entity business. The combination of these potential selling and buying pressures is likely to impact the Merged Entity share price after completion of the Scheme as investors rebalance their portfolios.

10.3.11 Premium for control

As outlined in Section 2.3, we do not consider that the Proposal involves a change of control for AWM Shareholders. Consequently we have not incorporated a premium for control into our valuation of AWM on a standalone basis. We note, however, that even if a premium for control of say 25% was included in the value of an AWM share on a standalone basis, the value of the consideration offered by IOOF would be within the range of the value of an AWM share on a standalone basis.

We note that this Proposal would not preclude Shareholders receiving a control premium from a subsequent transaction.

10.3.12 Merger ratio

We have considered whether the merger ratio of 3.73 AWM shares for each IOOF share is equitable to AWM Shareholders. We note that this exchange ratio results in an approximate 70% / 30% ownership of the Merged Entity by AWM and IOOF shareholders respectively. We have considered whether this is appropriate by analysing the relative earnings and market capitalisations of AWM and IOOF. The following table summarises our analysis in this regards:

<i>NPAT contribution ratio</i>				
<i>(\$ million)</i>	<i>AWM</i>		<i>IOOF</i>	
NPAT FY08	64.5	73.4%	23.3	26.6%
NPAT before non-recurring items (6 months to 31 December 2008)	26.5	74.4%	9.1	25.6%
NPAT FME	39.0	72.2%	15.0	27.8%
<i>Market capitalisation contribution ratio</i>				
	<i>AWM</i>		<i>IOOF</i>	
21 November 2008, prior to announcement of the Proposal	468.6	66.8%	233.3	33.2%
15 day VWAP to 31 December 2008	520.7	69.4%	229.5	30.6%
30 day VWAP to 31 December 2008	532.2	73.8%	189.3	26.2%
30 day VWAP to 27 February 2009	535.7	70.5%	224.4	29.5%

Note: VWAP is the volume weighted average share price over a specified time period

IOOF NPAT excludes the OM Businesses

In addition, we have considered the following factors when performing the analysis:

- ▶ The market capitalisations of AWM and IOOF prior to the announcement of the Proposal are calculated based on minority parcels of shares traded and may not incorporate any premium for control, special value and potential market re-rating as a result of the Proposal
- ▶ Both stocks are required to comply with the ASX continuous disclosure regime and disclose price sensitive information to the market. On the assumption that the securities are traded in a well-informed market, the share prices should therefore incorporate all publicly available information about the prospects for each entity

Based on the above, we consider the merger ratio outlined in the Implementation Deed to be equitable to AWM shareholders.

10.4 Alternatives

10.4.1 Alternative offer

We are not aware of any alternative offers that may be forthcoming. We do, however, note that Bendigo Bank holds a 5.5% shareholding in AWM and has increased its shareholding in IOOF to 13.2%.

10.4.2 If the proposed merger does not proceed

In the event the proposed merger does not proceed and in the absence of an alternate bidder emerging, AWM would continue to operate as an independently listed Australian wealth management business. We note that:

- ▶ AWM has an established board and experienced senior management team in place to operate the business
- ▶ AWM had a market capitalisation prior to the Proposal being announced of approximately \$470 million

As a stand alone business, the price at which AWM shares are traded on the ASX may drop relative to both the value provided for AWM shares in this report and the price at which the shares are currently trading. The current share price potentially includes a premium reflective of the existing offer (including a share of the synergistic benefits available).

10.5 Other considerations

This Independent Expert's Report only provides general information. It does not take into account a shareholder's individual situation, objectives and needs. It is not intended to replace professional advice obtained by Shareholders. Shareholders should consider whether this Independent Expert's Report is appropriate for the shareholders' circumstances, having regard to the Shareholders' situation, objectives and needs before relying on or taking action based on this report. Shareholders should seek their own professional advice.

This report has been prepared to assist Shareholders in assessing the merits of the Proposal.

Whether or not individual Shareholders should vote to implement or not implement the Proposal depends upon an investor's situation, objectives and needs, as well as each Shareholders' views as to the reasonableness factors associated with either implementing or not implementing the Proposal.

10.6 Conclusion on the Proposal

Ernst & Young Transaction Advisory Services considers the Proposal to be fair and reasonable and therefore in the best interests of the Shareholders as a whole, notwithstanding the costs, disadvantages and risks.

Ernst & Young Transaction Advisory Services notes that the majority of the key benefits are not easily quantifiable and, accordingly, evaluation of the Proposal is subjective. Having regard to the nature of the Proposal it is the opinion of Ernst & Young Transaction Advisory Services that, on balance, Shareholders as a whole are likely to be better off if the Proposal proceeds.

As a part of assessing whether or not the Proposal is fair and reasonable and therefore in the best interests of the Shareholders, Ernst & Young Transaction Advisory Services has assessed the value of the equity in AWM and compared it to the value of the consideration (being shares in the Merged Entity) assuming the Proposal proceeds.

The alternative to the Proposal for the Shareholders is to vote against the Proposal, in the hope of either realising greater value through maintaining the standalone business of AWM or a superior offer emerging.

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Appendix A Statement of qualifications and declarations

Ernst & Young Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Corporations Act and its Representatives are qualified to provide this report. The directors of Ernst & Young Transaction Advisory Services responsible for this report have not provided financial advice to Australian Wealth Management Limited.

Prior to accepting this engagement, Ernst & Young Transaction Advisory Services considered its independence with respect to Australian Wealth Management Limited and IOOF Holdings Limited with reference to ASIC Regulatory Guide 112 Independence of Experts. In Ernst & Young Transaction Advisory Services' opinion it is independent of Australian Wealth Management and IOOF Holdings Limited.

This report has been prepared specifically for AWM Shareholders. Neither Ernst & Young Transaction Advisory Services, Ernst & Young, nor any member or employee thereof undertakes responsibility to any person, other than the Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Ernst & Young Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young Transaction Advisory Services has evaluated the information provided to it by AWM as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base its report. Ernst & Young Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information we have had regard to in the preparation of this Independent Expert's Report is set out in Appendix D.

AWM has provided an indemnity to Ernst & Young Transaction Advisory Services for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Independent Expert's Report.

Ernst & Young Transaction Advisory Services provided draft copies of this report to the directors and management of Australian Wealth Management for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Changes made to this Independent Expert's Report as a result of this review by the directors and management of Australian Wealth Management have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

Ernst & Young Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this Independent Expert's Report, estimated at approximately \$230,000 (exclusive of GST). Ernst & Young Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Tim Hatherley and John Selak have assumed overall responsibility for this Independent Expert's Report. Tim is a representative of Ernst & Young Transaction Advisory Services and an executive director of Ernst & Young. He has 11 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered. John Selak is a director and representative of Ernst & Young Transaction Advisory Services and a partner of Ernst & Young. He has 25 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered.

In the preparation of the Independent Expert's Report Ernst & Young Transaction Advisory Services has had regard to relevant Regulatory Guides issued by ASIC. It is not intended that the Independent Expert's Report should be used for any other purpose other than to be sent to Shareholders. In particular, it is not intended that this Independent Expert's Report should be used for any other purpose other than as an expression of its opinion as to whether or not the Proposal is fair and reasonable and therefore in the best interests of the Shareholders.

The financial forecasts used in the preparation of this Independent Expert's Report reflect the judgement of directors and management of Australian Wealth Management based on present circumstances, as to both the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecast and such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

Ernst & Young Transaction Advisory Services consents to the inclusion of this report in the Scheme Booklet to be sent to the Shareholders.

Appendix B Potentially comparable trading multiples

The table below summaries the trading multiples of the potentially comparable listed companies used in our analysis as at 27 February 2009:

<i>Currency: \$A million</i>	Market Cap	Historic year end	Diluted PE (H) Multiple	Diluted PE (1F) Multiple	Diluted PE (2F) Multiple
IOOF Holdings Ltd.	191	30-Jun-08	1.9	15.4	17.6
Australian Wealth Management Ltd.	459	30-Jun-08	6.7	9.8	8.8
Commonwealth Bank of Australia	43,842	30-Jun-08	9.5	11.0	9.8
Australia & New Zealand Banking Group Ltd.	28,724	30-Sep-08	8.4	9.2	8.0
National Australia Bank Limited	34,283	30-Sep-08	12.9	7.9	7.9
Westpac Banking Corporation	49,148	30-Sep-08	8.5	10.0	9.9
AXA Asia Pacific Holdings Ltd.	5,209	31-Dec-08	nm	9.2	8.3
AMP Limited	9,626	31-Dec-08	15.6	13.4	12.4
Perpetual Limited	1,088	30-Jun-08	4.9	14.3	14.3
BT Investment Management Ltd	212	30-Sep-08	8.0	10.2	9.6
Platinum Asset Management	1,767	30-Jun-08	11.0	16.0	16.0
Tasmanian Perpetual Trustees Ltd.	78	30-Jun-08	10.8	na	na
Magellan Financial Group	51	30-Jun-08	nm	na	na
Treasury Group Ltd.	61	30-Jun-08	2.1	8.0	7.8
Hunter Hall International Ltd.	77	30-Jun-08	5.0	5.0	7.1
Equity Trustees Ltd.	100	30-Jun-08	9.5	9.9	8.8
Count Financial Ltd.	252	30-Jun-08	9.9	14.4	12.7
Challenger Financial Service Group Limited	712	30-Jun-08	nm	3.3	3.0
DKN Financial Group Ltd.	55	30-Jun-08	6.0	9.1	8.3
Bell Financial Group Limited	108	31-Dec-07	8.8	na	na
Wilson HTM Investment Group Ltd.	75	30-Jun-08	4.9	na	na
TOWER Australia Group Limited	761	30-Sep-08	20.4	10.0	8.9
Aviva plc	17,209	31-Dec-07	3.9	3.8	3.8
Average Vertically integrated	28,472		11.0	10.1	9.4
Average Asset Managers	429		7.3	10.6	10.6
Average Financial Planning/Other	240		7.4	8.9	8.0
Average Life Insurance	8,985		12.1	6.9	6.3
Low	51		1.9	3.3	3.0
Mean	8,601		8.6	9.9	9.5
Median	459		8.4	9.9	8.8
High	49,148		20.4	16.0	17.6

Source: Annual Reports, Bloomberg, Reuters Estimates, Capital IQ

We note the following with respect to the trading multiples of the potentially comparable companies:

- ▶ AWM and IOOF multiples reflect results as at 31 December 2008 - we note there are differences between the comparable companies and AWM in relation to the historic versus prospective nature of the earnings to which the multiples relate
- ▶ In light of the impact of current turbulent markets, AXA Asia Pacific results for FY08 are hard to analyse due to significant write-downs
- ▶ in general, distribution businesses trade at a higher P/E multiple than investment managers

The table below provides a description of the potentially comparable listed companies used in our analysis:

Company Name	Description
Commonwealth Bank of Australia	Commonwealth Bank of Australia engages in the provision of various financial services in Australia and internationally. The company offers various retail banking services, which include housing loans, credit cards, personal loans, and savings and cheque accounts, as well as demand and term deposits. It also involves in the provision of various commercial finance products, such as business loans, equipment and trade finance, and rural and business loans; offers private banking services to high net worth individuals; and provides direct trading and margin lending, as well as has wholesale banking operations in London, New York, Singapore, Hong Kong, and Malta. In addition, the company conducts funds management business comprising wholesale and retail investment, superannuation, and retirement funds across various asset classes, including Australian and international shares, property, fixed interest, and cash.
Australia & New Zealand Banking Group Ltd.	Australia and New Zealand Banking Group Limited provides various banking and financial products and services to retail, small business, corporate, and institutional clients primarily in Australia and New Zealand. It offers transaction banking and savings products, such as term deposits, V2+, and cash management accounts; housing finance for owner occupied and investment purposes; consumer and commercial credit cards, e-payment products, personal loans, and merchant payment facilities; and motor vehicle and equipment finance, operating leases, and investment products. The company also engages in financial planning, margin lending, insurance distribution, and trustees businesses, as well as offers rural commercial and agribusiness products to customers in rural and regional Australia.
National Australia Bank Limited	National Australia Bank Limited, through its subsidiaries, provides a range of financial products and services. Its deposit products include term deposits, certificates of deposit, and on-demand and short-term deposits. The company's lending portfolio consists of home loans, personal loans, car loans, project loans, student loans, personal overdrafts, margin lending, and investment loans. It offers personal banking products and services, including credit cards, savings accounts, and NAB visa debit, as well as student banking, everyday banking, and private banking services; insurance products comprising car insurance, home and contents insurance, residential investment, life insurance, income protection, loan protection, and travel insurance; and investment products and services consisting of financial planning, superannuation investments, retirement products, and investment funds, as well as online share trading services.
Westpac Banking Corporation	Westpac Banking Corporation provides various banking and financial services in Australia, New Zealand, and internationally. Its financial services include lending, deposit taking, payments services, investment portfolio management and advice, unit trust and superannuation fund management, insurance services, leasing, general finance, foreign exchange, and money market services. Its personal banking operations comprise home loans; secured and unsecured personal loans; credit cards; various bank accounts, including savings accounts, day to day accounts, and term deposits; investment and superannuation products; various life, property, and causality insurance products; foreign exchange; travelers checks; private banking; premium wealth services; and financial advisory services.
AXA Asia Pacific Holdings Ltd.	AXA Asia Pacific Holdings Limited, through its subsidiaries, operates in the financial protection, and wealth management and advice businesses in Australia, New Zealand, Hong Kong, Singapore, Thailand, Philippines, Indonesia, China, India, and Malaysia. It provides life insurance, financial protection, investment, superannuation, wealth management, and financial planning products and services. The company's life insurance products include life, term, trauma, and income protection; and wealth management products comprise retail funds. It distributes its products and services through company owned agents, adviser and brokers.
AMP Limited	AMP Limited operates as a wealth management company in Australia and New Zealand. It operates through two segments, AMP Financial Services and AMP Capital Investors. The AMP Financial Services segment offers a range of financial products and services, including financial planning and investment services, as well as superannuation, mortgage, savings, and life insurance products.

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Perpetual Limited	Perpetual Limited offers a range of financial products and services in Australia. The company provides funds management, portfolio management, financial planning, trustee, responsible entity and compliance services, executor services, investment administration and custody services, and mortgage processing services. It offers investment capabilities across a range of asset classes, including Australian and global equities, mortgages, cash and fixed interest, and Australian listed property. The company also provides specialist direct-to-client financial services for high net worth individuals that include fiduciary services, such as trust advice and services, custodial solutions, estate planning, estate administration, and executorial services; independent financial advice services with specialist and 'do-it-yourself' superannuation offerings; and philanthropic services.
BT Investment Management Ltd	BT Investment Management is based in Sydney, Australia. BT Investment Management Ltd. operates as a subsidiary of Westpac Financial Services Group Limited.
Platinum Asset Management	Platinum Asset Management is an asset management firm focusing on international equities. PAM was founded in 1994 and is headquartered in Sydney, Australia.
Tasmanian Perpetual Trustees Ltd.	Tasmanian Perpetual Trustees Limited operates as a trustee company in Tasmania, Australia. The company engages in the trustee, executor, agent, fund manager, investment adviser, and superannuation trustee activities. It offers a range of financial products and trustee services, such as fund management, financial planning, and trustee services to individual and corporate customers. Tasmanian Perpetual Trustees Limited manages cash and income funds, and investment growth funds; and provides first mortgage finance for rural, commercial, and business purposes.
Magellan Financial Group	Magellan Financial Group Limited engages in funds management business. It provides investment management services for high net worth, retail, and institutional investors in Australia and New Zealand. The company sponsors and manages two unlisted funds, Magellan Global Fund and Magellan Infrastructure Fund. It also plans to invest in various external fund management businesses across the various fund management disciplines.
Treasury Group Ltd.	Treasury Group Limited, together with its subsidiaries, provides fund management services to institutions, master funds and wraps, retail investors, and private clients in Australia.
Hunter Hall International Ltd.	Hunter Hall International Limited, through its subsidiaries, operates as an investment management company in Australia. The company manages three retail trusts, as well as operates as an investment manager for an offshore fund and a listed investment company. It also operates as a trustee for a retail public offer superannuation fund.
Equity Trustees Ltd.	Equity Trustees Limited provides a range of wealth management and estate services to professionals and investors in Australia. It offers various services, including estate management services, trustee services, legal, financial and taxation advice, and personal investment advice, such as superannuation and responsible entity services for external fund managers. The company provides personal asset management services, including wealth management, trust management, estate planning, executorial, taxation, and philanthropic services, as well as offers investment advice to private clients.
Count Financial Ltd.	Count Financial Limited provides various financial planning services, investment reviews, and advisory services. It offers advisory services on personal insurance, superannuation, home and investment loans, business loans, and leasing. The company also provides loans, paraplaning, and Web design services to its franchisees, as well as loans and leasing services to other non-franchisee intermediaries.
Challenger Financial Service Group Limited	Challenger Financial Service Group Limited provides various financial products and services to financial intermediaries and individuals in Australia and the United Kingdom. The company operates as a non-bank mortgage lender, which offers commercial and residential loans through a network of mortgage managers.
DKN Financial Group Ltd.	DKN Financial Group Limited distributes investment products and solutions to financial intermediaries in Australia. It acts as a buying group to negotiate a range of products and services for financial advisers to run a practice. The company offers various platform solutions for client setup, transactions, reports, and adviser fee collection. Its platform solutions include AustChoice, Portfolio Administrator, AssetChoice, and AssetLink. The company also provides various product solutions, which offer affiliated financial planning practices.
Bell Financial Group Limited	Bell Financial Group, Ltd., a stockbroking company, provides investment and financial advisory services to private, institutional, and corporate clients in Australia. It offers advice on investment in shares, equity options, warrants, and other derivatives; research services; investment management services; cash account; margin lending; financial planning; managed funds research; superannuation; hybrid securities research; foreign exchange; and corporate services, including advice in relation to capital raisings, placements, rights issues, share buybacks, dividend reinvestment plans, share purchase plans, and hybrid and debt issues.
Wilson HTM Investment Group Ltd.	Wilson HTM Investment Group, Ltd. provides a range of investment management, capital markets, and private wealth management services in Australia. The company's investment management activities include managing specialty fund investments; developing and operating boutique funds management businesses; providing financial planning and funds management services to private wealth management clients; providing portfolio management services to retail and wholesale clients; investing in selected equity and fund investments as principal; and providing infrastructure and administration services to fund managers.
TOWER Australia Group Limited	TOWER Australia Group Limited, through its subsidiaries, provides life insurance, risk, superannuation, and retirement solutions in Australia. It also offers funds management, financial planning, and investment management services to customers primarily through a network of independent advisers.
Aviva plc	Aviva plc, through its subsidiaries, provides a range of financial services and products worldwide. The company operates in three segments: Long-Term Business, Fund Management, and General Insurance and Health.

Source: Bloomberg

Appendix C Potentially relevant transaction multiples

The table below summarises the multiples implied from recent transactions where the target operates within the Australian funds management industry:

<i>Potentially comparable transactions</i> Target	Date	Acquirer	Transaction Value	Equity Value	NPAT - Historic	PE (H) Multiple
Treasury Group	Feb-05	City Pacific Limited	24.0	24.0	n/a	n/a
Select Managed Funds Limited	Jan-06	Australian Wealth Management Ltd	497.0	497.0	21.0	23.7
Oasis Asset Management Ltd (76% only)	Mar-06	ING Australia Ltd	54.7	72.0	n/a	n/a
Intech Investment Consultants	Oct-06	Skandia AB	50.0	50.0	n/a	n/a
Perennial Investment Partners (remaining 21.85%)	Oct-06	IOOF Holdings	67.9	310.8	n/a	n/a
OAMPS Limited	Nov-06	Westfarmers	623.9	623.9	42.2	14.8
MMC Asset Management Limited (37% stake)	Nov-06	MMC Contrarian Limited	14.2	38.4	n/a	n/a
Macquarie ProLogis Management	Apr-07	Prologis	1239.2	1239.2	52.3	23.7
Lonsdale Financial Group	Nov-07	DKN Financial Group	45.9	45.9	1.8	25.3
New Privateer Holdings Ltd	Feb-08	Magellan Financial Group	87.5	n/a	n/a	n/a
Ord Minnett	May-08	Australian Wealth Management	83.3	119.0	n/a	n/a
Financial Lifestyle Solutions	May-08	ING Australia	14.0	n/a	n/a	n/a
InsuranceLine Holdings Pty Ltd	Jul-08	Tower Australia Group Limited	136.0	n/a	n/a	n/a
Southern Cross Equities Limited	Sep-08	Bell Financial Group Limited	37.5	n/a	n/a	n/a
Challenger Financial Services Group, Financial Planning Group	Nov-08	AXA Asia Pacific	150.0	150.0	n/a	n/a
SmartSuper	Nov-08	Perpetual Limited	16.0	16.0	n/a	n/a
Low						14.8
Mean						21.9
Median						23.7
High						25.3

Source: Mergermarket, Capital IQ, various analyst reports and press releases

Appendix D Sources of information

In preparing this report, Ernst & Young Transaction Advisory Services has had regard to the following sources of information:

- ▶ ASX website, www.asx.com.au
- ▶ ASIC Regulatory Guides
- ▶ Bloomberg
- ▶ Capital IQ
- ▶ DatAnalysis
- ▶ Scheme Booklet dated 18 February 2009
- ▶ Factiva
- ▶ Management accounts for 30 June 2008 and 31 December 2008
- ▶ Annual Reports as at 30 June 2007 and 30 June 2008
- ▶ MergerMarket
- ▶ IBISWorld Pty Ltd
- ▶ Reserve Bank of Australia website, www.rba.gov.au
- ▶ Reuters Estimates
- ▶ Thompson Research
- ▶ Other publicly available information
- ▶ Board papers and other documents relating to the acquisition of the OM Businesses

In addition, we have held discussions with management of both AWM and IOOF.

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Appendix E

Glossary

Term	Meaning
\$	Australian dollars
AET	Australian Executor Trustees
AFSL	Australian Financial Services Licence
AIFRS	Australian International Financial Reporting Standards
APRA	Australian Prudential Regulation Authority
ASIC	The Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUM	Asset Under Management
AWM	Australian Wealth Management Ltd
AWM Options	Options to subscribe to AWM shares
Bridges	Bridges Financial Services
CAPM	Capital Asset Pricing Model
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
Consultum	Consultum Financial Advisers
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
CPI	Consumer Price Index
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Ernst & Young Transaction Advisory Services	Ernst & Young Transaction Advisory Services Limited
Existing Shareholders	The shareholders of AWM prior to the Proposal
FME	Future maintainable earnings
FSG	Financial Services Guide
FUM	Funds under management
FUMA	The total of funds under management, funds under administration and funds under advice
FUMAS	Funds under management, administration, advice and supervision
FYXX	Financial year ended FYXX
GST	Goods and services tax
IFSA	The Investment and Financial Services Association Limited
Independent Expert's Report	This report, dated 4 March 2009
IOOF	IOOF Holdings Ltd
IOOF Options	Options to subscribe to IOOF shares
IPO	Initial Public Offering
Listing Rules	The Official Listing Rules of ASX, as amended and waived by ASX from time to time
the Merged Entity	The merged group of AWM and IOOF which will be approximately 30% owned by IOOF shareholders and 70% by AWM shareholders
NPAT	Net profit after tax
NTA	Net tangible assets
OM Businesses	Skandia and Intech businesses
OM Group	OM Group (UK) Limited
PBT	Profit before tax
PE multiple	Price earnings multiple
Perennial	Perennial Investment Partners Ltd
the Proposal	Proposed Scheme of Arrangement by which IOOF will merge with AWM
PVM	Perennial Value Management Ltd
RBA	Reserve Bank of Australia
RCP share	Redeemable converting preference shares
RG	ASIC Regulatory Guide
RG 111	ASIC Regulatory Guide 111 - Content of experts reports

Term	Meaning
RG 170	ASIC Regulatory Guide 170 - Prospective Financial Information
the Scheme	Scheme of Arrangement by which IOOF and AWM will merge
Scheme Booklet	Scheme Booklet prepared by the directors and management of AWM in relation to the Proposal
the Shareholders	AWM shareholders
SIS Act	Superannuation Industry (Supervision) Act, 1993
SMSF	Self Managed Super Funds
Tower	Tower Limited
United	United Funds Management
VWAP	Volume weighted average share price
WACC	Weighted average cost of capital

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE
INDEPENDENT EXPERT'S REPORT**

PART 2 - FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds
- ▶ arranging to deal in securities

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

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Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

Contacting Ernst & Young Transaction Advisory Services Compliance and Legal Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Schemes: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572

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About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com/au

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Annexure D

INVESTIGATING ACCOUNTANTS' REPORT

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The Directors
Australian Wealth Management Limited
Level 22, 207 Kent Street
Sydney NSW 2000

3 March 2009

Dear Directors

Re: Investigating Accountants' Report on Merged Entity Pro forma Financial Information

Introduction

Deloitte Touche Tohmatsu (Deloitte) has been engaged by the Directors of Australian Wealth Management Limited (AWM or the Company) to prepare this Investigating Accountants' Report for inclusion in the Scheme Booklet to be dated on or about 3 March 2009 in respect of the Merger of IOOF Holdings Limited (IOOF) and Australian Wealth Management Limited.

IOOF and AWM are parties to a Merger Implementation Agreement which prescribes the actions that will be taken by members of AWM to implement a transaction under which AWM will be acquired by IOOF such that from the date of the Merger:

- IOOF and AWM will be a combined entity (the "Merger");
- AWM will become a wholly-owned subsidiary of IOOF; and
- AWM will be delisted from ASX.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Scheme Booklet in which this report appears.

Scope

You have requested that Deloitte prepare an Investigating Accountants' Report reviewing the following financial information set out in Section 4.10 of the Scheme Booklet:

- (a) The Merged Entity Pro forma Income Statement for the years ended 30 June 2007 and 2008 and the half-year ended 31 December 2008; and
- (b) The Merged Entity Pro forma Balance Sheet as at 31 December 2008.

Together we refer to the above hereafter as the "Merged Entity Pro forma Financial Information".

The Merged Entity Pro forma Financial Information has been derived from the audited financial statements of AWM and IOOF for the financial years ended 30 June 2007 and 2008 and the reviewed financial information of AWM and IOOF for the half-year ended 31 December 2008, and has been arrived at after adjusting for the pro forma transactions and/or adjustments described in Sections 4.10(b), 4.10(c), 4.10(e) and 4.10(f) of the Scheme Booklet.

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The financial statements of IOOF and AWM were audited and reviewed in accordance with relevant Australian Auditing Standards. The audit opinions and review statements issued to the members of IOOF and AWM relating to their respective financial statements were unqualified.

Directors' responsibility

The Directors of the Company are responsible for the preparation of the Merged Entity Pro forma Financial Information, including the determination of the pro forma adjustments. The Merged Entity Pro forma Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the *Corporations Act 2001*.

Our responsibility

In our role as Investigating Accountants, we have reviewed the Merged Entity Pro forma Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention which would cause us to believe that the Merged Entity Pro forma Financial Information is not presented fairly in accordance with the basis of preparation as disclosed in Sections 4.10(b), 4.10(c), 4.10(e), 4.10(f) and 4.10(g) of the Scheme Booklet.

Our review of the Merged Entity Pro forma Financial Information has been conducted in accordance with Australian Auditing Standard ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- Analytical procedures applied to the Merged Entity Pro forma Income Statement for the relevant historical period;
- Analytical procedures applied to the balance sheets of IOOF and AWM and the Merged Entity Pro forma Balance Sheet for the relevant historical period;
- Review of work papers, accounting records and other documents;
- Review of the workpapers and discussions with the auditors of IOOF;
- A review of the pro forma transactions and adjustments reflected in the Merged Entity Pro forma Financial Information set out in Sections 4.10(b), 4.10(c), 4.10(e) and 4.10(f) of the Scheme Booklet;
- A comparison of the accounting policies adopted by the Company and IOOF to ascertain whether there are any significant differences in the accounting policies adopted; and
- Interviews with and enquiries of the management and the Directors of the Company and its advisors.

These procedures do not provide all of the evidence that would be required in an audit and thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Merged Entity Pro forma Financial Information.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Merged Entity Pro forma Financial Information as set out in Section 4.10 of the Scheme Booklet is not presented fairly in accordance with the basis of preparation as disclosed in Sections 4.10(b), 4.10(c), 4.10(e) 4.10(f) and 4.10(g) of the Scheme Booklet.

Subsequent events

Subsequent to 31 December 2008 and up to the date of this report, nothing has come to our attention that would cause us to believe material transactions or events outside the ordinary course of business of both the

Company and IOOF have occurred, other than the matters dealt with in this report or the Scheme Booklet, which would require comment on, or adjustment to, the information contained in this report, or which would cause such information to be misleading or deceptive.

Independence and Disclosure of Interests

Deloitte Touche Tohmatsu does not have any interest in the outcome of the Merger other than the preparation of this Report and other related services in relation to the Merger, for which normal professional fees will be received. Deloitte Touche Tohmatsu is the independent auditor of AWM.

Yours faithfully

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu



Craig Barling
Partner
Hobart

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Annexure E

AWM AND IOOF FINANCIAL INFORMATION

Information relating to IOOF in this Annexure E has been provided by IOOF and IOOF is responsible for its accuracy. The remainder of the information in this Annexure E has been provided by AWM and AWM is responsible for its accuracy.

Introduction

The financial information set out below comprises the Income Statements for the years ended June 2007 and 2008 as well as the half year ended 31 December 2008 for AWM and IOOF.

The financial information is presented in summary form and does not include all of the disclosures, statements or comparative information that are usually provided in annual financial reports prepared in accordance with the Corporations Act. Further financial information is available in both AWM's and IOOF's annual and interim reports. Copies of the relevant annual and interim reports can be found on AWM's website at www.awmlimited.com.au and IOOF's website at www.ioof.com.au.

The financial information should be read in conjunction with the risk factors in Section 5 and other information contained in this Scheme Booklet.

Summary AWM and IOOF Income Statements for the year ended 30 June 2007

(\$ millions)	AWM FY 2007			IOOF FY 2007			Merged Entity FY 2007
	Statutory	Adjustments	Pro forma	Statutory	Adjustments	Pro forma	Pro forma
Net operating revenue	174.0	65.3^{ab}	239.3	370.3	0.0	370.3	609.6
Dividends received/ share of associates profit	2.3	0.6 ^a	2.9	7.8	0.0	7.8	10.7
Profit / (loss) on assets	0.0	0.0	0.0	103.8	0.0	103.8	103.8
Operating expenses	(90.8)	(36.3) ^{abc}	(127.1)	(407.0)	4.2 ^d	(402.8)	(529.9)
EBITDA	85.5	29.6	115.1	74.9	4.2	79.1	194.2
Depreciation	(2.9)	(2.0) ^a	(4.9)	(1.3)	0.0	(1.3)	(6.2)
Amortisation / Impairment	(3.0)	(3.7) ^{ab}	(6.7)	(5.8)	0.0	(5.8)	(12.5)
EBIT	79.6	23.9	103.5	67.8	4.2	72.0	175.5
Net interest income	3.8	1.4 ^{ab}	5.2	(2.3)	2.0 ^d	(0.3)	4.9
Profit before tax (PBT)	83.4	25.3	108.7	65.5	6.2	71.7	180.4
Income tax expense	(26.0)	(8.9) ^{abc}	(34.9)	(41.0)	(1.9) ^d	(42.9)	(77.8)
NPAT before minority interests	57.4	16.4	73.8	24.5	4.3	28.8	102.6
Minority interests	0.3	(3.5) ^a	(3.2)	(2.2)	0.0	(2.2)	(5.4)
NPAT	57.7	12.9	70.6	22.3	4.3	26.6	97.2

Adjustments to AWM and IOOF Income Statements for the year ended 30 June 2007

(a) Ord Minnett

AWM Limited acquired 70% of the shares in Ord Minnett Holdings Pty Ltd on 2 June 2008, hence the reported earnings for AWM in the year ended 30 June 2007 included no contribution from Ord Minnett. The contribution by AWM to the pro forma 2007 financial information included in Section 4.10 of this Scheme Booklet has been adjusted as if the Ord Minnett transaction had taken place on 1 July 2006. The impact of these adjustments in respect of the year ended 30 June 2007 was as follows:

-
- an increase in net operating revenue of \$56.4m;
 - an increase in other revenue of \$0.6m;
 - an increase in operating expenses of \$36.1m;
 - an increase in depreciation of \$2.4m;
 - an increase in amortisation of \$3.0m;
 - an increase in net interest income of \$2.7m;
 - an increase in income tax expense of \$6.5m; and
 - an increase in minority interests of \$3.5m.

(b) Finium

AWM Limited acquired 100% of the shares in Finium Trustees Limited on 31 May 2007, hence the reported earnings for AWM in the year ended 30 June 2007 included only one month's contribution from Finium. The contribution by AWM to the pro forma 2007 financial information included in Section 4.10 of this Scheme Booklet has been adjusted as if the Finium transaction had taken place on 1 July 2006. The impact of these adjustments in respect of the year ended 30 June 2007 was as follows:

- an increase in net operating revenue of \$8.9m;
- an increase in operating expenses of \$1.2m;
- an increase in amortisation of \$0.7m;
- a decrease in net interest income of \$1.3m; and
- an increase in income tax expense of \$1.9m.

(c) Non-recurring items relating to AWM

Certain items of a non-recurring nature arose during the year ended 30 June 2007, having an impact on the reported result for the year. The contribution by AWM to the pro forma 2007 financial information included in Section 4.10 of this Scheme Booklet has been adjusted as if these non-recurring items had not arisen during the year ended 30 June 2007, and the impact of these adjustments was as follows:

- a decrease in operating expenses of \$1.5m relating to redundancies incurred in that period;
- a decrease in depreciation expense of \$0.4m relating to relocation of premises; and
- an increase in income tax expense of \$0.5m being the tax effect of the reduction in operating expenses.

(d) Non-recurring items relating to IOOF

Certain items of a non-recurring nature arose during the year ended 30 June 2007, having an impact on the reported result for the year. The contribution by IOOF to the pro forma 2007 financial information included in Section 4.10 of this Scheme Booklet has been adjusted as if these non-recurring items had not arisen during the year ended 30 June 2007, and the impact of these adjustments was as follows:

- a decrease in operating expenses of \$4.2m relating to redundancies and restructuring costs incurred in that year;

- an increase in net interest income of \$2.0m related to one-off adjustments as a result of IOOF's acquisition of the issued capital of PIPL held by PIPL's minority shareholders; and
- an increase in income tax expense of \$1.9m related to the above adjustments.

Summary AWM and IOOF Income Statements for the year ended 30 June 2008

(\$ millions)	AWM FY 2008			IOOF FY 2008			Merged Entity FY 2008
	Statutory	Adjustments	Pro forma	Statutory	Adjustments	Pro forma	Pro forma
Net operating revenue	189.2	49.4^{e,f}	238.6	403.7	0.0	403.7	642.3
Dividends received/ share of associates profit	1.9	(0.2)	1.7	7.4	0.0	7.4	9.1
Profit / (loss) on assets	0.0	0.0	0.0	(120.5)	2.0 ^g	(118.5)	(118.5)
Operating expenses	(96.9)	(33.2) ^{e,f}	(130.1)	(262.3)	(1.3) ^g	(263.6)	(393.7)
EBITDA	94.2	16.0	110.2	28.3	0.7	29.0	139.2
Depreciation	(2.3)	(2.0) ^e	(4.3)	(1.6)	0.0	(1.6)	(5.9)
Amortisation / Impairment	(4.4)	(2.7) ^e	(7.2)	(9.7)	4.5 ^g	(5.2)	(12.4)
EBIT	87.5	11.3	98.7	17.0	5.2	22.2	120.9
Net interest income	4.0	3.1 ^e	7.0	1.0	(1.3) ^g	(0.3)	6.7
Profit before tax (PBT)	91.5	14.4	105.7	18.0	3.9	21.9	127.6
Income tax expense	(26.2)	(8.2) ^{e,f}	(34.5)	8.1	0.2	8.3	(26.2)
NPAT before minority interests	65.3	6.2	71.2	26.1	4.1	30.2	101.4
Minority interests	(0.2)	(2.3) ^e	(2.1)	(2.7)	0.0	(2.7)	(4.8)
NPAT	65.2	3.9	69.1	23.4	4.1	27.5	96.6

Adjustments to AWM and IOOF Income Statements for the year ended 30 June 2008

(e) Ord Minnett

AWM Limited acquired 70% of the shares in Ord Minnett Holdings Pty Ltd on 2 June 2008, hence the reported earnings for AWM in the year ended 30 June 2008 included only one month's contribution from Ord Minnett. The contribution by AWM to the pro forma 2008 financial information included in Section 4.10 of this Scheme Booklet has been adjusted as if the Ord Minnett transaction had taken place on 1 July 2007. The impact of these adjustments in respect of the year ended 30 June 2008 was as follows:

- an increase in net operating revenue of \$48.5m;
- an increase in operating expenses of \$33.9m;
- an increase in depreciation of \$2.0m;
- an increase in amortisation of \$2.7m;
- an increase in net interest income of \$3.1m;
- an increase in income tax expense of \$5.4m; and
- an increase in minority interests of \$2.3m.

(f) Non-recurring items relating to AWM

Certain items of a non-recurring nature arose during the year ended 30 June 2008, having an impact on the reported result for the year. The contribution by AWM to the pro forma 2008 financial information included in Section 4.10 of this Scheme Booklet has been adjusted as if these non-recurring items had not arisen during the year ended 30 June 2008, and the impact of these adjustments was as follows:

- an increase in net operating revenue of \$0.9m arising from change in accounting estimates for revenue accruals;
- a decrease in dividends received of \$0.2m which were dividends received from IOOF;
- a decrease in operating expenses of \$0.7m relating to redundancies and relocation expenses; and
- an increase in income tax expense of \$2.8m arising from the above adjustments.

(g) Non-recurring items relating to IOOF

Certain items of a non-recurring nature arose during the year ended 30 June 2008, having an impact on the reported result for the year. The contribution by IOOF to the pro forma 2008 financial information included in Section 4.10 of this Scheme Booklet has been adjusted as if these non-recurring items had not arisen during the year ended 30 June 2008, and the impact of these adjustments was as follows:

- an increase on profit/(loss) on assets \$2.0m to remove a one-off impairment other financial assets;
- an increase in operating expenses of \$1.3m to remove costs associated with the expiry of the PIPL Deferred Payments;
- a decrease in amortisation/impairment expense of \$4.5m which arose from the impairment of goodwill relating to the revaluation of share buy back liabilities held by IOOF;
- a decrease in net interest income of \$1.3m related to the adjustment in 2007; and
- a decrease in income tax expense of \$0.2m related to the above adjustments.

Summary AWM and IOOF Income Statements for the half year ended 31 December 2008

(\$ millions)	AWM H1 2009			IOOF H1 2009			Merged Entity H1 2009
	Statutory	Adjustments	Pro forma	Statutory	Adjustments	Pro forma	Pro forma
Net operating revenue	99.8	0.0	99.8	164.0	0.0	164.0	263.8
Dividends received/ share of associates profit	1.8	(0.2)	1.6	2.7	0.0	2.7	4.3
Profit / (loss) on assets	0.0	0.0	0.0	(104.7)	0.0	(104.7)	(104.7)
Operating expenses	(64.2)	1.1 ^h	(63.1)	(38.2)	0.0	(38.2)	(101.3)
EBITDA	37.4	0.9	38.5	23.8	0.0	23.8	62.1
Depreciation	(2.0)	0.0	(2.0)	(0.8)	0.0	(0.8)	(2.8)
Amortisation / Impairment	(157.3)	154.2 ^h	(3.1)	(5.5)	4.1 ⁱ	(1.4)	(4.5)
EBIT	(121.9)	155.1	33.4	17.5	4.1	21.6	54.8
Net interest income	2.0	0.0	2.0	0.0	0.0	0.0	2.0
Profit before tax (PBT)	(119.9)	155.1	35.4	17.5	4.1	21.6	56.8

(\$ millions)	AWM H1 2009			IOOF H1 2009			Merged Entity H1 2009
	Statutory	Adjustments	Pro forma	Statutory	Adjustments	Pro forma	Pro forma
Income tax expense	(11.2)	(0.3) ^h	(11.5)	(8.0)	0.0	(8.0)	(19.5)
NPAT before minority interests	(131.1)	154.8	23.9	9.5	4.1	13.6	37.3
Minority interests	(0.5)	0.0	(0.5)	(0.4)	0.0	(0.4)	(0.9)
NPAT	(131.6)	154.8	23.4	9.1	4.1	13.2	36.4

Adjustments to AWM and IOOF Income Statements for the year ended 30 June 2008

(h) Non-recurring items relating to AWM

Certain items of a non-recurring nature arose during the half year ended 31 December 2008, having an impact on the reported result for the period. The contribution by AWM to the pro forma financial information for this period included in Section 4.10 of this Scheme Booklet has been adjusted as if these non-recurring items had not arisen during the half year ended 31 December 2008, and the impact of these adjustments was as follows:

- a decrease in dividends of \$0.2m which were dividends received from IOOF, which will not be recorded upon completion of the Merger;
- a decrease in impairment charges of \$154.2m which arose due to impairment of goodwill and available for sale assets not expected to recur;
- a decrease in operating expenses of \$1.1m related non recurring redundancy payments; and
- an increase in income tax expense of \$0.3m related to the decrease in operating expenses.

(i) Non-recurring items relating to IOOF

Certain items of a non-recurring nature arose during the half year ended 31 December 2008, having an impact on the reported result for the period. The contribution by IOOF to the pro forma financial information for this period included in Section 4.10 of this Scheme Booklet has been adjusted as if these non-recurring items had not arisen during the half year ended 31 December 2008, and the impact of these adjustments was as follows:

- A decrease in amortisation/impairment expense of \$4.1m which primarily arose due to the impairment of available for sale assets.

Annexure F

LIST OF IOOF ANNOUNCEMENTS FROM 30 SEPTEMBER 2008

The information in this Annexure F has been provided by IOOF and IOOF is responsible for its accuracy.

The following table lists announcements on IOOF's ASX platform since 30 September 2008.

Date	Announcement
3 March 2009	Amendment to change of director's interest notice (times 5) for directors in the non-executive directors share plan
3 March 2009	Change of director's interest notice (times 5) for directors in the non-executive directors share plan
2 March 2009	IOOF to acquire 100% of Skandia Australia and Intech business
20 February 2009	Notice of change of interests of substantial holder for BLY
20 February 2009	Notice of ceasing to be a substantial holder for CSR
20 February 2009	Notice of change of interests of substantial holder for RIC
20 February 2009	Notice of change of interests of substantial holder for SGN
20 February 2009	Notice of ceasing to be a substantial holder for EQN
19 February 2009	Notice of initial substantial holder (HVN)
16 February 2009	CEO Remuneration
13 February 2009	Notice of change of interests of substantial holder for KZL
10 February 2009	Half Year Results Media Release
10 February 2009	Investor Presentation Half Year 2009
10 February 2009	Half Yearly Report and Accounts
5 February 2009	Interim Results Invitation
4 February 2009	Change of director's interest notices (times 5) for directors in the non-executive directors share plan
4 February 2009	Notice of change of interests of substantial holder for BLY
2 February 2009	Notice of initial substantial holder for EHL
7 January 2009	Appendix 3B

Date	Announcement
6 January 2009	Notice of ceasing to be a substantial holder for FCL
6 January 2009	Change of director's interest notices (times 5) for directors in the non-executive directors share plan
5 January 2009	Notice of change of interests of substantial holder for TOX
5 January 2009	Notice of change of interests of substantial holder for RIC
31 December 2008	Change of Interest of Substantial Holder from BEN*
23 December 2008	Bendigo and Adelaide Bank SPP and Placement*
17 December 2008	Becoming a substantial holder for OST
17 December 2008	Change in substantial holding for BLY
17 December 2008	Change in substantial holding for MND
15 December 2008	AUW: IOOF and AWM complete due diligence*
15 December 2008	Completion of Due Diligence
5 December 2008	Change of director's interest notices (times 5) for directors in the non-executive directors share plan
3 December 2008	Becoming a substantial holder for GFF
2 December 2008	Change in substantial holding for CSR
24 November 2008	Becoming a substantial holder for EQN
24 November 2008	IFL - AUW Merger presentation
24 November 2008	Final share buy-back notice - Appendix 3F
24 November 2008	AUW: IOOF - AWM Merger Implementation Agreement
24 November 2008	IOOF - AWM Merger Implementation Agreement
21 November 2008	Change in substantial holding for BLY
21 November 2008	Becoming a substantial holder for CSR
21 November 2008	Becoming a substantial holder for BLY
19 November 2008	Results of Annual General Meeting 2008
19 November 2008	AGM Shareholder Questions 2008
19 November 2008	AGM Chairman's Speech 2008
19 November 2008	AGM Presentation 2008

Date	Announcement
19 November 2008	GPT: Court Proceedings*
17 November 2008	Ceasing to be a substantial holder from GPT
14 November 2008	Change in substantial holding for GPT
14 November 2008	Ceasing to be a substantial holder for GMG
14 November 2008	Change in substantial holding for MRM
14 November 2008	Change in substantial holding for GPT
12 November 2008	Notice of initial substantial holder for MND
6 November 2008	Change of director's interest notices (times 5) for directors in the non-executive directors share plan
31 October 2008	Change in substantial holding for MRM
30 October 2008	Notice of change of interests of substantial holder for MRM
28 October 2008	Ceasing to be a substantial holder for PBG
27 October 2008	Notice of ceasing to be a substantial holder for VPG
23 October 2008	CEO Remuneration Review
15 October 2008	Amended notice of initial substantial holder - TOX
15 October 2008	Notice of change of interests of substantial holder for KZL
14 October 2008	Notice of initial substantial holder for TOX
14 October 2008	Notice of initial substantial holder for RRA
14 October 2008	Notice of initial substantial holder for MRM
14 October 2008	Notice of initial substantial holder for GMG
10 October 2008	Change of director's interest notice for CEO
10 October 2008	Change in substantial holding for KZL
9 October 2008	Notice of Annual General Meeting
9 October 2008	Proxy Form
7 October 2008	Notice of change of interests of substantial holder for PRY
7 October 2008	Funds Under Management and Administration
6 October 2008	Ceasing to be a substantial holder from PPT*

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Date	Announcement
2 October 2008	Change of director's interest notices (times 5) for directors in the non-executive directors share plan
30 September 2008	IOOF Annual Report 2008

*Notices placed on IOOF platform by a party other than IOOF.

Annexure G

LIST OF AWM ANNOUNCEMENTS FROM 23 OCTOBER 2008

The following table lists announcements on AWM's ASX platform since 23 October 2008.

Date	Announcement
2 March 2009	IOOF to acquire 100% of Skandia Australia and Intech business
27 February 2009	Independent Auditor's Review Report
23 February 2009	Change in substantial holding
23 February 2009	Ceasing to be a substantial holder
10 February 2009	Interim result clarification
10 February 2009	Half Year Results Presentation
10 February 2009	Half Yearly Report and Accounts
31 December 2008	Form 603 Notice of Initial Substantial Holder from BEN*
23 December 2008	Bendigo and Adelaide Bank SPP and Placement*
15 December 2008	IOOF and AWM complete due diligence
15 December 2008	IFL: Completion of Due Diligence
26 November 2008	Results of Meeting
26 November 2008	Managing Director's Address to Shareholders
26 November 2008	Chairman's Address to Shareholders
24 November 2008	IFL-AUW Merger presentation
24 November 2008	IOOF-AWM Merger Implementation Agreement

*Notices placed on AWM platform by a party other than AWM.

Annexure H

NOTICE OF COURT ORDERED MEETING OF SHAREHOLDERS OF AWM

Notice is given that, by an Order of the Supreme Court of Victoria (**the Court**) made on 6 March 2009, pursuant to section 411(1) of the Corporations Act, a meeting of the holders of fully paid ordinary shares (**Shareholders**) in Australian Wealth Management Limited (**AWM**) be held at the offices of Ord Minnett, Level 23, 120 Collins Street, Melbourne, Victoria 3000 on 22 April 2009 at 10.00 am (Melbourne time).

The Court has also directed that John Warburton, or failing him, George Venardos, act as Chair of the meeting and has directed the Chair to report the result of the meeting to the Court.

Purpose of meeting

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any modification) to a scheme of arrangement proposed to be made between AWM and its Shareholders (**Scheme**).

To enable you to make an informed voting decision, further information on the Scheme is set out in the Scheme Booklet accompanying this Notice. A copy of the Scheme is set out in Annexure A to the Scheme Booklet. The purpose and effect of the Scheme is discussed in the Scheme Booklet.

Resolution

To consider and, if thought fit, pass the following resolution:

"In accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the arrangement proposed between Australian Wealth Management Limited (**AWM**) and the holders of its fully paid ordinary shares (**Scheme**), as contained in and more particularly described in the Scheme Booklet accompanying the Notice convening this meeting, is agreed to and the directors of AWM are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, the board of directors of AWM is authorised to implement the Scheme with any such modifications or conditions."

Required voting majority

The resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act. The resolution to approve the Scheme must be approved by:

- a majority in number (more than 50%) of Shareholders present and voting at the meeting the subject of this Notice (whether in person, by proxy, attorney or, in the case of corporate Shareholders, by corporate representative); and
- Shareholders whose fully paid ordinary shares in AWM (**AWM Shares**) in aggregate account for at least 75% of the votes cast on the resolution.

The vote will be conducted by a poll.

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme is subject to the approval of the Court. If the resolution put to this meeting is approved in accordance with section 411(4)(a)(ii) of the Corporations Act, AWM intends to apply to the Court for the approval of the Scheme.

Entitlement to vote

The Board of Directors of AWM has determined, and the Court orders, that a person's entitlement to vote at the Court ordered meeting to consider the Scheme will be the entitlement of that person set out in the register of members of AWM as at 7.00 pm (Melbourne time) on 20 April 2009.

Voting at the meeting

Shareholders may vote in person at the meeting or may appoint an attorney or proxy to attend the meeting and vote on their behalf, or, in the case of corporate Shareholders or proxies, a corporate representative to attend the meeting and vote on its behalf.

1. *Voting in person*

To vote in person at the meeting, Shareholders must attend the meeting to be held on 22 April 2009 at the offices of Ord Minnett, Level 23, 120 Collins Street, Melbourne, Victoria 3000. The meeting will commence at 10.00 am (Melbourne time).

Shareholders who wish to vote in person at the meeting should bring the proxy form included with this Notice as it serves as the registration form for the meeting. A Shareholder who wishes to attend and vote at the meeting in person will be admitted to the meeting and given a voting card upon providing the proxy form at the point of entry to the meeting.

2. *Voting by proxy*

A Shareholder entitled to attend and vote at the meeting is also entitled to vote by proxy. The proxy form is enclosed with this Notice. A Shareholder may appoint not more than 2 proxies to attend and act for them at the meeting. A proxy need not be a Shareholder of AWM.

A Shareholder may appoint the Chair of the meeting as their proxy. If a Shareholder appoints someone other than the Chair as their proxy but their proxy does not attend the meeting or the Shareholder leaves the section for the name of their proxy blank, the Chair will be their proxy.

If a Shareholder appoints two proxies, each proxy may be appointed to represent a specified number or proportion of the Shareholder's votes.

A proxy which is a corporation may appoint an individual to act as its representative. To be effective, the appointment of a representative must be executed by the proxy and received by AWM in the manner, and by the time, outlined below for corporate representatives.

If a Shareholder does not instruct their proxy on how to vote, their proxy may vote, or abstain, as he or she sees fits at the meeting. If a Shareholder appoints the Chair as their proxy, in the absence of an instruction to the contrary, the Chair will vote in favour of approving the Scheme.

A proxy will be admitted to the meeting and given a voting card upon providing at the point of entry to the meeting written evidence of their name and address.

Please refer to the enclosed proxy form for instructions on completion and lodgement. Proxy forms (with any related powers of attorney) should be sent to Computershare using the reply paid envelope, or as indicated in the proxy form. Please note the proxy forms must be received by Computershare no later than 48 hours before the commencement of the meeting (ie 10.00 am Melbourne time on 20 April 2009).

If a proxy form is completed by an individual or a corporation under power of attorney, the power of attorney under which the form is signed (or a certified copy of that power of attorney) must be received by Computershare at the same time as the proxy form (ie 10.00 am Melbourne time on 20 April 2009) (unless the power of attorney (or a certified copy) has previously been provided to AWM).

The appointment of a proxy will not preclude a Shareholder entitled to attend and vote in person from attending in person, revoking the proxy or voting at the meeting.

3. Voting by attorney

A Shareholder entitled to attend and vote at the meeting is also entitled to appoint an attorney to attend and vote on their behalf. An attorney need not be a Shareholder of AWM.

The power of attorney appointing the attorney must be duly executed and specify the name of each of the Shareholder, AWM and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must be received by Computershare in the manner, and by the time, outlined above for proxy forms.

An attorney will be admitted to the meeting and given a voting card upon providing at the point of entry to the meeting written evidence of their name and address.

4. Voting by corporate representative

To vote at the meeting (other than by proxy or attorney), a corporate Shareholder or proxy may appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act, meaning that AWM will require a Certificate of Appointment of Corporate Representative (**Certificate**) executed in accordance with the Corporations Act.

If a Certificate is completed by an individual or a corporation under power of attorney, the power of attorney under which the Certificate is signed, or a certified copy of that power of attorney, must accompany the completed Certificate unless the power of attorney (or a certified copy) has previously been provided to AWM.

An authorised corporate representative will be admitted to the meeting and given a voting card upon providing the Certificate at the point of entry to the meeting.

5. Jointly held securities

If AWM Shares are jointly held, only one of the joint Shareholders is entitled to vote. If more than one Shareholder votes in respect of jointly held AWM Shares, only the vote of the Shareholder whose name appears first in the register will be counted.

Queries

If you have any questions or require further information, you can call AWM's Information Line on 1800 235 549 (within Australia) or +61 3 9415 4248 (outside Australia).

Date 6 March 2009

Danielle Corcoran
Company Secretary

CORPORATE DIRECTORY

Registered office	Australian Wealth Management Limited Level 22, 207 Kent Street Sydney NSW 2000 (02) 9028 5900
Financial adviser	Deutsche Bank AG Level 16, Deutsche Bank Place Corner of Hunter and Phillip Streets Sydney NSW 2000
Legal adviser	Blake Dawson Level 26, 181 William Street, Melbourne VIC 3000
Investigating Accountants	Deloitte Touche Tohmatsu 180 Lonsdale Street Melbourne VIC 3000
Auditor	Deloitte Touche Tohmatsu 180 Lonsdale Street Melbourne VIC 3000
Share Registry	Computershare Investor Services Pty Ltd 60 Carrington Street SYDNEY NSW 2000
AWM Board of Directors	Mr John Warburton Mr Chris Kelaher Mr Ian Griffiths Mr Myles Stewart-Hesketh Mr George Venardos
Company Secretary	Danielle Corcoran
AWM information line	1800 235 549 (within Australia) or +61 3 9415 4248 (outside Australia)

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Australian Wealth
Management

IOOF



Australian Wealth Management

ABN 53 111 116 511

000001 000 AUV
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For all enquiries call:

(within Australia) 1800 235 549
(outside Australia) +61 3 9415 4248

Proxy Form

For your vote to be effective it must be received by 10.00am (AEST) Monday 20 April 2009

How to Vote on the Item of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

This Document is printed on Greenhouse Friendly™ ENVI Laser Carbon Neutral Paper

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Australian Wealth Management Limited hereby appoint

the Chairman of the meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Scheme Meeting of Australian Wealth Management Limited to be held at Offices of Ord Minnett Limited, Level 23, 120 Collins Street, Melbourne VIC 3000 on Wednesday 22 April 2009 at 10:00am (AEST) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

1. To consider and, if thought fit, pass the following resolution:

"In accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the arrangement proposed between Australian Wealth Management Limited (AWM) and the holders of its fully paid ordinary shares (Scheme), as contained in and more particularly described in the Scheme Booklet accompanying the Notice convening this meeting, is agreed to and the directors of AWM are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, the board of directors of AWM is authorised to implement the Scheme with any such modifications or conditions."

For Against Abstain

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____

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