Argo Investing in Australia

# 2013 Annual Report

# Directory

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ABN 35 007 519 520

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Sydney, New South Wales 2000
GPO Box 4313,
Sydney, New South Wales 2001
Telephone: (02) 8274 4700
Facsimile: (02) 8274 4777

**Share Registry**
Computershare Investor Services Pty. Limited
Level 5, 115 Grenfell Street,
Adelaide, South Australia 5000
Telephone: 1300 350 716
www.investorcentre.com

**Directors**
G. Ian Martin, Chairman
Robert T. Rich, Deputy Chairman
Anne B. Brennan
Roger A. Davis
Russell A. Higgins AO
Joycelyn C. Morton
Robert J. Patterson

**Chief Executive Officer**
Jason Beddow

**Chief Operating Officer**
Brenton R. Aird

**Senior Investment Officer**
Christopher C. Hall

**Chief Financial Officer**
Andrew B. Hill

**Company Secretary**
Timothy C.A. Binks

**Auditor**
PricewaterhouseCoopers

# Meetings

**Annual General Meeting**

Adelaide Convention Centre, North Terrace, Adelaide at 10.00 a.m. **28 October, 2013**

**Information meetings**

Melbourne:-
State Library of Victoria Theatrette
Entry 3, 179 La Trobe Street, Melbourne at 10.00 a.m. **29 October, 2013**

Sydney:-
Wesley Conference Centre
The Lyceum, 220 Pitt Street, Sydney at 10.00 a.m. **30 October, 2013**

# Objective

"Argo's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio."

# Contents



# 2013 Summary

~ Profit of $175.0 million, compared with $167.3 million last year.

~ Earnings per share of 27.7 cents, compared with 26.8 cents last year.

~ Dividends of 26.5 cents per share, fully franked (including LIC capital gain component of 0.75 cent), compared with 26 cents per share (including LIC capital gain component of 1 cent) last year.

~ Year-end net tangible asset backing of $6.52 per share, compared with $5.50 per share at 30 June, 2012.

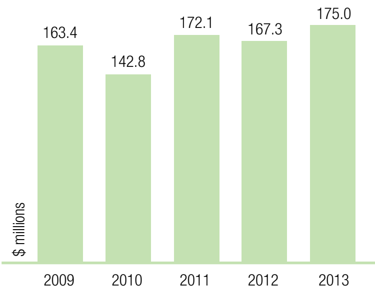
~ Management expense ratio maintained at 0.18% of average total assets at market value.

~ Total portfolio return for the year of 23.6%, which compares favourably with the S&P ASX All Ordinaries Accumulation Index return of 20.7% over the same period.

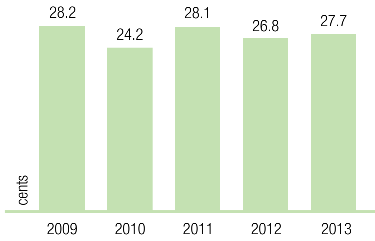
~ Capital raisings of $76.4 million from the Share Purchase Plan and $30.6 million from the Dividend Reinvestment Plan.

# Five year summary

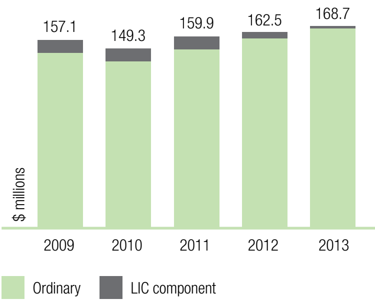
## Profit



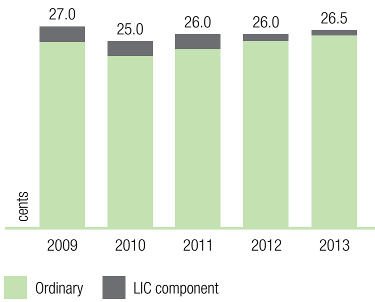

## Earnings per share




## Total dividends

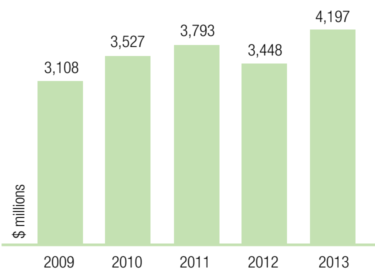



## Dividends per share



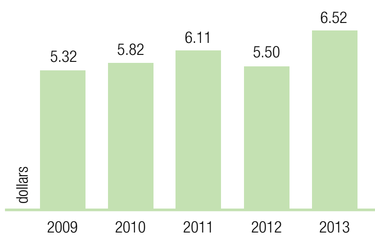

## Shareholders' equity

before provision for deferred income tax



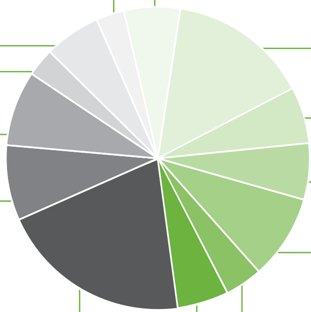

## Net tangible assets

per share



# Portfolio allocation

*as at 30 June, 2013*




# 20 largest investments

*as at 30 June, 2013*

| | $m | % of total assets |
|---|---|---|
| Westpac Banking Corporation | 284.5 | 6.7 |
| Australia and New Zealand Banking Group Ltd. | 255.0 | 6.0 |
| BHP Billiton Ltd. | 253.0 | 6.0 |
| Wesfarmers Ltd. | 218.3 | 5.2 |
| Telstra Corporation Ltd. | 183.4 | 4.3 |
| Commonwealth Bank of Australia | 174.9 | 4.1 |
| National Australia Bank Ltd. | 166.4 | 3.9 |
| Milton Corporation Ltd. | 145.2 | 3.4 |
| Woolworths Ltd. | 135.6 | 3.2 |
| Australian United Investment Company Ltd. | 134.6 | 3.2 |
| Rio Tinto Ltd. | 131.5 | 3.1 |
| Macquarie Group Ltd. | 104.5 | 2.5 |
| Origin Energy Ltd. | 85.3 | 2.0 |
| CSL Ltd. | 66.5 | 1.6 |
| QBE Insurance Group Ltd. | 64.3 | 1.5 |
| Woodside Petroleum Ltd. | 59.5 | 1.4 |
| Santos Ltd. | 58.9 | 1.4 |
| Twenty-First Century Fox, Inc. | 51.9 | 1.2 |
| Ramsay Health Care Ltd. | 51.1 | 1.2 |
| AMP Ltd. | 50.9 | 1.2 |
| | **2,675.3** | **63.1** |
| Cash and Short-term Deposits | **195.9** | **4.6** |

# Company profile

**Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation as at 30 June, 2013 of $4.2 billion.**

The shares of a listed investment company offer investors a professionally managed entry to the sharemarket.

Argo is ranked by market capitalisation in the top 100 companies listed on the Australian Securities Exchange (ASX code: ARG).

At 30 June, 2013, Argo had 643.5 million shares on issue.

Argo has over 70,000 shareholders who are seeking long-term capital growth and a regular income.

Argo's total assets were $4.2 billion as at 30 June, 2013 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange.

Argo has an experienced and knowledgeable Board of Directors and management team, which are essential prerequisites for the effective surveillance of a long-term investment portfolio. The Board currently consists of seven highly qualified Directors. In 67 years of operation, Argo has only had three Chief Executives.

The investment policy followed by Argo is straightforward. Rather than attempt to gain spectacular rewards in the short term from high-risk situations, management aims to provide steady and satisfactory returns, secured by a spread of investments over a wide range of the Australian economy. The portfolio contains investments in 98 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is good quality management and prospects for sound earnings growth.

Successful share investment depends on good quality research and analysis. Argo's investment team includes the executive management and a number of specialist research analysts. The research has two objectives: firstly to monitor the portfolio of leading stocks and smaller companies; and secondly, to find new, successful investments. The investment goal is to identify well-managed businesses with the potential and ability to generate growing and sustainable profits to fund increasing dividend payments.

Due to the spread of investments within the Company's portfolio, Argo shares are particularly suitable for investors who seek to maximise long-term returns through a balance of capital and dividend growth. This could include investors who are looking for broad exposure to the Australian sharemarket, passive investors and self-managed superannuation funds.

Argo shares can be purchased through any sharebroker and the market price of the shares is quoted on the Australian Securities Exchange and reported daily in the media. There are no fees charged to Argo shareholders. Being a securities exchange listed company, only normal sharebrokers' charges apply.

We encourage investors to visit the Argo website at www.argoinvestments.com.au to obtain further information on the Company's operations.

# Shareholder benefits

### Low Management Costs

Argo's management costs are very low when compared with many other managed investment products. For the year ended 30 June, 2013, total operating costs were 0.18% of average assets at market value.

### Franked Dividends

Argo has paid dividends every year since its inception.

Franking credits on dividends received by Argo are passed on to shareholders through dividends paid that are fully or substantially franked, depending on tax credits available to the Company. The franked portion of Argo's dividends is largely tax free for tax-paying Australian shareholders. Certain Australian resident shareholders can also claim a tax benefit where a component of the dividend is sourced from realised eligible listed investment company (LIC) capital gains. Overseas shareholders also benefit, since withholding tax is not deducted from franked dividends.

### Share Purchase Plan

Argo has a Share Purchase Plan (SPP) which allows eligible shareholders the opportunity to acquire additional parcels of shares, sometimes at a discount from the market price as defined by the SPP. No brokerage or other transaction costs are payable. The maximum amount that a shareholder can invest in any 12 month period pursuant to the SPP is $15,000. The Directors decide when the SPP will operate.

### Dividend Reinvestment Plan

Argo has a Dividend Reinvestment Plan (DRP) which allows eligible shareholders the opportunity to reinvest their dividends, sometimes at a discount to the market price of Argo shares as defined by the DRP.

### New Share Issues

Argo has a history of making new issues of shares on a pro-rata basis to existing shareholders at a discount to the market price. In the case of renounceable rights issues, a shareholder who does not wish to apply for additional shares may sell the entitlement.

### Share Price Performance

Argo's long-term share price performance, assuming that all dividends and the proceeds from the sale of rights had been reinvested in Argo shares, compared with other relevant statistics, is as follows:-

| | **15 years to 30 June, 2013** |
|---|---|
| Compound annual growth rate:- | |
| Argo shares | 9.8% p.a. |
| S&P ASX All Ordinaries Accumulation Index | 8.3% p.a. |
| Consumer Price Index | 2.9% p.a. |

A $10,000 investment in Argo shares on 1 July, 1998 would have grown to a value of $40,648 as at 30 June, 2013.

Performance statistics for various periods of time are regularly updated on Argo's website.

# Directors' Report

The Directors present their Sixty Seventh Annual Report together with the financial report of Argo Investments Limited ("the Company") for the financial year ended 30 June, 2013 including the independent Auditor's Report thereon.

## Operating and Financial Review

### *Summary of business model*

Argo Investments Limited is a listed investment company which manages a portfolio of Australian investments with the objective of maximising long-term returns to its shareholders through a balance of capital and dividend growth.

Argo generates its revenue primarily by 'harvesting' the dividends and distributions received from the companies and trusts in the portfolio. Additional income is derived from interest earned on cash deposits, premium income from writing exchange-traded options and a small amount of share trading activity. In 2012/13, dividends and distributions made up 96% of total revenue.

Argo's costs of operation are relatively stable and are lower than those of most other managed investment products, due to the structure of an internally managed listed investment company which requires few employees to administer its business. Overall, the Company's annual expenses are currently equivalent to 0.18% of average assets, with the main items being remuneration, share registry fees and office rent.

The above characteristics make for an efficient business model which benefits from economies of scale. The low proportion of variable costs implies that in general, profit will fluctuate according to the performance, and in particular the dividend payout policies, of each of the companies and trusts in the investment portfolio.

The majority of Argo's profit is paid out as dividends to its shareholders, with fully franked dividends a priority.

Argo shares offer investors a professionally managed, diversified and easily traded exposure to the Australian equity market, without the need to pay fees to an investment manager.

For the last 15 years, the Company's investment portfolio has produced a compound annual return of 9.4% as measured by the movement in net tangible asset backing per share assuming dividends paid are reinvested. This return is after payment of all administrative costs and tax and compares favourably with a return of 8.3% per annum from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items.

### *Investment process*

The investment team, led by the Chief Executive Officer and overseen by the Directors, is responsible for constructing and maintaining an appropriately diversified portfolio which generates long-term capital growth and dividend income.

The investment process, which involves the monitoring and review of existing investments as well as analysing potential new investments, includes extensive research, company visits and industry studies, as well as economic analysis to help identify emerging trends and assist with the timing of transactions.

The closed-end structure of a listed invested company is ideally suited to building a long-term portfolio, as Argo does not experience investor redemptions which might otherwise force desirable long-term holdings to be sold. Instead, shareholders wishing to liquidate their holding in Argo simply sell their shares on the share market. This stability allows Argo to take advantage of short-term market fluctuations in order to buy or add to long-term holdings when prices trade below the long-term valuations calculated by the investment team. The selling of investments is relatively rare and generally only occurs due to takeovers or when it is perceived that the long-term value of an investment is compromised by deteriorating industry conditions or other concerns.

***Review of activities and events during the year***

The Company's assets are invested primarily in securities which are listed on the Australian Securities Exchange (ASX). The capital growth of Argo's shares is therefore linked to the fortunes of the Australian equity market. The 2012/13 financial year was characterised by the strong performance of the ASX equity market indices. In particular, the S&P ASX All Ordinaries Accumulation Index gained approximately 31% to mid-May as investors sought yield in a low interest rate environment, before profit taking from overseas investors and a correction in the Australian dollar saw the local equity market reverse by almost 11% during June.

In March 2013, the Company's Share Purchase Plan raised $76.4 million in additional funds for investment in larger, well capitalised companies with relatively high, predominantly franked dividend yields and scope for dividend growth, an area which Argo has been targeting for some time. The market reversal in June provided the opportunity to add to a number of those holdings, particularly in the banking sector.

Overall, $224 million was spent on investment purchases during the financial year, partly funded by $143 million in disposals and takeover proceeds. The largest purchases were additions to holdings in Australia and New Zealand Banking Group and Wesfarmers. The largest sale was a reduction in the Macquarie Group position.

Over the course of the year, Argo's investment portfolio outperformed the broader Australian share market, returning 23.6% (measured by the movement in net asset backing per share assuming dividends paid are reinvested), compared with the S&P ASX All Ordinaries Accumulation Index which returned 20.7%. The strong performance of higher yielding stocks and the relative underperformance of the mining sector over the period both contributed to this result.

It was also pleasing that Argo's share price performance returned 31.0% for the financial year, reflecting a combination of stronger equity markets and the closing of the discount to net tangible asset backing per share.

In November 2012, Argo outsourced its share registry operations to Computershare Investor Services Pty. Ltd. Despite successfully running the registry internally since the Company was established in 1946, we were increasingly finding ourselves unable to offer the full range of online services that many shareholders now expect, due to rapidly changing technology and the investment required to keep pace with future developments.

There were no changes to the composition of the Board of Directors or other key management personnel during the year.

### *Discussion of results and financial position*

A number of key performance indicators are used by the Directors and management in their assessment of the Company's performance, including profit, earnings per share, dividends paid to shareholders, shareholders' equity, net tangible asset backing per share, total and relative portfolio return and control of management costs. The Directors are pleased these indicators were all assessed positively, indicating a successful year.

Argo's profit increased 4.6% to $175 million and earnings per share rose 3.4% to 27.7 cents per share. This outcome was achieved due to increased dividends and distributions received from a number of the companies in the portfolio. Excluding special dividends received from several of those companies, ordinary dividends and distributions increased 4.1%, with significant contributions from Argo's holdings in banking stocks. Partially offsetting this improvement was an 11.1% decline in interest income on cash deposits, due to the lower interest rates available during the financial year.

Argo's Statement of Financial Position (balance sheet) strengthened over the course of the year, with net assets increasing over $550 million to $3.8 billion. Shareholders contributed $107 million of this improvement through the Share Purchase Plan and Dividend Reinvestment Plan, with the bulk of the remaining growth derived from the increase in the value of the investment portfolio.

At 30 June, 2013, the portfolio was diversified across 98 different equity holdings and cash. The largest 20 equity holdings accounted for 63% of total assets and provided 64% of total revenue for the year.

The cash assets at year end were $196 million, representing 4.6% of the Company's total assets of $4.2 billion. Cash on hand fluctuates throughout the year, according to the timing of dividends received, dividends paid, any capital raisings, and investment purchases and disposals.

One measure of the financial position of a listed investment company is net tangible asset backing (NTA) per share. As a long-term investor, Argo does not intend to dispose of its long-term investment portfolio. Therefore, when calculating NTA, Argo values its portfolio using the market price of each listed holding, without providing for estimated tax on gains that would be realised if the portfolio were to be sold. At 30 June, 2013, this valuation resulted in a NTA per share of $6.52, compared with $5.50 as at 30 June, 2012. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share as at 30 June, 2013 would be $5.85, compared with $5.12 as at 30 June, 2012. Both NTA figures are updated monthly and announced to the ASX.

### *Future prospects, strategies and risks*

The Company has no debt, liquid funds on deposit available for additional long-term investment in the equity market, and will continue to focus on producing results in accord with its stated investment objective.

The results of Argo's future investment activities will depend on the performance of both the share price of, and the dividends and distributions received from, the entities in which the Company has invested. The performance of those entities is influenced by many factors which are difficult to predict, including economic growth rates, inflation, interest rates, exchange rates, regulatory changes and taxation levels. There are also specific issues such as management competence, capital strength, industry trends and competitive behaviour.

Due to the above factors and general market and economic conditions which can change rapidly, the nature of Argo's business makes it very difficult to forecast future performance. However, the Company is conservatively managed and the diversification of the investment portfolio holdings will help to reduce the overall volatility of Argo's earnings and capital fluctuations.

Argo will continue to focus on controlling costs whilst growing its shareholder funds, including by way of Share Purchase Plan offers to shareholders from time to time when the Directors consider conditions to be suitable.

Argo does not plan any significant changes to its business model at this stage, although the constantly changing nature of markets and other investment conditions requires management and the Directors to diligently appraise any opportunities that may present themselves.

**Dividends**

A fully franked interim dividend of 13 cents per share was paid on 4 March, 2013.

On 5 August, 2013, the Directors declared a fully franked dividend of 13.5 cents per share to be paid on 4 September, 2013, which includes a 0.75 cent per share listed investment company (LIC) capital gain component. The LIC component of the dividend will give rise to an attributable part of 1.07 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2013-2014 income tax returns.

Total fully franked dividends for the year amount to 26.5 cents per share, including a 0.75 cent per share LIC capital gain component. This compares with 26 cents per share last year, which included a 1 cent per share LIC capital gain component.

**Dividend Reinvestment Plan**

The Dividend Reinvestment Plan (DRP) raised $30.6 million of new capital for investment during the year.

The DRP will operate for the 13.5 cents per share dividend payable on 4 September, 2013 and the Directors have resolved that the shares will be allotted to eligible shareholders participating in the DRP at a discount of 2% from the market price of Argo shares, as defined by the DRP.

**Share Buy-Back**

The Company has an on-market share buy-back in place in order that its shares can be bought back and cancelled where they can be purchased at a significant discount to the net tangible asset backing of the Company. Any such purchases have the effect of increasing the value of the remaining shares on issue.

During the year, the share buy-back was not activated.

**Share Purchase Plan**

During the year, shareholders supported the Share Purchase Plan (SPP) on offer and an additional $76.4 million of new capital was raised for investment.

## Additional statutory information

1. (a) The Directors in office at the date of the report are as follows:-

**Geoffrey Ian Martin** BEc(Hons), FAICD
Non-executive Chairman – Independent

Mr. Martin joined the Board in 2004 and was appointed Chairman on 1 March, 2012. He was Chair of the Remuneration Committee until 1 February, 2013 and remains a member of that Committee. Mr. Martin was also a member of the Audit Committee until 1 February, 2013.

His career has included a number of senior executive roles and Board positions. In all, he has over 30 years' experience in economics, investment management, financial services, superannuation and investment banking, both in Australia and internationally.

Mr. Martin is currently Vice Chairman, Asia Pacific, of Berkshire Capital and an independent Director of UniSuper Limited.

**Robert Tom Rich** FCA, FAICD
Non-executive Deputy Chairman – Independent

Mr. Rich joined the Board in 1992, was an executive Director until 1998 when he became a non-executive Director and was appointed Deputy Chairman. He was Chair of the Audit Committee until 1 February, 2013 and remains a member of that Committee. Mr. Rich was also a member of the Corporate Governance Committee until 1 February, 2013.

He has a chartered accounting background and was previously the Managing Director of Stoddarts Holdings Limited. Mr. Rich has previously been a non-executive Director of a number of companies, gaining wide experience in various business sectors over the years.

**Anne Bernadette Brennan**
BCom(Hons), FCA, FAICD
Non-executive Director – Independent

Ms. Brennan joined the Board in 2011 and was appointed Chair of the Audit Committee on 1 February, 2013, having previously been a member of that Committee. She was a member of the Remuneration Committee until 1 February, 2013.

Ms. Brennan is also a non-executive Director of Myer Holdings Limited (since 2009), Charter Hall Group (since 2010), Nufarm Limited (since 2011) and Echo Entertainment Group Limited (since 2012 and appointed Deputy Chair in 2013).

She has extensive financial experience gained over many years in a variety of senior management roles with large corporates and chartered accounting firms, particularly in the areas of audit, corporate finance and transaction services.

**Roger Andrew Davis** BEc(Hons), MPhil(Oxon)
Non-executive Director – Independent

Mr. Davis joined the Board in 2012 and was appointed a member of the Remuneration Committee on 1 February, 2013.

He is also a non-executive Director of Aristocrat Leisure Limited (since 2005), The Trust Company Limited (since 2006), Ardent Leisure Limited (since 2008) and Bank of Queensland Limited (since 2008 and appointed Chair in 2013). Previously he was a non-executive Director and a Chairman of Charter Hall Office REIT (2003 to 2012) prior to its takeover.

Mr. Davis is a Rhodes Scholar and has over 30 years' experience in banking and investment banking in Australia, U.S.A. and Japan.

**Russell Allan Higgins AO** BEc, FAICD
Non-executive Director – Independent

Mr. Higgins joined the Board in 2011 and was appointed Chair of the Remuneration Committee on 1 February, 2013, having previously been a member of that Committee. He was Chair of the Corporate Governance Committee until 1 February, 2013.

He is also a non-executive Director of APA Group (since 2004), Telstra Corporation Limited (since 2009) and Leighton Holdings Limited (since 2013). He was a non-executive Director of Ricegrowers Limited from 2005 to 2012.

Mr. Higgins has an extensive background in the energy sector and in economic and fiscal policy, both locally and internationally. He is an experienced company director who has also held a number of very senior government positions.

**Joycelyn Cheryl Morton**
BEc, FCA, FCPA, FIPA, FCIS, FAICD
Non-executive Director – Independent

Ms. Morton joined the Board in 2012 and is a member of the Audit Committee and was a member of the Corporate Governance Committee until 1 February, 2013.

She is also a non-executive Director of Noni B Limited (since 2009 and appointed Chair in 2013) and Thorn Group Limited (since 2011). Previously she was a non-executive Director of Crane Group Limited (2010 to 2011) and Count Financial Limited (2006 to 2011), prior to the takeovers of both companies.

Ms. Morton has an extensive business and accounting background and has worked in a number of senior financial roles both in Australia and internationally, with particular expertise in taxation.

**Robert John Patterson** FAICD
Non-executive Director – Non-independent

Mr. Patterson rejoined the Board in 2011. This followed a 12 month break from the Company after his retirement as Managing Director in 2010. He was a member of the Corporate Governance Committee until 1 February, 2013.

He has over 40 years' experience in the investment management industry. Mr. Patterson began his career with Argo in 1969 and held the position of Company Secretary from 1969 to 1985. He was appointed Chief Executive in 1982, joined the Board as an executive Director in 1983 and was appointed Managing Director in 1992.

### (b) **Directors' relevant interests**

Directors' relevant interests in shares, as notified by the Directors to the Australian Securities Exchange in accordance with the Corporations Act 2001, at the date of this report are as follows:-

| | Beneficial shares | Non-Beneficial shares |
|---|---|---|
| G.I. Martin | 224,583 | - |
| R.T. Rich | 14,210,938 | 969,275 |
| A.B. Brennan | 3,544 | - |
| R.A. Davis | 12,315 | - |
| R.A. Higgins AO | 60,352 | 6,140 |
| J.C. Morton | 10,879 | - |
| R.J. Patterson | 751,219 | - |

### (c) **Board Committees**

At the date of this report, the Company has an Audit Committee and a Remuneration Committee of the Board.

On 14 December, 2012, it was resolved to change the name of the Nomination and Remuneration Committee to Remuneration Committee and that nomination matters would in future be considered by the Board as a whole. On this date, it was further resolved that corporate governance matters would in future be considered by the Board as a whole and the Corporate Goverance Committee members relinquished their responsibilities on 1 February, 2013.

There were 12 Directors' meetings, 5 Audit Committee meetings, 5 Remuneration Committee meetings and 1 Corporate Governance Committee meeting held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were as follows:-

| | Board | | Audit Committee | | Remuneration Committee | | Corporate Governance Committee | |
|---|---|---|---|---|---|---|---|---|
| | No. of meetings held while a Director | No. of meetings attended | No. of meetings held while a member | No. of meetings attended | No. of meetings held while a member | No. of meetings attended | No. of meetings held while a member | No. of meetings attended |
| G.I. Martin | 12 | 12 | 4 | 5 (b) | 5 | 5 | - | 1 (c) |
| R.T. Rich | 12 | 10 (a) | 5 | 5 | - | - | 1 | 1 |
| A.B. Brennan | 12 | 12 | 5 | 5 | 4 | 4 | - | - |
| R.A. Davis | 12 | 12 | - | 3 (c) | 1 | 1 | - | - |
| R.A. Higgins AO | 12 | 12 | - | 3 (c) | 5 | 5 | 1 | 1 |
| J.C. Morton | 12 | 12 | 5 | 4 | - | 1 (c) | 1 | 1 |
| R.J. Patterson | 12 | 11 | - | 2 (c) | - | - | 1 | - |

(a) granted leave of absence for 2 meetings on compassionate grounds
(b) attended 1 meeting by invitation
(c) by invitation

2. **Jason Beddow** BEng, GdipAppFin(SecInst) is the Chief Executive Officer at the date of the report.

   Mr. Beddow commenced his career with the Company in 2001 as an Investment Analyst, was appointed an Investment Executive in 2003, Chief Investment Officer in 2008 and Chief Executive Officer in 2010.

   He has an engineering and investment background.

3. **Timothy Campbell Agar Binks** BEc, CA, ACSA is the Company Secretary at the date of the report.

   Mr. Binks joined the Company in 2007 and was appointed Company Secretary in 2010.

   He has an accounting and investment background.

4. The principal activities of the Company during the financial year were the investment of funds in Australian listed securities and short-term interest bearing securities. No significant change in the nature of these activities occurred during the financial year. No significant change in the state of affairs of the Company occurred during the financial year other than those mentioned in this report.

5. The final dividend paid by the Company for the financial year ended 30 June, 2012 of \$81.4 million (including an LIC capital gain component of \$6.3 million) and referred to in the Directors' Report dated 16 August, 2012 was paid on 5 September, 2012.

6. The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year and has significantly

affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years except as stated elsewhere in this report.

7. The Directors do not anticipate any particular developments in the operations of the Company which will affect the results of future financial years other than those mentioned in this report.

8. The Company has paid a premium in respect of a Directors' and Officers' insurance policy covering the liability of past, present or future Directors and Officers, including executive officers of the Company. The terms of the policy prohibit disclosure of the details of the amount of insurance cover and the premium paid.

9. The shareholders in general meeting in November 1999 approved that the Company indemnify its current and future Directors against liabilities arising out of the Directors' position as a Director of the Company, except where the liability arises out of conduct involving a lack of good faith. The deed stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

10. **Remuneration Report**

The Company is a long-term investor in securities listed in Australia. For the Company to meet its objectives on behalf of its shareholders, it is essential to have professional, competent and highly motivated non-executive Directors, executives and employees. This requires the Company to have attractive remuneration arrangements which are fair, reflect market conditions and recognise the roles, obligations and responsibilities of respective individuals and align to the interests of shareholders.

The Company's Remuneration Committee reviews and advises the Board on remuneration issues for the non-executive Directors, Chief Executive Officer and executives. In March 2012, the Company's Remuneration Committee undertook a comprehensive review of executive remuneration matters, particularly in relation to the Company's short-term incentive (STI) and long-term incentive (LTI) arrangements. Ernst & Young were engaged by the Committee to assist with this review. The changes approved by the Board were effective from 1 July, 2012.

**Non-executive Directors' remuneration**

Non-executive Directors are remunerated by fees within the aggregate limit approved by shareholders from time to time. At the Annual General Meeting held in October 2011, shareholders approved $950,000 as the maximum aggregate amount of remuneration available per annum for distribution to non-executive Directors. The Board, after taking into account the recommendations of the Remuneration Committee, determines the nature and amount of emoluments of non-executive Directors within the limit approved by shareholders.

For the year ended 30 June, 2013, the Chairman received remuneration of $181,300 inclusive of Committee appointments; and the base Directors' fees for each of the other non-executive Directors was $85,000 with an additional fee of $2,800 for each Committee appointment, except that the Chair of each Committee received a fee of $5,600. In addition, contributions were also made by the Company on behalf of non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

Following a review of non-executive Directors' remuneration, a 3% increase was applied for the year ending 30 June, 2014. The Chairman's remuneration will be $186,800 inclusive of Committee appointments and the base fee for each of the other non-executive Directors will be $87,500, with an additional fee of $2,900 payable for each Committee appointment, except that the Chair of each Committee will receive $5,800. Superannuation payments will continue to be made by the Company on behalf of non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

A performance evaluation process for non-executive Directors is undertaken each year and is described in the Company's Corporate Governance Statement.

The Company entered into an agreement with each non-executive Director who held office prior to 31 December, 2003 for the payment of a retirement benefit upon termination of office, within the limits contemplated by the Corporations Act 2001 and in accordance with principles established by resolution of the shareholders. Mr. R.T. Rich is party to such an agreement which was varied as at 31 December, 2003 when the entitlement to that date was frozen. As the amount due for his Director's retiring benefit has been determined, the balance is shown as a non-current payable and is disclosed in note 11 to the financial statements.

**Chief Executive Officer and executives' remuneration**

The remuneration framework to reward the Chief Executive Officer and executives includes a mix of fixed remuneration and short and long-term performance based "at risk" remuneration which reflect both Company and individual performance. The proportions of those elements of the person's remuneration are considered appropriate having regard to industry and commercial practices. The broad remuneration policy is to ensure remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive with that offered in the investment industry to attract, retain and motivate people who have the relevant skills and experience to create value for shareholders.

(a) **Fixed remuneration and benefits**

The terms of employment for all executives contain a fixed remuneration component (inclusive of superannuation and any agreed salary sacrifice arrangements) together with certain non-monetary benefits which can include the benefit of interest free loans pursuant to the superseded Argo Investments Executive Share Plan.

The fixed amount of remuneration and benefits are determined in line with market factors and independent advice is periodically considered.

(b) **Short-term incentive (STI)**

For the year ending 30 June, 2013, the Chief Executive Officer and executives were entitled to receive an annual STI of up to 70% of their fixed remuneration component which is inclusive of superannuation and any agreed salary sacrifice arrangements. Of the 70% STI maximum opportunity, 5/7th was paid in cash and 2/7th will be deferred. Pursuant to the Argo Investments Limited Executive Performance Rights Plan ("Plan"), the STI deferral will be issued as performance rights which will vest two years after grant, subject to the executive having continued service with the Company. However, the Board has discretion to allow the performance rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement. On exercise, each performance right will be convertible into an ordinary Argo share.

From 1 July, 2014, the STI deferral component will increase to half of the STI maximum opportunity, with the other half payable in cash. These changes to the STI opportunities will assist the Board to achieve its objective of providing senior executives with the opportunity to hold equity in the Company which will better align their interests with shareholders.

The Board has the discretion to claw back unvested STI deferred performance rights if after they have been granted, a material misstatement is discovered in the Company's accounts.

The STI amount awarded is determined based on key Company and individual performance indicators, of which at least 50% are financially based. The financial performance indicators which are tested include the requirement for the Company to achieve a superior one year earnings per share (EPS) performance relative to its approved listed investment company (LIC) peer group; and to achieve a superior one year total portfolio return (TPR) (as independently calculated and based on the movement in net asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested) adjusted for franking credits, when compared with the S&P ASX 200 Accumulation Index, adjusted for franking credits.

The EPS performance indicator tests the ability of the Company to meet its objective of maximising the payment of dividends to its shareholders.

The TPR performance indicator tests the ability of the Company to meet its objective of maximising total shareholder returns and also ensures the Company strives to provide outperformance in its investment sector.

In addition, personal performance indicators are set for each executive. These personal objectives are designed to encourage outperformance on non-financial metrics and the indicators are tailored for each individual to take account of their specific role and responsibilities. They can include advising and reporting to the Board, management of staff, risk management, succession planning, strategic direction, marketing and communication with internal and external stakeholders.

The individual performance indicators, both financial and non-financial, are considered to be important determinates of business success and key drivers to improve the Company's performance. They provide a structure in order to assess an individual's short-term performance. The assessment of an individual's performance against the applicable specific metrics is made by the Board, Remuneration Committee, Chief Executive Officer or Chief Operating Officer, as the case may be, as it is considered that they are best qualified to provide an objective assessment of the performance of the individual concerned.

The STI for individual executives is determined after the finalisation of both the year-end results and the assessment of the key individual performance indicators for each executive. The cash component of the STI was paid on 9 August, 2013 and the STI deferral, in the form of performance rights, is expected to be granted on 17 September, 2013.

The Board considers the STI, including the individual performance indicators and the method of assessing performance, is appropriate in a competitive remuneration environment and will assist to attract and retain quality executives who can drive Company performance and shareholder returns.

(c) **Long-term incentive (LTI)**

**Argo Investments Executive Share Plan**

Prior to 28 October, 2004, the Chief Executive Officer and executives were provided with longer term incentives through the Argo Investments Executive Share Plan. The shares pursuant to this Plan were issued at the market price on the day of issue with the assistance of an interest free loan from the Company and had regard to the executives' contribution to the Company's performance. The dividends paid on the shares, less an amount equal to the estimated tax payable by the executives on the dividends, are utilised to repay the loan. Although the shares vest in the names of the individuals concerned, the share registry has placed a trading lock on these shares and they cannot be dealt with until the loans have been repaid in full. The holders of these shares are prohibited from engaging in any conduct that seeks to secure the economic value of the shares and that removes the element of price risk inherent to the value of those shares.

No further new allotments have been or will be made under this Plan following the approval of the Argo Investments Limited Executive Performance Rights Plan at the Company's Annual General Meeting held on 28 October, 2004.

**Argo Investments Limited Executive Performance Rights Plan**

The Argo Investments Limited Executive Performance Rights Plan ("Plan") was introduced in 2004 to create a stronger link between increasing shareholder value and executive reward. Pursuant to the Plan, performance rights to acquire shares in the Company are granted to satisfy an executive's LTI entitlement. From 1 July, 2012, the Chief Executive Officer's entitlement can be a monetary value of up to 70% of his fixed remuneration component and an executive's entitlement can be a monetary value of up to 30% of his or her fixed remuneration component, which is inclusive of superannuation and any agreed salary sacrifice arrangements. It is considered that the performance linked design of this Plan is appropriate in the contemporary business environment.

Prior to 1 July, 2012, the Chief Executive Officer and executives' entitlements were a monetary value of up to 50% of their fixed remuneration component, which was inclusive of superannuation and any agreed salary sacrifice arrangements.

Upon exercise of the performance and restricted share rights, shares are allocated to the respective executives. The Board has the discretion to either purchase shares on market or to issue new shares.

Details of the respective LTI performance rights issued are as follows:-

***2007 and 2008 LTI Performance Rights***

Three year performance rights, subject to a performance and service condition, were granted by the Company on 29 November, 2007 (known as 2007 LTI Performance Rights) and 19 November, 2008 (known as 2008 LTI Performance Rights) as remuneration pursuant to the Plan to the Chief Executive Officer and executives, with no consideration in respect to the granting or vesting of the rights payable by the recipient.

The performance condition provides that pro-rata vesting of the performance rights will occur when the Company's Total Portfolio Return (as independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested) outperforms the S&P ASX All Ordinaries Accumulation Index movement over a scale from 0.1% through to 3% for the measurement period.

The performance rights have vesting opportunities at the end of the third year with the performance condition re-measured at the end of the fourth and fifth years to the extent that the performance rights have not vested. Rights that have not vested after the last measurement date will lapse. All non-vested 2007 LTI Performance Rights have now lapsed.

A service condition also applies which makes the performance rights subject to the individual executives remaining in service until the rights vest. However, the Board has discretion to allow the performance rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement.

***2009, 2010 and 2011 LTI Performance Rights***

Performance rights issued in three equal tranches, each subject to a performance and service condition, were granted by the Company on 22 April, 2010 (known as 2009 LTI Performance Rights), 18 November, 2010 (known as 2010 LTI Performance Rights) and 17 November, 2011 (known as 2011 LTI Performance Rights) as remuneration pursuant to the Plan to the Chief Executive Officer and executives, with no consideration in respect to the granting or vesting of the rights payable by the recipient.

The three equal tranches each have a performance condition; the first tranche is known as the TPR tranche of rights and has the Total Portfolio Return (TPR) Performance Condition, the second tranche is known as the ALICA tranche of rights and has the Australian Listed Investment Companies Association (ALICA) Performance Condition and the third tranche is known as the EPS tranche of rights and has the Earnings Per Share (EPS) Performance Condition.

The performance rights have vesting opportunities at the end of the fourth year and the performance conditions can be re-measured at the end of the fifth year to the extent that the performance rights have not vested. Performance rights that are not vested after the second performance measurement date will lapse.

The TPR Performance Condition is that the TPR Performance of the Company (as independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested) over a performance period must exceed the movement in the S&P ASX All Ordinaries Accumulation Index (Index Movement).

The ALICA Performance Condition is that the TPR Performance of the Company (as independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested) over a performance period must exceed the movement in the average of the TPR of those member companies of the Australian Listed Investment Companies Association, excluding the Company, which have Australian equity portfolios and are included in the JBWere Ltd. statistics (ALICA Movement).

The EPS Performance Condition is that the EPS Performance of the Company (EPS means a company's non-dilutive earnings per share which is measured as the net profit of the consolidated entity after minority interests divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis) over a performance period must exceed the average of the EPS performance of those member companies of the Australian Listed Investment Companies Association, excluding the Company, which have Australian equity portfolios and are included in the JBWere Ltd. statistics (ALICA EPS).

If the Company's performance exceeds the respective abovementioned Performance Conditions by 3 or more percentage points, the respective tranche of rights will vest. If the Company's performance exceeds the respective Performance Conditions by less than 3 percentage points, the respective tranche of rights will vest pro-rata in the proportion the increase bears to the respective 3 percentage point benchmark. If the Company's performance does not exceed the respective Performance Conditions, none of the respective tranche of rights will vest.

A service condition also applies which makes the performance rights subject to the individual executives remaining in service until the rights vest. However, the Board has discretion to allow the performance rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement.

### *2012 LTI Performance Rights*

Performance rights issued in two equal tranches, each subject to a performance and service condition, were granted by the Company on 15 November, 2012 (known as 2012 LTI Performance Rights) as remuneration pursuant to the Plan to the Chief Executive Officer and executives, with no consideration in respect to the granting or vesting of the rights payable by the recipient.

The two equal tranches each have a performance condition; the first tranche is known as the TPR tranche of rights and has the Total Portfolio Return (TPR) Performance Condition and the second tranche is known as the EPS tranche of rights and has the Earnings Per Share (EPS) Performance Condition.

The performance rights have one vesting opportunity at the end of the fourth year.

The TPR Performance Condition is that the TPR Performance of the Company (as independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested), adjusted for franking credits, must exceed the movement in the S&P ASX 200 Accumulation Index over the performance period, adjusted for franking credits (Index Movement).

The EPS Performance Condition is that the EPS Performance of the Company (EPS means a company's non-dilutive earnings per share which is measured as the net profit of the consolidated entity after minority interests divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis) over the performance period must exceed the average of the EPS performance of those member companies of the Australian Listed Investment Companies Association, excluding the Company, which have Australian equity portfolios and are included in the JBWere Ltd. statistics (ALICA EPS).

If the Company's performance at least equals the respective abovementioned Performance Conditions, 25% of the respective tranche of rights will vest, dependent upon the performance producing an absolute positive return.

If the Company's performance exceeds the respective abovementioned Performance Conditions, then the 75% balance of the respective tranche of rights will vest in full if the outperformance is 30% or greater, with pro-rata award apportioned on a straight line basis between the Index Movement and 130% of the Index Movement (for the TPR tranche of rights) and between the ALICA EPS and 130% of the ALICA EPS (for the EPS tranche of rights), dependent upon each outperformance producing an absolute positive return.

If, as at the Performance Date, the TPR Performance of the Company is greater than the Index Movement but produces an absolute negative return, then the benefit is 50% of the number of TPR tranche of rights that would vest if the return had been positive.

If, as at the Performance Date, the EPS Performance of the Company is greater than the ALICA EPS but produces an absolute negative return, then no benefit is available.

The Board has the discretion to claw back unvested performance rights if after they have been granted pursuant to the Performance Conditions, a material misstatement is discovered in the Company's accounts.

The Board considered that the changes made to the executive LTI opportunities when issuing the 2012 LTI Performance Rights provided better alignment with the Company's corporate objectives; was best practice and generally consistent with the Australian Shareholders' Association guidelines, having regard to Argo's specific business objectives and circumstances; removed retesting; and provided the Chief Executive Officer with a remuneration structure that is more orientated towards rewarding his efforts if they provide the Company with sustained performance.

A service condition also applies which makes the performance rights subject to the individual executives remaining in service until the rights vest. However, the Board has discretion to allow the performance rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement.

### *2007 Restricted Share Rights*

The Directors issued restricted share rights on 29 November, 2007 as remuneration pursuant to the Plan to certain executives. These restricted share rights were issued in three equal tranches, which respectively vested in three, four and five years after grant, subject to continued service with the Company. The Board had the discretion to allow the restricted share rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement. All tranches of restricted share rights have now vested.

### *Independent advice and benchmarks*

At the time of determining and before amending the performance conditions, the Board sought advice from independent remuneration consultants and reviewed independent surveys of the performance of a range of managers of Australian share funds and believed that the selected performance conditions at those times were appropriate for the Company.

When issuing the 2007 and 2008 LTI Performance Rights, it was considered that as the Company generally used the S&P ASX All Ordinaries Accumulation Index as its benchmark for performance, it was appropriate and consistent that this index be chosen as the method of assessing the TPR Performance Condition for these performance rights.

After the 2009 review of the executive remuneration policies, the Company introduced two additional performance conditions which applied to the issue of the 2009, 2010 and 2011 LTI Performance Rights. As the Company is a listed investment company, it was considered appropriate for the Company's performance to also be measured against a benchmark peer group of listed investment companies when assessing the ALICA Performance Condition and the EPS Performance Condition.

When issuing the 2012 LTI Performance Rights after the 2012 review of the executive remuneration structure, it was considered that the Company's performance was currently best measured using the EPS Performance Condition and the TPR Performance Condition. At the same time and in view of the holdings held in the Company's investment portfolio, it was considered appropriate that the S&P ASX 200 Accumulation Index be used as the comparator when assessing the TPR Performance Condition.

***Restrictions and further details***

Company policy prohibits executives from entering into transactions or arrangements which limit the economic risk of unvested entitlements under the Plan.

Further details regarding the STI and LTI performance rights and restricted share rights are disclosed on pages 28 to 30.

(d) **Argo Employee Share Ownership Plan**

Under the Argo Employee Share Ownership Plan, all employees other than the Directors are offered up to $1,000 per year in Company shares at market value. The costs of acquiring the shares on market are paid by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or the date the employee ceases employment.

**Directors**

The names of persons who were non-executive Directors of the Company during the financial year are Mr. G.I. Martin (Chairman), Mr. R.T. Rich (Deputy Chairman), Ms. A.B. Brennan, Mr. R.A. Davis, Mr. R.A. Higgins AO, Ms. J.C. Morton and Mr. R.J. Patterson.

**Other Key Management Personnel**

The names of the other key management personnel disclosed in this report are Mr. J. Beddow (Chief Executive Officer), Mr. B.R. Aird (Chief Operating Officer), Mr. C.C. Hall (Senior Investment Officer) and Mr. A.B. Hill (Chief Financial Officer).

## Key Management Personnel Remuneration

| | | Short-term | | Post-employment | | | |
|---|---|---|---|---|---|---|---|
| | | | | Superannuation | | | |
| | | Directors' fees $ | Committee fees $ | Salary sacrifice $ | Other[f] $ | Termination benefits $ | Total $ |
| **Non-executive Directors** | | | | | | | |
| G.I. Martin | **2013** | **175,300**[a] | **-** | **6,000**[a] | **16,317** | **-** | **197,617** |
| | 2012 | 86,229[a] | 5,400 | 27,438[a] | 10,716 | - | 129,783 |
| R.T. Rich | **2013** | **68,201**[b] | **6,117** | **16,799**[b] | **8,200** | **-** | **99,317** |
| | 2012 | 40,654[b] | 8,100 | 41,846[b] | 8,154 | - | 98,754 |
| A.B. Brennan | **2013** | **85,000** | **5,600** | **-** | **8,154** | **-** | **98,754** |
| | 2012 | 68,592 | 2,370 | - | 6,386 | - | 77,348 |
| M.S. Darling | **2013** | **-** | **-** | **-** | **-** | **-** | **-** |
| (retired 29/2/12) | 2012 | 35,000[c] | 5,400 | 20,000[c] | 5,436 | 132,500[g] | 198,336 |
| R.A. Davis | **2013** | **85,000** | **1,141** | **-** | **7,753** | **-** | **93,894** |
| | 2012 | 6,638 | - | - | 597 | - | 7,235 |
| C.L. Harris | **2013** | **-** | **-** | **-** | **-** | **-** | **-** |
| (retired 29/2/12) | 2012 | 80,164[d] | - | 37,169[d] | 10,560 | 218,750[h] | 346,643 |
| R.A. Higgins AO | **2013** | **85,000** | **7,259** | **-** | **8,303** | **-** | **100,562** |
| | 2012 | 68,592 | 3,270 | - | 6,467 | - | 78,329 |
| J.C. Morton | **2013** | **85,000** | **4,459** | **-** | **8,051** | **-** | **97,510** |
| | 2012 | 27,500 | 1,800 | - | 2,637 | - | 31,937 |
| R.J. Patterson | **2013** | **70,249**[e] | **1,659** | **14,751**[e] | **7,799** | **-** | **94,458** |
| | 2012 | 12,873[e] | 1,470 | 43,707[e] | 5,224 | - | 63,274 |
| Total | **2013** | **653,750** | **26,235** | **37,550** | **64,577** | **-** | **782,112** |
| | 2012 | 426,242 | 27,810 | 170,160 | 56,177 | 351,250 | 1,031,639 |

(a) Base fee totalling $181,300 includes amounts paid in cash and superannuation (2012: $113,667).

(b) Base fee totalling $85,000 includes amounts paid in cash and superannuation (2012: $82,500).

(c) Base fee totalling $55,000 includes amounts paid in cash and superannuation.

(d) Base fee totalling $117,333 includes amounts paid in cash and superannuation.

(e) Base fee totalling $85,000 includes amounts paid in cash and superannuation (2012: $56,580).

(f) Superannuation contributions made on behalf of non-executive Directors to satisfy the Company's obligations under the Superannuation Guarantee Charge legislation.

(g) Director's retiring benefit paid upon retirement was paid in cash.

(h) Director's retiring benefit paid upon retirement was paid as a superannuation contribution.

| | | Short-term | | | Post-employment | Share based [g] | | |
|---|---|---|---|---|---|---|---|---|
| | | Salaries $ | STI [c] $ | Non-monetary benefits [f] $ | Superannuation $ | STI [h] $ | LTI [i] $ | Total $ |
| **Other Key Management Personnel** | | | | | | | | |
| J. Beddow | **2013** | **526,260** [a] | **162,500** [d] | **2,457** | **-** | **19,198** | **113,552** | **823,967** |
| | 2012 | 479,147 [a] | 142,500 [d] | 3,731 | - | - | 116,790 | 742,168 |
| B.R. Aird | **2013** | **346,487** [a] | **138,750** [e] | **15,215** | **25,000** | **16,392** | **48,271** | **590,115** |
| | 2012 | 321,269 [a] | 119,550 [e] | 24,835 | 50,000 | - | 44,625 | 560,279 |
| C.C. Hall | **2013** | **343,150** [b] | **117,250** [e] | **-** | **16,470** | **13,852** | **75,313** | **566,035** |
| | 2012 | 325,464 [b] | 104,625 [e] | - | 25,000 | - | 92,415 | 547,504 |
| A.B. Hill | **2013** | **155,625** [a] | **64,700** [e] | **3,182** | **25,000** | **7,642** | **22,028** | **278,177** |
| | 2012 | 158,300 [a] | 54,050 [e] | 4,911 | 15,624 | - | 19,265 | 252,150 |
| Total | **2013** | **1,371,522** | **483,200** | **20,854** | **66,470** | **57,084** | **259,164** | **2,258,294** |
| | 2012 | 1,284,180 | 420,725 | 33,477 | 90,624 | - | 273,095 | 2,102,101 |

(a) Salaries include the movement in the provision for annual leave and long service leave (where qualification for long service leave has been met and is entitled to be taken) and any salary sacrifice arrangements.

(b) Salaries include the movement in the provision for annual leave and long service leave (where qualification for long service leave has been met on a pro-rata basis) and any salary sacrifice arrangements.

(c) STI cash payments are paid in August each year.

(d) The STI of $162,500 was paid $137,500 in cash and $25,000 as a superannuation contribution (2012: $142,500 of which $117,500 was paid in cash and $25,000 as a superannuation contribution).

(e) The STI was paid in cash.

(f) Includes the benefit of interest free loans pursuant to the superseded Argo Investments Executive Share Plan.

(g) The Accounting Standards require that the expense relating to the incentive instruments be reflected over the performance period, regardless of whether the executive ever receives any actual value from them. If the performance rights lapse, the expense is reversed and the amount previously disclosed for individual executives is also reversed.

(h) **Argo Investments Limited Executive STI Performance Rights**

The fair value of the STI performance rights will be independently calculated at grant date, expected to be 17 September, 2013, by using the Binomial method, taking into account the two year vesting period and expected dividends during that period that will not be received.

The value disclosed is the portion of the estimated fair value of the performance rights which has been allocated as an administration expense to this reporting period.

(i) **Argo Investments Limited Executive LTI Performance Rights**

The fair value of the 2007 and 2008 LTI performance rights granted on 29 November, 2007 and 19 November, 2008 respectively was calculated using the Binomial method and applying the Monte Carlo simulation.

The fair value of the 2007 restricted share rights granted on 29 November, 2007 was calculated using the Binomial method.

The fair value of the 2009, 2010, 2011 and 2012 LTI performance rights granted on 22 April, 2010, 18 November, 2010, 17 November, 2011 and 15 November, 2012 respectively was calculated by estimating the value of dividends an award recipient would not receive during the performance measurement period and subtracting this amount from the value of the grant date share price, and applying the Monte Carlo simulation.

The value disclosed is the portion of the fair value of the LTI performance rights allocated as an administration expense to this reporting period.

### Argo Employee Share Ownership Plan

Employees received $1,000 of Company shares at market value pursuant to the Argo Employee Share Ownership Plan.

(j) The Directors' and Officers' liability insurance contract does not specify premiums in respect of individual Directors and Officers and the policy also prohibits disclosure of the premium paid.

## Remuneration Performance Percentages

| | | STI opportunity as % of fixed remuneration component | Actual STI as % of STI opportunity | % of STI opportunity payment not achieved | Share based remuneration as proportion of remuneration (1) | Total performance related remuneration |
|---|---|---|---|---|---|---|
| J. Beddow | **2013** | **70%** | **65.0%** | **35.0%** | **16.1%** | **35.8%** |
| | 2012 | 50% | 60.0% | 40.0% | 15.7% | 34.9% |
| B.R. Aird | **2013** | **70%** | **75.0%** | **25.0%** | **11.0%** | **34.5%** |
| | 2012 | 50% | 65.5% | 34.5% | 8.0% | 29.3% |
| C.C. Hall | **2013** | **70%** | **67.0%** | **33.0%** | **15.8%** | **36.5%** |
| | 2012 | 50% | 62.0% | 38.0% | 16.9% | 36.0% |
| A.B. Hill | **2013** | **70%** | **75.0%** | **25.0%** | **10.7%** | **33.9%** |
| | 2012 | 50% | 65.5% | 34.5% | 7.6% | 29.1% |

(1) These percentages are based on the Accounting Standard disclosures and reflect the net effect of the various outcomes described in (h) and (i) above.

## Performance Rights[1]

### Granted

| | | Number | Grant date | Fair value per right at grant date | Earliest vesting date | Expiry date | Number yet to vest | Value yet to vest Min.[2] $ | Max.[3] $ |
|---|---|---|---|---|---|---|---|---|---|
| J. Beddow | STI | - | - | - | - | - | - | - | 45,802 |
| | LTI | 17,500 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2012 | - | - | - |
| | | 24,000 | 19/11/2008 | $4.75 | 19/11/2011 | 3/12/2013 | 6,000 | - | - |
| | | 29,100 | 22/04/2010 | $5.74 | 18/11/2013 | 2/12/2014 | 29,100 | - | 7,280 |
| | | 42,300 | 18/11/2010 | $5.16 | 18/11/2014 | 2/12/2015 | 42,300 | - | 17,380 |
| | | 53,400 | 17/11/2011 | $4.40 | 17/11/2015 | 1/12/2016 | 53,400 | - | 34,684 |
| | | 86,000 | 15/11/2012 | $4.44 | 15/11/2016 | 29/11/2016 | 86,000 | - | 100,327 |
| | | 252,300 | | | | | 216,800 | - | 205,473 |
| B.R. Aird | STI | - | - | - | - | - | - | - | 39,108 |
| | LTI | 25,000 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2012 | - | - | - |
| | | 21,500 | 19/11/2008 | $4.75 | 19/11/2011 | 3/12/2013 | 5,375 | - | - |
| | | 25,800 | 22/04/2010 | $5.74 | 18/11/2013 | 2/12/2014 | 25,800 | - | 7,172 |
| | | 30,900 | 18/11/2010 | $5.16 | 18/11/2014 | 2/12/2015 | 30,900 | - | 13,363 |
| | | 41,100 | 17/11/2011 | $4.40 | 17/11/2015 | 1/12/2016 | 41,100 | - | 25,290 |
| | | 27,300 | 15/11/2012 | $4.44 | 15/11/2016 | 29/11/2016 | 27,300 | - | 32,888 |
| | | 171,600 | | | | | 130,475 | - | 117,821 |
| C.C. Hall | STI | - | - | - | - | - | - | - | 33,048 |
| | LTI | 16,500 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2012 | - | - | - |
| | | 21,500 | 19/11/2008 | $4.75 | 19/11/2011 | 3/12/2013 | 5,375 | - | - |
| | | 26,100 | 22/04/2010 | $5.74 | 18/11/2013 | 2/12/2014 | 26,100 | - | 6,675 |
| | | 30,300 | 18/11/2010 | $5.16 | 18/11/2014 | 2/12/2015 | 30,300 | - | 11,796 |
| | | 38,100 | 17/11/2011 | $4.40 | 17/11/2015 | 1/12/2016 | 38,100 | - | 23,444 |
| | | 25,900 | 15/11/2012 | $4.44 | 15/11/2016 | 29/11/2016 | 25,900 | | 29,557 |
| | | 158,400 | | | | | 125,775 | - | 104,520 |
| A.B. Hill | STI | - | - | - | - | - | - | - | 18,233 |
| | LTI | 7,000 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2012 | - | - | - |
| | | 9,500 | 19/11/2008 | $4.75 | 19/11/2011 | 3/12/2013 | 2,375 | - | - |
| | | 12,000 | 22/04/2010 | $5.74 | 18/11/2013 | 2/12/2014 | 12,000 | - | 3,202 |
| | | 15,000 | 18/11/2010 | $5.16 | 18/11/2014 | 2/12/2015 | 15,000 | - | 6,227 |
| | | 18,600 | 17/11/2011 | $4.40 | 17/11/2015 | 1/12/2016 | 18,600 | - | 12,208 |
| | | 12,700 | 15/11/2012 | $4.44 | 15/11/2016 | 29/11/2016 | 12,700 | - | 15,297 |
| | | 74,800 | | | | | 60,675 | | 55,167 |
| Total | | **657,100** | | | | | **533,725** | **-** | **482,981** |

## Vested, Exercised and Lapsed

| | Grant date | Number of rights vested during the year | Number of shares purchased on exercise | Value at exercise date[4] $ | Number of rights lapsed during the year[5] | Value at lapse date[6] $ |
|---|---|---|---|---|---|---|
| J. Beddow | 29/11/2007 | 1,452 | 1,452 | 8,596 | 9,437 | 69,551 |
| | 19/11/2008 | 6,000 | 6,000 | 35,520 | - | - |
| B.R. Aird | 29/11/2007 | 2,074 | 2,074 | 12,278 | 13,481 | 99,355 |
| | 19/11/2008 | 5,375 | 5,375 | 31,820 | - | - |
| C.C. Hall | 29/11/2007 | 1,369 | 1,369 | 8,104 | 8,897 | 65,571 |
| | 19/11/2008 | 5,375 | 5,375 | 31,820 | - | - |
| A.B. Hill | 29/11/2007 | 581 | 581 | 3,440 | 3,775 | 27,822 |
| | 19/11/2008 | 2,375 | 2,375 | 14,060 | - | - |
| | | **24,601** | **24,601** | **145,638** | **35,590** | **262,299** |

(1) The LTI performance rights granted do not have an exercise price and no amount is payable by the recipient.

(2) The minimum value of STI and LTI performance rights yet to vest is $nil as the performance and service conditions may not be met and consequently the STI and LTI performance rights may not vest.

(3) The maximum value yet to vest of STI performance rights which are expected to be granted on 17 September, 2013 has been determined as the estimated fair value of the STI performance rights yet to be expensed.

The maximum value of LTI performance rights yet to vest has been determined as the amount of the grant date fair value of the LTI performance rights that is yet to be expensed.

Ultimately, the value received from STI and LTI performance rights will be determined by the quantity of rights that vest and the market value.

(4) The value of LTI performance rights exercised during the year is calculated as the market price of shares of the Company on the date the LTI performance rights were exercised.

(5) The 2007 LTI performance rights lapsed on 29 November, 2012 because the performance condition was not satisfied.

(6) The value of LTI performance rights that lapsed during the year represents the benefit forgone, and is calculated at the date the rights lapsed assuming the performance condition had been satisfied.

## Restricted Share Rights[1]

### Vested and Exercised

| | Grant date | Number of rights vested during the year | Number of shares purchased on exercise | Value at exercise date[2] $ |
|---|---|---|---|---|
| J. Beddow | 29/11/2007 | 25,000 | 25,000 | 148,000 |
| C.C. Hall | 29/11/2007 | 20,000 | 20,000 | 118,400 |
| Total | | **45,000** | **45,000** | **266,400** |

(1) The restricted share rights granted did not have an exercise price and no amount was payable by the recipient.

(2) The value of restricted share rights exercised during the year was calculated as the market price of shares of the Company on the date the restricted share rights were exercised.

No restricted share rights were granted, forfeited or lapsed during the year.

### Service Agreements

Messrs. J. Beddow (Chief Executive Officer), B.R. Aird (Chief Operating Officer), C.C. Hall (Senior Investment Officer) and A.B. Hill (Chief Financial Officer) have service agreements with the Company which commenced on 31 March, 2010 for an initial fifteen month period and upon expiration, the agreements automatically extend for further periods of twelve months each.

Pursuant to these agreements, remuneration is reviewed annually by the Company but there is no obligation to increase it unless the Company sees fit to do so.

The agreements may be immediately terminated by the Company, without prior notice to the executives, if they have committed certain breaches or become permanently incapacitated.

The executives' employment may be terminated at any time after the initial period by either party giving to the other party written notice of termination (not less than twelve calendar months for Mr. Aird, not less than six calendar months for Messrs. Beddow and Hall and not less than three calendar months for Mr. Hill), or written notice of such other duration as is agreed in writing between the parties.

The Company is entitled at any time after the initial period to terminate the executives' employment by paying each respective party a lump sum in lieu of notice being the equivalent to twelve calendar months' total remuneration package for Mr. Aird, six calendar months' total remuneration package for Messrs. Beddow and Hall and three calendar months' total remuneration package for Mr. Hill.

If the Company changes the responsibilities of the executives without their consent, they can terminate their agreements by giving not less than three calendar months' prior written notice to the Company.

If the Company commits any serious or persistent breach of any of the provisions of the agreement including failing to materially maintain the salary or other benefits, or where a receiver and manager or a liquidator is appointed, the executives may terminate their agreement immediately by giving written notice to the Company.

Unless otherwise stated above, no termination payments are provided for under the service agreements.

**Remuneration Policy and Company Performance**

In considering the relationship between the Company's remuneration policy, the Company's performance and benefits for shareholders' wealth, the following data can be considered:-

| | **2013** | **2012** | **2011** | **2010** | **2009** |
|---|---|---|---|---|---|
| Argo share price as at 30 June | $6.46 | $5.15 | $5.61 | $5.85 | $5.76 |
| Change in share price between years | +$1.31 | –$0.46 | –$0.24 | +$0.09 | –$1.33 |
| Total portfolio return | +23.6% | –5.7% | +9.5% | +13.9% | –16.8% |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Profit for the year | 175,035 | 167,274 | 172,058 | 142,814 | 163,353 |
| Dividends paid | 168,674 | 162,498 | 159,862 | 149,263 | 157,058 |
| Total assets | 4,232,680 | 3,493,084 | 3,838,216 | 3,561,400 | 3,127,445 |

There was a 25.4% increase in the Company's share price during the year.

The total portfolio performance for the year was a return of 23.6%, based on net tangible asset movements assuming dividends paid are reinvested, which compared favorably with the S&P ASX All Ordinaries Accumulation Index movement of 20.7%.

The Company's profit, dividends paid and total assets indicators all improved during the year.

The performance of all the above indicators, having all been assessed positively, indicate a successful, value-adding year for shareholders.

It is considered that the current mix of fixed, short-term and long-term remuneration for key management personnel is generating the desired outcome for shareholders and is appropriate to attract and retain the best executives in a competitive industry.

## 11. Environmental Regulations

The Company's operations are not directly affected by environmental regulations.

## 12. Rounding of Amounts

Australian Securities and Investments Commission Class Order 98/100 dated 10 July, 1998 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

## 13. Non-audit Services

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in note 26 to the financial statements on page 66 of this report.

The Board has considered the position and, in accordance with the advice from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:-

(a) all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

(b) the non-audit services provided do not undermine the general principles relating to audit independence as set out in APES 110 Code of Ethics for Professional Accountants.

The Auditor's Independence Declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 33.

This report is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

G.I. Martin
Chairman

16 August, 2013

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## Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

A G Forman
Partner
PricewaterhouseCoopers

Adelaide
16 August, 2013

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# Corporate Governance Statement

Argo Investments Limited ("Company") is committed to responsible financial and business practices and good corporate governance to protect and advance shareholders' interests.

In developing and maintaining its corporate governance framework, the Company has followed the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations. However, the Board believes that these rules and regulations are of limited value unless supported by a foundation of honesty and integrity.

The Company's Code of Conduct, Charters and Policies referred to in this Statement are available on request or can be found in the Corporate Governance section of the Company's website at www.argoinvestments.com.au.

**Code of Conduct**

The reputation of the Company in the business world and broader community is of fundamental importance and can only be protected and enhanced by all Directors, executives and employees consistently maintaining the highest standards of honesty and integrity.

The Code of Conduct provides the framework that ensures all Directors, executives and employees of the Company engage in practices necessary to maintain confidence in the Company's integrity.

The Company is committed to its objective of maximising long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. We can achieve this objective by striving for professional excellence whilst operating within the framework of behaviour provided by our Code of Conduct.

All Directors, executives and employees are individually responsible for conducting themselves in accordance with the Code of Conduct. In particular, Argo's Directors, executives and employees must behave in a manner consistent with our core values of:

- abiding by the law and complying with any relevant legislation, regulations and accounting practices;
- acting honestly, diligently and with integrity;
- dealing fairly, without prejudice and in the best interests of the Company's shareholders, having regard to the interests of the Company's other stakeholders; and
- complying with Board and Committee Charters, Codes and Policies.

**The Board**

The Board's primary role is to ensure the long-term prosperity of the Company. It is responsible for a broad range of matters including:

- setting broad strategic direction for the Company;
- approving the objectives, goals and strategic plan proposed by management with a view to maximising shareholder value;
- appointing, remunerating and terminating the services of the Chief Executive Officer;
- monitoring and assessing the performance of the Chief Executive Officer;
- undertaking Director nomination matters including succession planning for the Board to ensure an appropriate mix of skills, experience, expertise and diversity is maintained;

- ensuring the Chief Executive Officer has an adequate management succession plan;
- approving and maintaining appropriate risk management and internal control systems to identify, assess, monitor and manage the Company's business risks on an ongoing basis;
- ratifying investment portfolio transactions and monitoring the composition and performance of the investment portfolio;
- approving major capital expenditure, capital management and acquisitions;
- overseeing the Company's process for disclosure and communications;
- ensuring appropriate resources are available to senior executives;
- developing and approving appropriate Company policies, procedures and codes of behaviour as required to maintain a culture of integrity and a strong framework of corporate governance; and
- establishing and reporting on diversity objectives for the Company.

The Board currently comprises six independent, non-executive Directors and one non-independent, non-executive Director. The Board regularly assesses the independence of each non-executive Director. For the purposes of assessing independence with respect to any commercial arrangements a Director may have with the Company, a materiality threshold of $100,000 per annum is used.

Mr. R.T. Rich is considered independent by the Board notwithstanding the existence of one of the relationships which may affect independence as determined by the ASX Corporate Governance Principles and Recommendations (Recommendation 2.1). Mr. Rich joined the Board of the Company in 1992 and was an executive Director until 1998 when he became a non-executive Director, without serving the recommended three year gap between being an executive Director and a non-executive Director. The Board considers that since becoming a non-executive Director, Mr. Rich has consistently exhibited independent judgement and at all times acted in the best interests of shareholders, and as such is deemed an independent Director in accordance with the Company's Board Charter.

It is the policy of the Board that there be a majority of independent, non-executive Directors. Information about the Directors and Board Committees, as required by the ASX Corporate Governance Principles and Recommendations, is contained in the relevant sections of the Directors' Report.

Directors are elected by shareholders and, in accordance with the provisions of the Constitution, no Director holds office for a period longer than three years without standing for re-election by the shareholders.

The Board has adopted a tenure policy which limits the maximum tenure of office that any non-executive Director may serve to 12 years from the date of first election by shareholders, although the Board, on its initiative and on an exceptional basis, may exercise discretion to support the nomination of a Director seeking re-election beyond the maximum term specified above where it considers that such an extension would benefit the Company. Such discretion will remain in force until the Director concerned is subject to re-election by rotation in accordance with the Company's Constitution, at which time the Board will again consider whether to exercise its discretion to support the Director's nomination for re-election.

Each year, the formal process for the evaluation of the Board and individual Directors is considered. Where appropriate, or otherwise at regular intervals, the Board may involve external consultants in the process. In other years, the Chairman speaks individually with Directors to review their performance and each Director has the opportunity to raise any particular concerns or issues. In addition, an independent, non-executive Director nominated by the Board speaks individually with the other Directors to review the Board Chairman's performance. During these reviews, the Chairman and Directors evaluate the performance of the Board as a whole. The process addresses all key aspects of the Board's operations. Once completed, the findings of the reviews are reported to the Board. Any recommendations for changes to the Board's operations are then developed and their implementation is overseen by the Chairman.

**Managing Business Risk**

The Board monitors the business risk and guides the affairs of the Company in the discharge of its stewardship responsibilities. Responsibility for managing and progressing the profitable operation and development of the Company, consistent with the directions and standards set by the Board, is delegated to the Chief Executive Officer, who is accountable and reports to the Board.

The Board also delegates some of its functions to Board Committees, which are accountable to the Board.

Matters which are not covered by delegations require Board approval. Such matters include the prior approval of investment transactions above delegated levels.

The Board meeting agendas and reports advise the Board of current and forthcoming issues relevant to the Company's operations and performance. In addition to the Board's consideration of the investment portfolio at their regular meetings, there are detailed reviews examining relevant market sectors on a regular basis, with the investment and analytical executives of the Company in attendance.

Management has designed and implemented a risk management and internal control system, and the Board has received reports from management as to the effectiveness of this framework in the management of the Company's material business risks.

The procedures involved in the management of material business risks include:

- identification of inherent business risks faced by the Company;
- monitoring of the business environment to identify changes to these risks or identify new risks;
- classification of the possible risk events into either a 'material risk register' or 'secondary risk register' according to potential impact of the events should they occur;
- analysis of the material risk register items as to their likelihood, consequences, existing internal controls and options for further action;
- a management report to the Board at least quarterly regarding the material risk register, the effectiveness of the risk management framework and any relevant events or

changes in the internal control or risk environment; and

- an annual review by the Board of the risk management policy and procedures.

In addition, the Chief Executive Officer and Chief Financial Officer have provided assurance to the Board that the declaration made in accordance with s295A of the Corporations Act regarding the preparation of the Company's financial statements is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The risk management policy and procedures can be found in the Corporate Governance section of the Company's website.

**Audit Committee**

The Audit Committee of the Board, comprising three independent, non-executive Directors, works to defined terms of reference in compliance with its Charter and all the regulatory requirements. The external audit firm partner responsible for the Company audit attends meetings by invitation. The Committee formally reports to the Board after each of its meetings and is chaired by an independent Director who is not the Chairman of the Board.

The Committee primarily provides assistance to the Board in fulfilling its responsibilities in relation to the Company's financial reporting, compliance with internal financial controls and the external audit functions. The process for approval of the financial statements involves the sign-offs by various levels of senior management, including the Chief Executive Officer. The Company's external audit is undertaken by PricewaterhouseCoopers and the audit engagement partner is required to be changed at regular intervals.

**Remuneration Committee**

The Remuneration Committee comprises three independent, non-executive Directors.

The Committee reviews and advises the Board on remuneration arrangements for the non-executive Directors, Chief Executive Officer and executives. It assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the Company's remuneration policy links the nature and amount of executive remuneration to the Company's financial and operational performance.

The Company's remuneration policy, performance evaluation process and the details of the remuneration of each Director and other key management personnel can be found in the Remuneration Report which forms part of the Directors' Report.

A performance evaluation for the Board, its Committees, individual Directors and executives has been carried out during the reporting period, in accordance with the process disclosed in this Statement and relevant Company policies.

The Company entered into an agreement with each non-executive Director holding office prior to 31 December, 2003 for payment of a retirement benefit upon termination of office which is not superannuation. The agreements were subsequently varied and the entitlements were determined and frozen as at 31 December, 2003.

**Nomination Commitee**

The Board has not appointed a Nomination Committee as it considers that all Directors should participate in nomination matters, including succession planning for the Board. This is a departure from the ASX Corporate Governance Principles and Recommendations (Recommendation 2.4) but the Board places great importance on these matters and prefers not to delegate them to a committee.

All Directors are therefore involved in the process of evaluating the desirable competencies and composition of the Company's Board, assessing the competencies of the existing Board, establishing procedures for the re-election of retiring Directors, and where required, identifying, interviewing and selecting suitable Directors to complement the Board's composition and maintain an appropriate mix of skills, experience, expertise and diversity into the future.

**Disclosure and Shareholder Communication**

The Company is committed to providing relevant and timely information to its shareholders and to the broader financial community, in accordance with its obligations under the ASX continuous disclosure regime, the Company's Disclosure Policy and the Company's Communications Policy.

All staff are required to inform a member of the Company's Continuous Disclosure Committee immediately if they become aware of any potentially price sensitive information relating to the Company. The Continuous Disclosure Committee, which comprises the Chief Executive Officer, the Chief Operating Officer and the Company Secretary, in consultation with the Board, will consider whether disclosure to the ASX is required in order to comply with ASX continuous disclosure requirements. Any disclosure must be released to the market through the ASX. Following confirmation of receipt from the ASX, the Company will place all information disclosed on its website.

The Company Secretary is primarily responsible for co-ordinating the disclosure of information to the ASX, regulators and shareholders on behalf of the Company, in consultation with the Board and other executives as required.

In addition to the ASX announcements, information is communicated to shareholders through:

- the Annual Report which is distributed to shareholders who request it;
- a letter providing details of the half-yearly and annual results;
- the Owner's Manual;
- the Company's website; and
- other correspondence regarding matters impacting on shareholders as required.

All documents that are released publicly are made available on the Company's website.

Shareholders are encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as single resolutions.

The Company also holds annual shareholder information meetings in Melbourne and Sydney, which provide an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

**Shareholdings of Directors, Executives and Employees**

Directors are not required to hold a minimum number of shares pursuant to the Company's Constitution. However, their current relevant interests in the Company's shares are shown in the Directors' Report.

The Board has adopted a policy for trading in the Company's shares by Directors, executives and employees and entities controlled by them. The policy is designed to ensure that the Directors, executives and employees comply with the Company's continuous disclosure obligations to the ASX and the insider trading legislation.

In addition, the policy prohibits Directors, executives or employees from trading in the Company's shares during the following closed periods:-

(a) the close of business on the last business day of the Company's half and full financial year up to and including the day after the Company's announcement of its financial results to the ASX; and

(b) the opening of business on the last business day of each month up to and including the day after the monthly Net Tangible Asset backing per share is announced to the ASX; and

(c) other prohibited periods as imposed by the Company from time to time;

subject to exceptional circumstances which must be approved by the designated Company officers.

This policy does not preclude Directors, executives and employees or entities controlled by them from taking up or renouncing an entitlement to the Company's shares, from participating in the Company's Share Purchase Plan or from participating in the Company's Dividend Reinvestment Plan.

**Conflict of Interest**

Directors are required to disclose to the Board details of transactions which may create a conflict of interest.

Directors, executives and employees of the Company are prohibited from trading in the securities of other companies about which they may gain price sensitive information by virtue of their position in the Company. They must not cause that information to be communicated to another person nor use that information in conflict with the interests of the Company.

No private trading in a security of another entity may be undertaken by Directors, executives or employees at times when the Company cannot trade, or when it is in the market for that security.

In all conflicting situations, the interests of the Company must take priority over the personal interests of the Directors, executives and employees who must at all times act in accordance with the Company's Code of Conduct.

**Indemnities**

In accordance with the Company's Constitution and as approved by shareholders, each Director and officer is indemnified to the extent permitted by law.

Directors and officers of the Company are covered by insurance against certain liabilities they may incur in carrying out their duties for the Company.

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which is not to be unreasonably withheld.

**Diversity**

The Diversity Policy of the Company highlights that it is committed to being an inclusive workplace that values and promotes diversity in terms of age, gender, ethnicity and cultural background, without discrimination on any basis.

Due to the nature of Argo's business, only a small number of Directors, executives and employees are required to manage the Company's operations. Argo's proven employment practices have allowed a stable workforce to be maintained over the years with the result that staff turnover has been minimal. However, when recruitment is undertaken, a diverse range of candidates are considered, with the final selection based purely on merit.

With respect to gender diversity, the proportion of female representation at various levels within the Company is as follows:-

| | |
|---|---|
| Board of Directors | 29% |
| Senior executive roles | 9% |
| Organisation overall | 29% |

Given the low numbers of personnel employed by Argo, the Company's measureable objective for gender diversity is set at the overall organisational level, with the long-term, ongoing objective of maintaining a female representation of at least one third of personnel including Board members. The Directors advise that currently 29% of positions are filled by women.

# Statement of Profit or Loss

*for the year ended 30 June, 2013*

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | $'000 | $'000 |
| Dividends and distributions | 2 | 179,756 | 171,569 |
| Interest | | 7,590 | 8,539 |
| Other revenue | | 218 | 303 |
| Total revenue | | 187,564 | 180,411 |
| Net gains on trading investments | | 4,130 | 4,668 |
| Income from operating activities | | 191,694 | 185,079 |
| Administration expenses | 3 | (7,172) | (6,652) |
| Profit before income tax expense | | 184,522 | 178,427 |
| Income tax expense thereon | 4 | (9,487) | (11,153) |
| Profit for the year | | 175,035 | 167,274 |
| | | **2013** | **2012** |
| | | cents | cents |
| Basic and diluted earnings per share | 5 | 27.7 | 26.8 |

# Statement of Comprehensive Income

*for the year ended 30 June, 2013*

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Profit for the year | 175,035 | 167,274 |
| Other comprehensive income:- | | |
| Revaluation of long-term investments | 622,404 | (380,278) |
| Provision for deferred tax (expense)/benefit on revaluation of long-term investments | (188,171) | 110,090 |
| Other comprehensive income for the year | 434,233 | (270,188) |
| Total comprehensive income for the year | 609,268 | (102,914) |

Note: all items in other comprehensive income will not be subsequently reclassified through the Statement of Profit or Loss

*(To be read in conjunction with the accompanying notes)*

# Statement of Financial Position

*as at 30 June, 2013*

| | Note | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6(a) | 135,910 | 141,727 |
| Receivables | 7 | 33,125 | 34,400 |
| Investments | 8 | - | 2,102 |
| Other financial cash assets | 9 | 60,000 | 10,000 |
| Current tax assets | | - | 763 |
| **Total Current Assets** | | 229,035 | 188,992 |
| **NON-CURRENT ASSETS** | | | |
| Receivables | 7 | 632 | 732 |
| Investments | 8 | 4,002,630 | 3,302,933 |
| Plant and equipment | 10 | 383 | 427 |
| **Total Non-Current Assets** | | 4,003,645 | 3,304,092 |
| **TOTAL ASSETS** | | 4,232,680 | 3,493,084 |
| **CURRENT LIABILITIES** | | | |
| Payables | 11 | 14,495 | 13,206 |
| Derivative financial instruments | 12 | 660 | 419 |
| Current tax liabilities | | 5,917 | - |
| Provisions | 13 | 614 | 650 |
| **Total Current Liabilities** | | 21,686 | 14,275 |
| **NON-CURRENT LIABILITIES** | | | |
| Payables | 11 | 150 | 150 |
| Deferred tax liabilities | 14 | 448,624 | 269,171 |
| Provisions | 13 | 221 | 145 |
| **Total Non-Current Liabilities** | | 448,995 | 269,466 |
| **TOTAL LIABILITIES** | | 470,681 | 283,741 |
| **NET ASSETS** | | 3,761,999 | 3,209,343 |
| **SHAREHOLDERS' EQUITY** | | | |
| Contributed equity | 15 | 2,304,790 | 2,198,081 |
| Reserves | 16 | 1,181,322 | 753,429 |
| Retained profits | 17 | 275,887 | 257,833 |
| **TOTAL SHAREHOLDERS' EQUITY** | | 3,761,999 | 3,209,343 |

*(To be read in conjunction with the accompanying notes)*

# Statement of Changes in Equity

*for the year ended 30 June, 2013*

| | Contributed Equity | Reserves | Retained Profits | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| | (note 15) | (note 16) | (note 17) | |
| Balance as at 1 July, 2012 | 2,198,081 | 753,429 | 257,833 | 3,209,343 |
| Profit for the year | - | - | 175,035 | 175,035 |
| Other comprehensive income | - | 434,233 | - | 434,233 |
| Total comprehensive income for the year | - | 434,233 | 175,035 | 609,268 |
| Transactions with shareholders:- | | | | |
| Dividend Reinvestment Plan | 30,619 | - | - | 30,619 |
| Share Purchase Plan | 76,390 | - | - | 76,390 |
| Cost of share issues net of tax | (300) | - | - | (300) |
| Executive performance rights reserve | - | (75) | - | (75) |
| Dividends paid | - | (6,265) | (156,981) | (163,246) |
| Total transactions with shareholders | 106,709 | (6,340) | (156,981) | (56,612) |
| Balance as at 30 June, 2013 | 2,304,790 | 1,181,322 | 275,887 | 3,761,999 |

*for the year ended 30 June, 2012*

| | | | | |
|---|---|---|---|---|
| Balance as at 1 July, 2011 | 2,167,020 | 1,036,275 | 239,866 | 3,443,161 |
| Profit for the year | - | - | 167,274 | 167,274 |
| Other comprehensive income | - | (270,188) | - | (270,188) |
| Total comprehensive income for the year | - | (270,188) | 167,274 | (102,914) |
| Transactions with shareholders:- | | | | |
| Dividend Reinvestment Plan | 31,169 | - | - | 31,169 |
| Cost of share issues net of tax | (108) | - | - | (108) |
| Executive performance rights reserve | - | (249) | - | (249) |
| Dividends paid | - | (12,409) | (149,307) | (161,716) |
| Total transactions with shareholders | 31,061 | (12,658) | (149,307) | (130,904) |
| Balance as at 30 June, 2012 | 2,198,081 | 753,429 | 257,833 | 3,209,343 |

*(To be read in conjunction with the accompanying notes)*

# Statement of Cash Flows

*for the year ended 30 June, 2013*

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Dividends and distributions received | | 157,728 | 140,828 |
| Interest received | | 7,464 | 8,892 |
| Other receipts | | 218 | 308 |
| Proceeds from trading investments | | 11,704 | 9,222 |
| Payments for trading investments | | (5,231) | (6,237) |
| Other payments | | (7,146) | (6,996) |
| Income tax paid | | (11,395) | (24,611) |
| **Net operating cash inflows** | 6(b) | 153,342 | 121,406 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of long-term investments | | 136,702 | 101,490 |
| Payments for long-term investments | | (189,285) | (82,648) |
| Proceeds from other financial cash assets | | 20,000 | 100,000 |
| Payments for other financial cash assets | | (70,000) | (50,000) |
| Executive share scheme repayments | | 100 | 100 |
| Proceeds from sale of fixed assets | | - | 13 |
| Payments for fixed assets | | (10) | (28) |
| **Net investing cash (outflows)/inflows** | | (102,493) | 68,927 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from Share Purchase Plan | | 76,390 | - |
| Cost of share issues | | (429) | (155) |
| Dividends paid – net of Dividend Reinvestment Plan | | (132,627) | (130,546) |
| **Net financing cash outflows** | | (56,666) | (130,701) |
| Net (decrease)/increase in cash held | | (5,817) | 59,632 |
| Cash at the beginning of the year | | 141,727 | 82,095 |
| **Cash at the end of the year** | 6(a) | 135,910 | 141,727 |

*(To be read in conjunction with the accompanying notes)*

# Notes to the Financial Statements
*for the year ended 30 June, 2013*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the financial statements of Argo Investments Limited ("the Company") which are presented in Australian currency. Argo Investments Limited is a company limited by shares and incorporated in Australia.

The financial statements were authorised for issue by the Directors on 16 August, 2013. The Directors have the power to amend and reissue the financial statements.

The significant accounting policies which have been adopted in the preparation of these financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

### (a) **Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. The Company is a 'for profit' entity for the purpose of preparing the financial statements.

These financial statements are presented in Australian dollars and have been prepared using the conventional historical cost basis except for the fair value accounting of investments detailed in note 1(b)(2) and exchange traded options in note 1(c).

The accounting policies adopted are consistent with those of the previous financial year.

### (b) **Investments**

#### (1) **Classification**

Purchases and sales of investments are recognised on trade-date, being the date the Company commits to purchase or sell the asset.

**Current Assets**
Investments classified as Current Assets comprise holdings of trading securities and are categorised as financial assets measured at fair value through the Statement of Profit or Loss. Investments are initially recognised at fair value and transaction costs are expensed. An investment is classified in this category if acquired principally for the purpose of selling in the short term.

**Non-Current Assets**
Investments classified as Non-Current Assets comprise holdings of long-term securities and are revalued at fair value through other comprehensive income. Investments are initially recognised at cost.

(2) **Valuation**

Trading securities and long-term securities are continuously carried at fair value using price quotations in an active stock market.

Securities which are not listed on a securities exchange are valued using appropriate valuation techniques as reasonably determined by the Directors.

(3) **Gains and Losses**

**Current Assets**

Realised gains and losses from the sale of trading securities are included in the Statement of Profit or Loss in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of the trading securities are included in the Statement of Profit or Loss in the period in which they arise.

**Non-Current Assets**

Long-term investments are considered to have been sold when contractual rights to the investment expire or contractual rights to receive cash flows have been transferred and substantially all the risk and rewards of ownership have not been retained.

Realised gains and losses on the sale of long-term investments, net of tax, are transferred from the investment revaluation reserve and recorded in the capital profits reserve.

Unrealised gains and losses arising from changes in the fair value of long-term securities are recognised in other comprehensive income and reflected in the investment revaluation reserve.

(c) **Derivative Financial Instruments**

The Company sells Australian Securities Exchange traded options to earn income. Where the Company sells a call option, it is obligated to deliver securities at an agreed price if the holder exercises the option. Where the Company sells a put option, it is obligated to purchase securities at an agreed price if the holder exercises the option.

The premium received for selling options is not initially brought to account as revenue but is recognised in the Statement of Financial Position as a liability. When the option expires, is exercised or is repurchased, the premium received is brought to account and is included in net gains on trading investments in the Statement of Profit or Loss.

Any open option positions at balance date are carried at their fair value and unrealised gains and losses are included in the Statement of Profit or Loss.

(d) **Revenue**

Revenue is recognised when the right to receive payment is established.

(e) **Plant and Equipment**

Items of plant and equipment are depreciated over their estimated useful lives to the Company using the straight line method of depreciation at rates ranging from 7.5% to 33.3%.

(f) **Income Tax**

The income tax expense is the tax payable on the current year's taxable income based on the company tax rate 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 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities.

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 substantively enacted. 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 balances attributable to revaluation amounts recognised in other comprehensive income are also recognised in the investment revaluation reserve. The revaluation of long-term investments is net of tax on unrealised capital gains by recognising a deferred tax liability. Where the Company disposes of long-term securities in the investment portfolio, tax is calculated on the net gains made according to the particular parcels allocated to the sale for tax purposes. The tax recognised in the investment revaluation reserve is then transferred to the capital profits reserve. The associated deferred tax liability is similarly adjusted and transferred to tax payable.

(g) **Employee Entitlements**

Provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and long service leave (based on wage rates expected at the time of settling the liability) when it is probable that settlement will be required and they are capable of being reliably measured.

(h) **Argo Investments Limited Executive Performance Rights Plan**

The share based short-term incentive (STI) performance rights, expected to be granted on 17 September, 2013, will be measured at fair value. The amount of these rights is expensed on a straight line basis over the period between the performance commencement date of 1 July, 2012 and the expected date that the rights will vest.

The share based long-term incentive (LTI) performance rights and restricted share rights are required to be measured at fair value, and recorded as an expense on a straight line basis over the period between grant date and the expected date that the rights will vest.

(i) **Argo Investments Executive Share Plan Loans**

The interest free loans were issued to executives pursuant to the superseded Argo Investments Executive Share Plan and are recognised initially at fair value and subsequently measured at amortised cost.

(j) **Receivables**

Receivables include dividends, distributions and securities sold where settlement has not occurred at the end of the reporting period. Amounts are generally received within 30 days of recognition.

(k) **Payables**

Payables include liabilities for goods and services provided to the Company and for securities purchased where settlement has not occurred at the end of the reporting period. Amounts are usually paid within 30 days of recognition.

(l) **Operating Leases**

Payments made under operating leases are accounted for on a straight line basis over the period of the lease.

(m) **Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include bank deposits held at call, other short-term bank fixed term deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(n) **Other Financial Cash Assets**

Other financial cash assets are bank fixed term deposits with maturities from three to six months from date of acquisition.

(o) **Earnings per Share**

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period.

If applicable, diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(p) **Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity net of tax.

(q) **Provision for Dividend**

A provision for dividend is only made for any amount of any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

(r) **Rounding of Amounts**

Australian Securities and Investments Commission Class Order 98/100 dated 10 July, 1998 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

(s) **New Accounting Standards**

All Accounting Standards and interpretations that have been issued but are not yet mandatory for adoption have been assessed and the impact on the Company's financial statements when they become operative is not expected to be material. The Company intends to adopt the Accounting Standards and interpretations at the date at which their application becomes mandatory.

(t) **Critical Accounting Estimates and Judgements**

There are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

## 2. DIVIDENDS AND DISTRIBUTIONS

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Received/receivable from:- | | |
| Long-term investments held at the end of the year | 175,101 | 168,814 |
| Long-term investments sold during the year | 4,655 | 2,755 |
| | **179,756** | **171,569** |

## 3. ADMINISTRATION EXPENSES

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Employment benefits | 4,731 | 4,134 |
| Depreciation | 54 | 74 |
| Other administration | 2,387 | 2,444 |
| | **7,172** | **6,652** |

## 4. INCOME TAX EXPENSE

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| (a) Reconciliation of income tax expense to prima facie tax payable:- | | |
| Profit before income tax expense | 184,522 | 178,427 |
| Prima facie tax payable calculated at 30% (2012: 30%) | 55,357 | 53,528 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income:- | | |
| Imputation gross-up on dividends received | 18,272 | 17,217 |
| Franking credits on dividends received | (60,907) | (57,390) |
| Other | (2,548) | (1,979) |
| (Over) provision previous year | (687) | (223) |
| Income tax expense | **9,487** | **11,153** |
| (b) Income tax expense composition:- | | |
| Charge for tax payable relating to current year | 10,568 | 11,220 |
| (Decrease)/Increase in deferred tax liabilities | (394) | 156 |
| (Over) provision previous year | (687) | (223) |
| | **9,487** | **11,153** |
| (c) Amounts recognised directly in other comprehensive income:- | | |
| Increase/(Decrease) in deferred tax liabilities | **188,171** | **(110,090)** |

## 5. EARNINGS PER SHARE

| | 2013 | 2012 |
|---|---|---|
| | number '000 | number '000 |
| Weighted average number of ordinary shares on issue used in the calculation of earnings per share | 632,185 | 623,864 |
| | $'000 | $'000 |
| Profit for the year | 175,035 | 167,274 |
| | cents | cents |
| Basic and diluted earnings per share | **27.7** | **26.8** |

## 6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents includes cash on deposit (floating interest rates between 2.7% and 4.0% as at 30 June, 2013; 2012: 3.45%) with banks and fixed term deposits (fixed interest rates to maturity between 3.54% and 4.05% as at 30 June, 2013; 2012: 4.34% and 5.61%) with banks, all maturing within three months from date of deposit.

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Bank deposits | **135,910** | **141,727** |

| | 2013 | 2012 |
|---|---|---|
| (b) Reconciliation of net cash provided by operating activities to profit for the year:- | | |
| Profit for the year | 175,035 | 167,274 |
| Dividends received as securities in dividend reinvestment plans | (17,086) | (28,684) |
| Demerger dividend | (579) | - |
| Net loss on fixed assets | - | 5 |
| Depreciation | 54 | 74 |
| Charges to provisions | 136 | 146 |
| Other movements | (75) | (250) |
| Increase/(Decrease) in provision for income tax | 6,680 | (18,760) |
| Transfer from provision for deferred income tax | (8,618) | 5,139 |
| (Increase)/Decrease in deferred tax assets | (67) | 68 |
| Changes in operating assets and liabilities:- | | |
| Decrease/(Increase) in current investments | 2,102 | (2,102) |
| (Increase) in other debtors | (4,505) | (1,589) |
| Increase in other creditors | 265 | 85 |
| Net cash provided by operating activities | **153,342** | **121,406** |

| | 2013 | 2012 |
|---|---|---|
| (c) Financing Arrangements | | |
| Total lines of credit available:- | | |
| Bank overdraft | 200 | 200 |
| Amount utilised | - | - |
| Undrawn facility | **200** | **200** |

The bank overdraft is repayable on demand and is subject to a set-off arrangement against a credit account and to an annual review.

(d) Non-cash Financing Activities

Dividends paid totalling $30.6 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2012: $31.2 million).

## 7. RECEIVABLES

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| **Current** | | |
| Dividends and distributions receivable | 30,618 | 26,256 |
| Interest receivable | 971 | 845 |
| Outstanding settlements | 1,510 | 7,290 |
| Other | 26 | 9 |
| | **33,125** | **34,400** |

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within three days of the transaction date.

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| **Non-Current** | | |
| Executive share plan loans | **632** | **732** |

The Executive share plan loans are repaid in accordance with the terms of the plan.

## 8. INVESTMENTS

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| **Current** | | |
| Listed securities at fair value[1] | **-** | **2,102** |
| **Non-Current** | | |
| Listed securities at fair value[1] | 3,999,180 | 3,299,633 |
| Unlisted securities at fair value[2] | 3,450 | 3,300 |
| | **4,002,630** | **3,302,933** |

The fair value of investments is based on the fair value measurement hierarchy disclosed in note 27.

(1) The fair value of listed securities is established from the quoted prices (unadjusted) in the active market of the Australian Securities Exchange for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

(2) The fair value of unlisted securities is not based on observable market data in accordance with Level 3 of the fair value measurement hierarchy. The Directors have made valuation judgements to determine the fair value of these securities based on the net tangible asset values provided by the responsible entities of the securities.

Reconciliation of changes in unlisted securities valued in accordance with Level 3 of the fair value measurement hierarchy:-

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Carrying amount at beginning of year | 3,300 | 5,300 |
| Fair value gains recognised in other comprehensive income | 150 | 84 |
| Disposals | - | (2,084) |
| Carrying amount at end of year | **3,450** | **3,300** |

The fair value of each non-current security (long-term investment) is disclosed in note 28.

There were 89 investment transactions during the financial year. The total brokerage paid on these transactions was $0.8 million.

## 9. OTHER FINANCIAL CASH ASSETS

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Bank term deposits | **60,000** | **10,000** |

Other financial cash assets are fixed term deposits (fixed interest rates to maturity between 3.80% and 3.84% as at 30 June, 2013; 2012: 5.66%) with banks, maturing from three to six months from date of deposit.

## 10. PLANT AND EQUIPMENT

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Plant and equipment at cost | 959 | 949 |
| Accumulated depreciation | (576) | (522) |
| | **383** | **427** |
| **Movements** | | |
| Carrying amount at beginning of year | 427 | 491 |
| Additions | 10 | 28 |
| Disposals | - | (18) |
| Depreciation | (54) | (74) |
| Carrying amount at end of year | **383** | **427** |

## 11. PAYABLES

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| **Current** | | |
| Outstanding settlements | 13,469 | 12,204 |
| Other | 1,026 | 1,002 |
| | **14,495** | **13,206** |

Payables are non-interest bearing and unsecured. Outstanding settlements include amounts due to brokers for settlement of security purchases and are settled within three days of the transaction date.

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| **Non-Current** | | |
| Directors' retiring allowances | **150** | **150** |
| **Movements** | | |
| Balance at beginning of year | 150 | 501 |
| Paid on retirement | - | (351) |
| Balance at end of year | **150** | **150** |

Directors' retiring allowances are non-interest bearing and unsecured.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Exchange traded options at fair value | **660** | **419** |

The fair value of exchange traded options is established from the quoted prices (unadjusted) in the active market of the Australian Securities Exchange for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

## 13. PROVISIONS

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| **Current** | | |
| Provision for employee entitlements | **614** | **650** |
| **Non-Current** | | |
| Provision for employee entitlements | **221** | **145** |

## 14. DEFERRED TAX LIABILITIES

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| The balance comprises temporary differences attributed to:- | | |
| Deferred tax liability on unrealised gains on long-term investments | 457,109 | 272,286 |
| Income receivable which is not assessable for tax until receipt | 959 | 1,153 |
| Deferred tax liability on unrealised gains on trading investments | 11 | 145 |
| | 458,079 | 273,584 |
| Offset by deferred tax assets:- | | |
| Capital losses not utilised | (8,613) | (3,670) |
| Provisions and payables | (653) | (587) |
| Deferred tax on cost of share issues | (189) | (156) |
| | (9,455) | (4,413) |
| Net deferred tax liabilities | **448,624** | **269,171** |
| **Movements** | | |
| Balance at beginning of year | 269,171 | 374,005 |
| (Credited)/Charged to profit or loss | (394) | 156 |
| Charged/(Credited) to other comprehensive income | 188,171 | (110,090) |
| Changes to the tax base of investments | (8,324) | 5,100 |
| Balance at end of year | **448,624** | **269,171** |

The amount of net deferred tax liabilities expected to be settled in the next 12 months is $0.8 million (2012: $1.2 million).

## 15. CONTRIBUTED EQUITY

Ordinary shares rank pari passu, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of the shares held. The Company does not have a limited amount of authorised capital.

| | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| | No. of shares | No. of shares | $'000 | $'000 |
| Issued and fully paid ordinary shares:- | | | | |
| Opening balance | 626,452,410 | 620,438,335 | 2,198,081 | 2,167,020 |
| Dividend reinvestment plan[(a)] | 5,215,174 | 6,014,075 | 30,619 | 31,169 |
| Share purchase plan[(b)] | 11,788,625 | - | 76,390 | - |
| Cost of share issues net of tax | - | - | (300) | (108) |
| Closing balance | **643,456,209** | **626,452,410** | **2,304,790** | **2,198,081** |

(a) On 5 September, 2012, 2,834,832 shares were allotted at $5.36 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2012.

On 4 March, 2013, 2,380,342 shares were allotted at $6.48 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2013.

(b) On 9 April, 2013, 11,788,625 shares were allotted at $6.48 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

(c) The Company has an on-market share buy-back arrangement in place but it was not activated during the year.

## 16. RESERVES

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Executive Performance Rights Reserve | 722 | 797 |
| Investment Revaluation Reserve | 968,246 | 512,276 |
| Capital Profits Reserve | 212,354 | 240,356 |
| | **1,181,322** | **753,429** |

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| **Movements in reserves during the year** | | |
| **Executive Performance Rights Reserve** | | |
| Balance at beginning of year | 797 | 1,046 |
| Accrued entitlement for unvested rights | 448 | 335 |
| Executive performance shares purchased | (523) | (584) |
| Balance at end of year | **722** | **797** |
| **Investment Revaluation Reserve** | | |
| Balance at beginning of year | 512,276 | 791,745 |
| Revaluation of long-term investments | 622,404 | (380,278) |
| Provision for deferred tax (expense)/benefit on revaluation of long-term investments | (188,171) | 110,090 |
| Realised losses/(gains) on sale of long-term investments transferred to capital profits reserve | 29,569 | (9,900) |
| Income tax (benefit)/expense thereon | (7,832) | 619 |
| Balance at end of year | **968,246** | **512,276** |
| **Capital Profits Reserve** | | |
| Balance at beginning of year | 240,356 | 243,484 |
| Dividend paid | (6,265) | (12,409) |
| Transfer from investment revaluation reserve | (21,737) | 9,281 |
| Balance at end of year | **212,354** | **240,356** |
| Total Reserves | **1,181,322** | **753,429** |

Long-term investments were sold in the normal course of the Company's operations as a listed investment company or as a result of takeovers. The fair value of the investments sold during this period was $135.5 million (2012: $107.8 million). The cumulative loss after tax on these disposals was $21.7 million (2012: profit $9.3 million), which has been transferred from the investment revaluation reserve to the capital profits reserve.

### Nature and Purpose of Reserves

### Executive Performance Rights Reserve

This reserve contains the fair value of the LTI performance rights and restricted share rights issued to participants and the STI performance rights yet to be issued to participants, pursuant to the

Argo Investments Limited Executive Performance Rights Plan. The values of the LTI performance rights are calculated at grant dates and allocated to each reporting period from the grant dates to the vesting dates. The value of STI performance rights is estimated and allocated from the commencement of the performance period to the vesting date. When rights are exercised, shares are purchased on market and issued to the executive.

**Investment Revaluation Reserve**

Increments or decrements on the revaluation of long-term investments after provision for deferred capital gains tax are recorded in this reserve.

**Capital Profits Reserve**

Gains or losses arising from the sale of long-term investments, net of any tax expense or benefit, are recorded in this reserve.

## 17. RETAINED PROFITS

| | **2013** | **2012** |
|---|---|---|
| | $'000 | $'000 |
| Balance at beginning of year | 257,833 | 239,866 |
| Dividends paid | (156,981) | (149,307) |
| Profit for the year | 175,035 | 167,274 |
| Balance at end of year | **275,887** | **257,833** |

## 18. CAPITAL MANAGEMENT

The Company's objective in managing its capital is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved by the process of providing shareholders with a steady stream of fully franked dividends and enhancement of capital invested, with the goal of paying an increased level of dividends and providing attractive total returns over the long term.

The Company recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, it may be necessary to vary the amount of dividends paid, issue new shares from time to time or buy back its own shares.

The Company's capital consists of its shareholders' equity and the changes to this capital are shown in the Statement of Changes in Equity.

## 19. DIVIDENDS

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| (a) **Dividends paid during the year** | | |
| Final dividend for the year ended 30 June, 2012 of 13 cents fully franked at 30% tax rate paid 5 September, 2012 (2012: 13 cents fully franked at 30% tax rate) | 81,439 | 80,657 |
| Interim dividend for the year ended 30 June, 2013 of 13 cents fully franked at 30% tax rate paid 4 March, 2013 (2012: 13 cents fully franked at 30% tax rate) | 81,807 | 81,059 |
| Total dividends paid | **163,246** | **161,716** |

The final dividend contained a listed investment company (LIC) capital gain component of 1 cent per share (2012: 2 cents per share).

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| (b) **Dividend declared after balance date** | | |
| Since the end of the financial year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the financial year:- | | |
| Final dividend for the year ended 30 June, 2013 of 13.5 cents fully franked at 30% tax rate payable 4 September, 2013 (2012: 13 cents fully franked at 30% tax rate) | **86,867** | **81,439** |

The final dividend will contain a LIC capital gain component of 0.75 cent per share (2012: 1 cent per share).

## 20. FRANKING ACCOUNT

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| Balance of the franking account after allowing for tax payable/receivable and the receipt of franked dividends recognised as receivables | 61,510 | 50,519 |
| Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year | (37,229) | (34,902) |
| | **24,281** | **15,617** |
| The franking account balance would allow the Company to frank additional dividend payments up to an amount of | **56,656** | **36,440** |

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the investment portfolio and the Company paying tax.

## 21. LISTED INVESTMENT COMPANY (LIC) CAPITAL GAIN ACCOUNT

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| Balance of the LIC capital gain account | 5,034 | 11,299 |
| Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year | (4,826) | (6,265) |
| | **208** | **5,034** |
| This equates to an attributable amount of | **297** | **7,191** |

LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC capital gain distributions from LIC securities held in the investment portfolio.

## 22. FINANCIAL REPORTING BY SEGMENTS

The Company operates only in the investment industry within Australia.

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the Chief Executive Officer and the Directors when making strategic, investment or resource allocation decisions.

The Company is domiciled in Australia and derives its revenue entirely from an Australian investment portfolio, through the receipt of dividends, distributions, interest and other income. The portfolio is highly diversified, with no single investment accounting for more than 10% of revenue.

The Company's assets are located entirely in Australia or are listed on the Australian Securities Exchange.

There has been no change to the operating segments during the year.

## 23. COMMITMENTS

| | 2013 | 2012 |
|---|---|---|
| | $'000 | $'000 |
| **Operating leases** | | |
| Future operating lease rentals not provided for in the financial statements and payable:- | | |
| Not later than one year | 332 | 318 |
| Later than one year but not later than five years | 1,045 | 1,169 |
| Later than five years | 95 | 303 |
| | **1,472** | **1,790** |

The Company has entered into two property leases, one expiring on 31 January, 2016 and the other expiring on 12 December, 2018. Lease rentals are subject to review during the term of the leases. The lease expiring on 12 December, 2018 provides the Company with a right of renewal.

## 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

The names of each person holding the position of Director of Argo Investments Limited during the financial year were Mr. G.I. Martin (Chairman), Mr. R.T. Rich (Deputy Chairman), Ms. A.B. Brennan, Mr. R.A. Davis, Mr. R.A. Higgins AO, Ms. J.C. Morton and Mr. R.J. Patterson.

Persons who were executives with authority for the strategic direction and management of the Company during the financial year were Mr. J. Beddow (Chief Executive Officer), Mr. B.R. Aird (Chief Operating Officer), Mr. C.C. Hall (Senior Investment Officer) and Mr. A.B. Hill (Chief Financial Officer).

### Shareholdings, performance rights, restricted share rights and transactions

The number of ordinary shares, performance rights and restricted share rights in the Company held or controlled by key management personnel or their related parties during the financial year are disclosed in the following tables:-

(a) **Shareholdings**

| | | Opening balance | Changes during the year | Closing balance |
|---|---|---|---|---|
| **Non-executive Directors** | | | | |
| G.I. Martin | **2013** | **208,306** | **16,277** | **224,583** |
| | 2012 | 198,237 | 10,069 | 208,306 |
| R.T. Rich | **2013** | **15,618,319** | **-** | **15,618,319** |
| | 2012 | 16,384,030 | (765,711) | 15,618,319 |
| A.B. Brennan | **2013** | **-** | **3,544** | **3,544** |
| | 2012 | - | - | - |
| M.S. Darling | **2013** | **n/a** | **n/a** | **n/a** |
| (retired 29/2/12) | 2012 | 62,840 | 1,602 | n/a[1] |
| R.A. Davis | **2013** | **10,000** | **2,315** | **12,315** |
| | 2012 | - | 10,000 | 10,000 |
| C.L. Harris | **2013** | **n/a** | **n/a** | **n/a** |
| (retired 29/2/12) | 2012 | 128,331 | - | n/a[1] |

| | | Opening balance | Changes during the year | Closing balance |
|---|---|---|---|---|
| **Non-executive Directors (cont.)** | | | | |
| R.A. Higgins AO | **2013** | **54,778** | **11,714** | **66,492** |
| | 2012 | 48,646 | 6,132 | 54,778 |
| J.C. Morton | **2013** | **8,197** | **2,682** | **10,879** |
| | 2012 | - | 8,197 | 8,197 |
| R.J. Patterson | **2013** | **870,785** | **(29,951)** | **840,834** |
| | 2012 | 870,759 | 26 | 870,785 |

(1) There is no applicable closing balance at the end of the comparative reporting period as the Director was not in office at that time.

| | | Opening balance | Changes during the year | Closing balance |
|---|---|---|---|---|
| **Other Key Management Personnel** | | | | |
| J. Beddow | **2013** | **81,232** | **15,194** | **96,426** |
| | 2012 | 55,742 | 25,490 | 81,232 |
| B.R. Aird | **2013** | **488,915** | **12,261** | **501,176** |
| | 2012 | 476,869 | 12,046 | 488,915 |
| C.C. Hall | **2013** | **35,542** | **1,822** | **37,364** |
| | 2012 | 34,763 | 779 | 35,542 |
| A.B. Hill | **2013** | **59,274** | **132** | **59,406** |
| | 2012 | 59,090 | 184 | 59,274 |

(b) **LTI performance rights holdings**

| | | Opening balance | Granted as remun-eration | Vested and exercised | Lapsed | Closing balance |
|---|---|---|---|---|---|---|
| J. Beddow | **2013** | **147,689** | **86,000** | **(7,452)** | **(9,437)** | **216,800** |
| | 2012 | 107,067 | 53,400 | (12,778) | - | 147,689 |
| B.R. Aird | **2013** | **124,105** | **27,300** | **(7,449)** | **(13,481)** | **130,475** |
| | 2012 | 94,867 | 41,100 | (11,862) | - | 124,105 |
| C.C. Hall | **2013** | **115,516** | **25,900** | **(6,744)** | **(8,897)** | **125,775** |
| | 2012 | 88,900 | 38,100 | (11,484) | - | 115,516 |
| A.B. Hill | **2013** | **54,706** | **12,700** | **(2,956)** | **(3,775)** | **60,675** |
| | 2012 | 41,167 | 18,600 | (5,061) | - | 54,706 |

(c) **Restricted share rights holdings**

| | | Opening balance | Granted as remun-eration | Vested and exercised | Lapsed | Closing balance |
|---|---|---|---|---|---|---|
| J. Beddow | **2013** | **25,000** | **-** | **(25,000)** | **-** | **-** |
| | 2012 | 50,000 | - | (25,000) | - | 25,000 |
| C.C. Hall | **2013** | **20,000** | **-** | **(20,000)** | **-** | **-** |
| | 2012 | 40,000 | - | (20,000) | - | 20,000 |

**Key Management Personnel Compensation**

| | **2013** | **2012** |
|---|---|---|
| | $ | $ |
| Short-term | 2,555,561 | 2,192,434 |
| Post-employment | 168,597 | 316,961 |
| Termination benefits | - | 351,250 |
| Share based | 316,248 | 273,095 |
| | **3,040,406** | **3,133,740** |

### Key Management Personnel Loans

| | | Opening balance $ | Closing balance $ | Interest not charged $ | Number in group at end of year |
|---|---|---|---|---|---|
| Key Management Personnel | **2013** | **732,208** | **631,680** | **20,854** | **3** |
| | 2012 | 832,735 | 732,208 | 33,477 | 3 |

Key management personnel with loans above $100,000:-

| | | Opening balance $ | Closing balance $ | Interest not charged $ | Highest balance in period $ |
|---|---|---|---|---|---|
| B.R. Aird | **2013** | **539,283** | **456,338** | **15,215** | **539,283** |
| | 2012 | 622,228 | 539,283 | 24,835 | 622,228 |
| A.B. Hill | **2013** | **109,253** | **98,433** | **3,182** | **109,253** |
| | 2012 | 120,073 | 109,253 | 4,911 | 120,073 |

Prior to 2004, interest free loans were issued to key management personnel to assist the purchase of shares pursuant to the Argo Investments Executive Share Plan. The dividends paid on the shares, less an amount equal to the estimated tax payable by the executives on the dividends, are utilised to repay the loan. The shares cannot be dealt with by the executive until the loan has been repaid in full.

## 25. SHARE BASED PAYMENTS

### (a) **Argo Employee Share Ownership Plan**

The Directors may at such time or times as determined, issue invitations to eligible employees to apply for shares under the Argo Employee Share Ownership Plan (ESOP) as part of the employees' remuneration. Each eligible employee is offered up to $1,000 per year in shares at market value. The costs of acquiring the shares on market are paid for by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or on the date the employee ceases employment. The ESOP was approved by shareholders at the 1997 Annual General Meeting.

During the year, 2,548 (2012: 2,576) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $14,009 (2012: $14,034) and had a market value of $16,460 (2012: $13,266) at $6.46 per share (2012: $5.15 per share) at balance date.

### (b) **Argo Investments Limited Executive Performance Rights Plan**

The establishment of the Argo Investments Limited Executive Performance Rights Plan ("Plan") was approved by shareholders at the 2004 Annual General Meeting and amended at the 2007 Annual General Meeting. The Plan is designed to provide participants with performance-linked incentives as shareholder value is created. Under the Plan, performance rights are granted to executives to satisfy their STI and LTI entitlements. These performance rights only vest if certain performance and service conditions are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

A detailed discussion of the performance and service conditions for performance rights granted or to be granted is set out in the Remuneration Report.

The STI performance rights, the LTI performance rights and the restricted share rights are granted under the Plan for no consideration, carry no dividend or voting rights and do not have an exercise price.

When exercisable, each performance right and each restricted share right is convertible into an ordinary Company share, subject to certain adjustments allowable under the Plan.

Set out below are summaries of rights granted under the Plan:-

**LTI performance rights**

| Grant date | Earliest vesting date | Expiry date | Opening balance | Granted | Vested and exercised | Lapsed | Closing balance (unvested) |
|---|---|---|---|---|---|---|---|
| 29/11/2007 | 29/11/2010 | 13/12/2012 | 135,000 | - | (38,018) | (96,982)[2] | - |
| 19/11/2008 | 19/11/2011 | 3/12/2013 | 164,500 | - | (80,625) | (59,250)[3] | 24,625 |
| 22/04/2010 | 18/11/2013 | 2/12/2014 | 150,300 | - | - | (29,700)[3] | 120,600 |
| 18/11/2010 | 18/11/2014 | 2/12/2015 | 192,600 | - | - | (18,900)[3] | 173,700 |
| 17/11/2011 | 17/11/2015 | 1/12/2016 | 235,500 | - | - | - | 235,500 |
| 15/11/2012 | 15/11/2016 | 29/11/2016 | - | 223,900[1] | - | - | 223,900 |
| | | | **877,900** | **223,900** | **(118,643)** | **(204,832)** | **778,325** |

(1) The fair value at grant date of the LTI performance rights issued during the year was $4.44 (2012: $4.40) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The Monte Carlo simulation has been used to determine the probabilities of meeting the performance conditions and the expected level of vesting under each performance condition. The following inputs were used to calculate the fair value of the LTI performance rights issued:-

(a) Share price at valuation date 15 November, 2012 = $5.71 (2012: 17 November, 2011 = $5.11); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates = 6.3% (2012: dividend yield based on historic and future yield estimates = 4.25%).

(2) 56,000 LTI performance rights lapsed due to retirement or resignation of executives and 40,982 lapsed without vesting.

(3) LTI performance rights lapsed due to retirement or resignation of executives.

(4) STI and LTI performance rights expense totalling $354,436 (2012: $179,887) was recognised as an administration expense in the Statement of Profit or Loss.

(5) The weighted average remaining life of the LTI performance rights outstanding at the end of the year was 2.8 years (2012: 3.2 years).

**Restricted share rights**

| Grant date | Earliest vesting date | Expiry date | Opening balance | Granted | Vested and exercised | Lapsed | Closing balance (unvested) |
|---|---|---|---|---|---|---|---|
| 29/11/2007 | 29/11/2012 | 13/12/2012 | 55,000 | - | (55,000) | - | - |

Restricted share rights expense of $93,299 (2012: $155,384) was recognised as an administration expense in the Statement of Profit or Loss.

## 26. AUDITOR'S REMUNERATION

| | 2013 $ | 2012 $ |
|---|---|---|
| During the year the following remuneration amounts were paid or payable for services provided by the Auditor:- | | |
| (a) Audit services | | |
| Audit and review of financial reports | 104,940 | 107,470 |
| (b) Non-audit services | | |
| Taxation and professional services | 12,650 | 6,050 |
| Total remuneration | **117,590** | **113,520** |

The Board considers that the non-audit services provided by the Auditor did not affect the independence of the external audit function.

## 27. FINANCIAL RISK MANAGEMENT

The risks associated with the holding of financial instruments such as investments, cash and cash equivalents, other financial cash assets, receivables and payables include credit risk, liquidity risk and market risk.

### Credit Risk

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

In relation to cash and cash equivalents and other financial cash assets disclosed in notes 6(a) and 9, the credit risk exposure of bank deposits is the carrying amount and any interest accrued.

The Company's cash investments are managed internally under Board approved guidelines. Funds are invested for the short to medium term with the major Australian banks which have a Standard & Poor's short-term rating of A1+. The maturities of bank term deposits in cash and cash equivalents are within three months while bank term deposits in other financial cash assets mature from three to six months.

The credit risk exposure for the Company's receivables as disclosed in note 7 is the carrying amount.

Credit risk exposure also arises in relation to option positions held by the Company. The extent of this exposure is reflected in the carrying value and is disclosed in note 12.

None of the assets exposed to credit risk are overdue or considered to be impaired.

### Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due.

The Company has no borrowings and monitors its cash flow requirements daily which includes the amount required for purchases of securities, the amount receivable from sales of securities, and dividends and distributions to be paid or received.

The Company's inward cash flows depend mainly upon the amount of dividends and distributions received from the investment portfolio as well as the proceeds from the sale or takeover of investments. Should these inflows drop by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are purchases of investments and dividends paid to shareholders, the level of both is controllable by the Board and management.

The assets of the Company are largely in the form of tradeable securities which, if necessary, could be sold on market to meet obligations.

The Company has a financing arrangement in place which is disclosed in note 6(c). The line of credit facility was undrawn at 30 June, 2013 (2012: nil).

Current financial liabilities are disclosed in note 11.

**Market Risk**

Market risk is the risk that changes in market prices will affect the fair value of financial instruments.

The Company is a listed investment company that invests in tradeable securities. Due to the nature of its business, the Company will always be subject to market risk as it invests its capital in securities which have fluctuating market prices.

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the long-term investment portfolio, would lead to a reduction in the Company's equity of $140.1 million (2012: $115.6 million) and $280.2 million (2012: $231.2 million) respectively, after tax. The investment revaluation reserve as at 30 June, 2013 has an after tax balance of $968.2 million (2012: $512.3 million). It would require a 35% (2012: 22%) after tax fall in the value of the long-term investment portfolio to fully deplete this reserve.

The Company seeks to reduce the market risk of the long-term investment portfolio by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and market sectors are reviewed and risk is appropriately managed. The Company does not have set parameters as to a minimum or maximum amount of the long-term investment portfolio that can be invested in a single company or sector.

The Company's assets are spread across investment industry sectors as below:-

| | 2013 | 2012 |
|---|---|---|
| Energy | 6% | 6% |
| Materials | 15% | 17% |
| Industrials | 6% | 7% |
| Consumer Discretionary | 6% | 7% |
| Consumer Staples | 9% | 9% |
| Health Care | 4% | 4% |
| Banks | 21% | 18% |
| Cash and Short-term Deposits | 5% | 4% |
| Other Financials | 8% | 9% |
| Listed Investment Companies | 8% | 8% |
| Property Trusts | 3% | 3% |
| Telecommunication Services & I.T. | 6% | 5% |
| Utilities | 3% | 3% |
| | 100% | 100% |

The following investments represent over 5% of the total assets:-

| | **2013** | **2012** |
|---|---|---|
| Westpac Banking Corporation | 6.7% | 5.5% |
| Australia and New Zealand Banking Group Ltd. | 6.0% | 4.8% |
| BHP Billiton Ltd. | 6.0% | 7.2% |
| Wesfarmers Ltd. | 5.2% | 4.3% |

The Company has no current investments at balance date (2012: $2.1 million) and the Board continues its policy of not having a substantial trading portfolio.

The fair value of the Company's derivative financial instruments, being exchange traded options, are subject to market risk as changes in market price will affect the fair value of the financial instrument. The Company seeks to reduce the market risk of these derivatives by imposing Board approved maximum exposure limits for each security and in total. The total exposure position is determined and monitored on a daily basis. The fair value of exchange traded options at balance date was $0.7 million (2012: $0.4 million) and is disclosed in note 12. Investments with a market value of $40.5 million (2012: $31.4 million) were lodged with the ASX Clearing Corporation as collateral for any option positions written by the Company in the Exchange Traded Option Market.

The Company is not materially exposed to interest rate risk as all of its cash investments and bank term deposits mature in the short-term and have a fixed interest rate.

The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars.

**Fair Value Measurement**

The Company measures the fair value of its long-term investments, as required by Accounting Standard AASB 7 Financial Instruments: Disclosures, based on the following fair value measurement hierarchy:-

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

## 28. LONG-TERM INVESTMENTS

The following long-term investments are valued at fair value through other comprehensive income.

| | 2013 No. of shares or units | 2013 | 2012 No. of shares or units | 2012 |
|---|---|---|---|---|
| | | $'000 | | $'000 |
| Aberdeen Leaders Ltd. | - | - | 4,723,651 | 4,700 |
| Adelaide Brighton Ltd | 6,504,449 | 21,465 | 6,053,103 | 19,249 |
| AGL Energy Ltd. | 3,159,316 | 45,747 | 3,159,316 | 46,663 |
| Alesco Corporation Ltd. | - | - | 2,290,979 | 4,456 |
| ALS Ltd. | 3,758,969 | 36,011 | 716,395 | 38,864 |
| Alumina Ltd. | 11,779,840 | 11,603 | 11,779,840 | 9,306 |
| Amalgamated Holdings Ltd. | 1,040,151 | 8,602 | 1,040,151 | 6,709 |
| Amcor Ltd. | 4,614,711 | 46,793 | 4,614,711 | 32,718 |
| AMP Ltd. | 11,981,674 | 50,922 | 12,231,674 | 47,092 |
| Ansell Ltd. | 665,685 | 11,736 | 665,685 | 8,787 |
| APA Group | 7,358,455 | 44,077 | 5,738,230 | 28,634 |
| A.P. Eagers Ltd. | 4,312,620 | 17,552 | 4,232,620 | 14,391 |
| APN News & Media Ltd. | - | - | 3,811,844 | 2,516 |
| Aristocrat Leisure Ltd. | 2,241,000 | 9,592 | 2,241,000 | 6,185 |
| Arrium Ltd. | 6,079,109 | 4,742 | 6,079,109 | 5,258 |
| Asciano Ltd. | 6,543,086 | 32,846 | 6,293,086 | 27,375 |
| ASX Ltd. | 269,701 | 8,919 | 244,015 | 7,277 |
| Australia and New Zealand Banking Group Ltd. | 8,923,698 | 255,039 | 7,655,715 | 168,655 |
| Australian Infrastructure Fund | - | - | 3,185,735 | 7,646 |
| Australian United Investment Company Ltd. | 19,623,714 | 134,619 | 19,660,931 | 109,118 |
| Automotive Holdings Group Ltd. | 4,600,295 | 14,721 | 4,600,295 | 11,363 |
| Bank of Queensland Ltd. | - | - | 579,447 | 3,836 |
| BHP Billiton Ltd. | 8,065,004 | 252,999 | 8,024,309 | 252,365 |
| Billabong International Ltd. | - | - | 1,180,528 | 1,269 |
| BKI Investment Company Ltd. | 3,259,352 | 4,628 | 8,311,237 | 9,599 |

| | 2013 No. of shares or units | 2013 | 2012 No. of shares or units | 2012 |
|---|---|---|---|---|
| | | $'000 | | $'000 |
| Boom Logistics Ltd. | - | - | 4,500,000 | 967 |
| Boral Ltd. | 3,035,213 | 12,778 | 3,266,907 | 9,637 |
| Brambles Ltd. | 4,556,341 | 42,556 | 4,756,341 | 29,299 |
| Brickworks Ltd. | 574,960 | 7,302 | 574,960 | 5,807 |
| Challenger Ltd. | 2,955,473 | 11,851 | 2,355,473 | 7,655 |
| Coca-Cola Amatil Ltd. | 2,700,733 | 34,326 | 2,125,733 | 28,442 |
| Cochlear Ltd. | 128,000 | 7,899 | 128,000 | 8,428 |
| Colorpak Ltd. | 4,049,000 | 2,855 | 4,049,000 | 2,247 |
| Commonwealth Bank of Australia | 2,527,895 | 174,880 | 2,777,895 | 147,506 |
| Computershare Ltd. | 4,901,166 | 50,335 | 4,901,166 | 36,318 |
| Consolidated Media Holdings Ltd. | - | - | 1,548,203 | 5,217 |
| Crown Ltd. | 2,084,184 | 25,239 | 2,084,184 | 17,695 |
| CSL Ltd. | 1,079,752 | 66,491 | 1,179,752 | 46,506 |
| David Jones Ltd. | 3,426,706 | 8,738 | 3,426,706 | 8,875 |
| DEXUS Property Group | - | - | 4,416,805 | 4,108 |
| Diversified United Investment Ltd. | 14,769,575 | 44,309 | 14,769,575 | 35,004 |
| Downer EDI Ltd. | 2,392,527 | 8,589 | 2,392,527 | 7,489 |
| DUET Group | 11,240,932 | 22,594 | 8,367,623 | 15,396 |
| DuluxGroup Ltd. | 3,135,181 | 13,199 | 2,064,698 | 6,215 |
| Echo Entertainment Group Ltd. | 2,455,345 | 7,513 | 2,455,345 | 10,509 |
| Fairfax Media Ltd. | - | - | 10,060,616 | 5,584 |
| FKP Property Group | - | - | 7,604,285 | 2,890 |
| Fleetwood Corporation Ltd. | 1,492,485 | 5,373 | 1,492,485 | 17,522 |
| Fletcher Building Ltd. | 1,350,701 | 9,644 | 1,350,701 | 6,213 |
| GPT Group | 3,477,121 | 13,352 | 2,255,924 | 7,422 |
| GUD Holdings Ltd. | 1,395,000 | 8,356 | 1,395,000 | 11,997 |
| GWA Group Ltd. | - | - | 1,043,094 | 2,190 |
| Harvey Norman Holdings Ltd. | 4,030,000 | 10,277 | 4,030,000 | 7,858 |
| Hastings Diversified Utilities Fund | - | - | 2,744,167 | 6,586 |

| | 2013 No. of shares or units | 2013 | 2012 No. of shares or units | 2012 |
|---|---|---|---|---|
| | | $'000 | | $'000 |
| IAG Finance (New Zealand) Ltd. reset exch. securities | 25,000 | 2,580 | 25,000 | 2,482 |
| Iluka Resources Ltd. | 1,500,000 | 14,985 | 1,500,000 | 16,980 |
| Incitec Pivot Ltd. | 4,095,530 | 11,713 | 3,895,530 | 11,102 |
| Insurance Australia Group Ltd. | 6,303,333 | 34,290 | 6,303,333 | 21,936 |
| InvoCare Ltd. | 1,607,191 | 18,290 | 1,396,310 | 11,254 |
| IRESS Ltd. | 791,884 | 5,939 | 791,884 | 5,187 |
| iSelect Ltd. | 3,000,000 | 5,100 | - | - |
| James Hardie Industries plc | 464,000 | 4,357 | 814,000 | 6,479 |
| Leighton Holdings Ltd. | 683,572 | 10,561 | 583,572 | 9,495 |
| Lend Lease Group | 3,893,609 | 32,512 | 3,893,609 | 28,034 |
| Lex Property Fund | 3,000,000 | 3,450 | 3,000,000 | 3,300 |
| Macquarie Group Ltd. | 2,495,247 | 104,476 | 3,199,936 | 83,198 |
| Macquarie Group Ltd. income securities | 15,000 | 1,088 | 15,000 | 875 |
| Mermaid Marine Australia Ltd. | 6,726,831 | 23,678 | 6,379,852 | 17,991 |
| Metcash Ltd. | - | - | 1,506,027 | 5,075 |
| Milton Corporation Ltd. | 7,890,995 | 145,194 | 8,260,028 | 125,635 |
| Mirvac Group | 5,000,551 | 8,026 | 3,975,878 | 5,069 |
| Mount Gibson Iron Ltd. | - | - | 6,433,498 | 5,533 |
| National Australia Bank Ltd. | 5,606,609 | 166,404 | 5,156,609 | 121,387 |
| National Australia Bank Ltd. income securities | 25,770 | 1,804 | 25,770 | 1,770 |
| Navitas Ltd. | 3,123,160 | 18,021 | 3,123,160 | 13,555 |
| Newcrest Mining Ltd. | 1,077,750 | 10,637 | 352,000 | 7,959 |
| News Corporation class A | 219,913 | 3,640 | 879,655 | 19,264 |
| News Corporation class B | 195,016 | 3,218 | 1,030,067 | 22,692 |
| Oakton Ltd. | - | - | 2,065,242 | 2,169 |
| Orica Ltd. | 2,447,983 | 50,551 | 2,237,983 | 55,256 |
| Origin Energy Ltd. | 6,789,947 | 85,350 | 6,689,947 | 81,617 |

| | 2013 No. of shares or units | 2013 | 2012 No. of shares or units | 2012 |
|---|---|---|---|---|
| | | $'000 | | $'000 |
| OZ Minerals Ltd. | 701,342 | 2,876 | 701,342 | 5,513 |
| Peet Ltd. | 11,090,988 | 12,422 | 7,612,727 | 5,101 |
| Peet Ltd. convertible notes | 32,500 | 3,283 | 32,500 | 2,974 |
| Perpetual Ltd. | 238,905 | 8,457 | 238,905 | 5,471 |
| Premier Investments Ltd. | 1,250,000 | 8,350 | 1,250,000 | 5,813 |
| Primary Health Care Ltd. | 2,823,947 | 13,498 | 2,823,947 | 8,331 |
| Programmed Maintenance Services Ltd. | 1,642,838 | 4,041 | 1,642,838 | 3,959 |
| QBE Insurance Group Ltd. | 4,259,706 | 64,279 | 4,028,499 | 53,901 |
| Ramsay Health Care Ltd. | 1,353,923 | 48,484 | 1,353,923 | 30,612 |
| Ramsay Health Care Ltd. reset conv. preference | 25,000 | 2,638 | 25,000 | 2,530 |
| Reece Australia Ltd. | 583,006 | 13,876 | 583,006 | 10,523 |
| Rio Tinto Ltd. | 2,510,739 | 131,487 | 2,456,539 | 138,794 |
| Santos Ltd. | 4,701,728 | 58,913 | 4,053,116 | 43,166 |
| Seven West Media Ltd. | 1,095,196 | 2,081 | 1,095,196 | 1,911 |
| Sims Metal Management Ltd. | 415,772 | 3,434 | 415,772 | 3,996 |
| Sonic Healthcare Ltd. | 2,474,483 | 36,647 | 2,274,483 | 28,886 |
| Southern Cross Media Group Ltd. | 5,940,784 | 8,466 | 5,940,784 | 7,129 |
| Spark Infrastructure | 3,535,714 | 6,134 | 3,535,714 | 5,392 |
| Stockland | 2,817,934 | 9,806 | 2,817,934 | 8,679 |
| Straits Resources Ltd. | - | - | 2,769,114 | 1,011 |
| Suncorp Group Ltd. | 3,510,894 | 41,850 | 3,510,894 | 28,403 |
| Sydney Airport | 10,528,810 | 35,587 | 9,528,810 | 27,634 |
| Tabcorp Holdings Ltd. | 2,631,388 | 8,026 | 2,631,388 | 7,710 |
| Tatts Group Ltd. | 2,052,730 | 6,507 | 2,052,730 | 5,378 |
| Technology One Ltd. | 5,964,564 | 10,677 | 4,164,564 | 4,852 |
| Telstra Corporation Ltd. | 38,454,800 | 183,429 | 34,704,800 | 128,061 |
| Toll Holdings Ltd. | 2,888,785 | 15,368 | 2,388,785 | 9,507 |
| Transfield Services Ltd. | 5,397,040 | 4,156 | 4,797,040 | 8,707 |

| | 2013 No. of shares or units | 2013 | 2012 No. of shares or units | 2012 |
|---|---|---|---|---|
| | | $'000 | | $'000 |
| Transurban Group | 3,311,375 | 22,385 | 3,311,375 | 18,842 |
| Twenty-First Century Fox, Inc. class A | 879,655 | 27,401 | - | - |
| Twenty-First Century Fox, Inc. class B | 780,067 | 24,549 | - | - |
| UGL Ltd. | 2,113,242 | 14,624 | 1,513,242 | 18,779 |
| Washington H. Soul Pattinson and Company Ltd. | 2,182,606 | 28,701 | 2,182,606 | 30,098 |
| Wesfarmers Ltd. | 5,113,277 | 202,486 | 4,583,419 | 137,044 |
| Wesfarmers Ltd. partially protected | 392,024 | 15,814 | 392,024 | 12,372 |
| Westfield Group | 3,724,835 | 42,612 | 4,070,335 | 38,668 |
| Westfield Retail Trust | 4,232,589 | 13,121 | 4,632,589 | 13,203 |
| Westpac Banking Corporation | 9,851,594 | 284,514 | 9,171,851 | 193,801 |
| Whitehaven Coal Ltd. | 3,656,652 | 8,410 | 2,706,652 | 11,233 |
| Woodside Petroleum Ltd. | 1,700,873 | 59,548 | 1,700,873 | 52,761 |
| Woolworths Ltd. | 4,133,026 | 135,605 | 4,083,026 | 109,425 |
| WorleyParsons Ltd. | 572,336 | 11,155 | 472,336 | 11,856 |
| Total long-term investments | | **4,002,630** | | **3,302,933** |

# Directors' Declaration

In the opinion of the Directors of Argo Investments Limited ("the Company"):-

(a) the financial statements and notes set out on pages 41 to 74 are in accordance with the Corporations Act 2001 including:-

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 30 June, 2013 and of the Company's performance for the financial year ended on that date; and

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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June, 2013.

Dated this 16th day of August, 2013

Signed in accordance with a resolution of the Directors

G.I. Martin
Chairman

## Independent auditor's report to the members of Argo Investments Limited

### Report on the financial report

We have audited the accompanying financial report of Argo Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2013, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***PricewaterhouseCoopers, ABN 52 780 433 757***
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**Independent auditor's report to the members of Argo Investments Limited (continued)**

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's opinion*

In our opinion:

(a) the financial report of Argo Investments Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the Company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the remuneration report included in pages 15 to 31 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A G Forman
Partner

Adelaide
16 August, 2013

# Shareholding details

*as at 14 August, 2013*

| | Ordinary shareholders |
|---|---|
| Total number of shareholders (entitled to one vote per share) | **70,352** |
| Number of shareholders holding:- | |
| 1 - 1,000 shares | 16,594 |
| 1,001 - 5,000 shares | 26,035 |
| 5,001 - 10,000 shares | 12,597 |
| 10,001 - 100,000 shares | 14,648 |
| 100,001 or more shares | 478 |
| | **70,352** |

| | |
|---|---|
| Number of shareholders holding less than a marketable parcel | 1,497 |

## 20 largest shareholders of ordinary shares

| Name | No. of shares | % of issued capital |
|---|---|---|
| RCY Pty. Limited | 6,166,887 | 0.96 |
| JIT Pty. Limited | 4,950,972 | 0.77 |
| Questor Financial Services Limited (TPS RF a/c) | 4,087,167 | 0.64 |
| TRIGT Pty. Limited | 2,852,478 | 0.45 |
| Ramea Holdings Pty. Limited | 2,381,666 | 0.37 |
| Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c) | 2,360,984 | 0.37 |
| Navigator Australia Ltd. (MLC Investment Sett a/c) | 2,133,519 | 0.33 |
| McLennan Holdings Pty. Ltd. | 2,117,931 | 0.33 |
| Bougainville Copper Limited | 1,937,571 | 0.30 |
| Donald Cant Pty. Ltd. | 1,815,207 | 0.28 |
| Kalymna Pty. Ltd. | 1,620,737 | 0.25 |
| Mr. Stuart John McWilliam | 1,498,474 | 0.23 |
| Salur Holdings Pty. Limited | 1,491,051 | 0.23 |
| Poplar Pty. Ltd. | 1,420,001 | 0.22 |
| Redemptorists (Central Investment Fund a/c) | 1,413,000 | 0.22 |
| Jacaranda Pastoral Pty. Ltd. | 1,366,178 | 0.21 |
| Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c) | 1,308,587 | 0.20 |
| Questor Financial Services Limited (TPS PIP a/c) | 1,198,254 | 0.19 |
| Australian Executor Trustees Limited | 1,177,096 | 0.18 |
| National Nominees Limited | 1,114,442 | 0.17 |
| | **44,412,202** | **6.90** |

The Company has an on-market buy-back arrangement in place but it was not activated during the year.

# Securities issued
## *since 19 September, 1985*

| Date | Details |
|---|---|
| 10 January, 1986 | 1:5 bonus issue from Capital Profits Reserve |
| 16 May, 1986 | 1:10 bonus issue from Share Premium Reserve |
| 20 March, 1987 | 1:8 rights issue @ $2.50 per share |
| 23 March, 1987 | 1:9 bonus issue from Capital Profits Reserve |
| 22 May, 1987 | 1:5 bonus issue from Capital Profits Reserve |
| 16 December, 1988 | 1:8 rights issue @ $2.40 per share |
| 19 December, 1988 | 1:6 bonus issue from Share Premium Reserve |
| 27 April, 1990 | 1:10 bonus issue from Share Premium Reserve |
| 12 March, 1992 | 1:8 rights issue @ $2.00 per share |
| 10 October, 1995 | 1:10 bonus issue from Share Premium Reserve |
| 21 June, 1996 | Share Purchase Plan @ $2.57 per share |
| 19 July, 1996 | 1:10 bonus issue from Share Premium Reserve |
| 20 June, 1997 | Share Purchase Plan @ $2.65 per share |
| 27 November, 1997 | 1:10 rights issue @ $2.50 per share |
| 19 June, 1998 | Share Purchase Plan @ $3.19 per share |
| 23 June, 1999 | Share Purchase Plan @ $3.48 per share |
| 15 November, 1999 | Dividend Reinvestment Plan @ $3.32 per share |
| 19 May, 2000 | Dividend Reinvestment Plan @ $3.08 per share |
| 23 June, 2000 | Share Purchase Plan @ $3.08 per share |
| 28 March, 2001 | Dividend Reinvestment Plan @ $3.43 per share |
| 27 June, 2001 | Dividend Reinvestment Plan @ $3.74 per share |
| 12 September, 2001 | Dividend Reinvestment Plan @ $3.92 per share |
| 12 October, 2001 | Share Purchase Plan @ $3.92 per share |
| 15 March, 2002 | Dividend Reinvestment Plan @ $4.27 per share |
| 18 April, 2002 | 1:10 rights issue @ $3.95 per share |
| 13 September, 2002 | Dividend Reinvestment Plan @ $4.35 per share |
| 15 October, 2002 | Share Purchase Plan @ $4.35 per share |
| 14 March, 2003 | Dividend Reinvestment Plan @ $4.00 per share |
| 16 April, 2003 | Share Purchase Plan @ $4.00 per share |
| 12 September, 2003 | Dividend Reinvestment Plan @ $4.78 per share |
| 20 October, 2003 | Share Purchase Plan @ $4.78 per share |
| 12 March, 2004 | Dividend Reinvestment Plan @ $4.76 per share |

# Securities issued
*since 19 September, 1985*

| Date | Details |
|---|---|
| 16 April, 2004 | 1:10 rights issue @ $4.40 per share with the possibility of additional shares |
| 8 September, 2004 | Dividend Reinvestment Plan @ $4.75 per share |
| 18 October, 2004 | Share Purchase Plan @ $4.75 per share |
| 11 March, 2005 | Dividend Reinvestment Plan @ $5.43 per share |
| 18 April, 2005 | Share Purchase Plan @ $5.43 per share |
| 8 September, 2005 | Dividend Reinvestment Plan @ $5.79 per share |
| 19 October, 2005 | Share Purchase Plan @ $5.79 per share |
| 10 March, 2006 | Dividend Reinvestment Plan @ $6.71 per share |
| 20 April, 2006 | Share Purchase Plan @ $6.71 per share |
| 8 September, 2006 | Dividend Reinvestment Plan @ $6.95 per share |
| 17 October, 2006 | Share Purchase Plan @ $6.95 per share |
| 9 March, 2007 | Dividend Reinvestment Plan @ $7.92 per share |
| 27 March, 2007 | 1:8 rights issue @ $7.20 per share with the possibility of additional shares |
| 5 September, 2007 | Dividend Reinvestment Plan @ $7.62 per share |
| 9 October, 2007 | Share Purchase Plan @ $7.62 per share |
| 4 March, 2008 | Dividend Reinvestment Plan @ $7.39 per share |
| 8 April, 2008 | Share Purchase Plan @ $7.39 per share |
| 5 September, 2008 | Dividend Reinvestment Plan @ $6.69 per share |
| 10 October, 2008 | Share Purchase Plan @ $6.69 per share |
| 4 March, 2009 | Dividend Reinvestment Plan @ $5.12 per share |
| 6 April, 2009 | Share Purchase Plan @ $5.12 per share |
| 4 September, 2009 | Dividend Reinvestment Plan @ $6.34 per share |
| 3 March, 2010 | Dividend Reinvestment Plan @ $6.31 per share |
| 14 April, 2010 | Share Purchase Plan @ $6.31 per share |
| 3 September, 2010 | Dividend Reinvestment Plan @ $5.71 per share |
| 7 March, 2011 | Dividend Reinvestment Plan @ $6.21 per share |
| 15 April, 2011 | Share Purchase Plan @ $6.10 per share |
| 7 September, 2011 | Dividend Reinvestment Plan @ $5.10 per share |
| 7 March, 2012 | Dividend Reinvestment Plan @ $5.27 per share |
| 5 September, 2012 | Dividend Reinvestment Plan @ $5.36 per share |
| 4 March, 2013 | Dividend Reinvestment Plan @ $6.48 per share |
| 9 April, 2013 | Share Purchase Plan @ $6.48 per share |