Argo

Investing in Australia

2011 Annual Report

Directory

Argo Investments Limited
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Directors
Christopher L. Harris, Chairman
Robert T. Rich, Deputy Chairman
Marina S. Darling
G. Ian Martin

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. **25 October, 2011**

Information meetings:-

Melbourne
State Library of Victoria Theatrette
Entry 3, 179 La Trobe Street, Melbourne at 10.00 a.m. **26 October, 2011**

Sydney
PricewaterhouseCoopers, Darling Park Cockle Bay,
Tower 2, 201 Sussex Street, Sydney at 10.00 a.m. **27 October, 2011**

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

2011 Summary

~ Net operating profit of $172.1 million, compared with $142.8 million last year.

~ Operating earnings per share of 28.1 cents, compared with 24.2 cents last year.

~ Year-end net tangible asset backing of $6.11 per share compared with $5.82 per share on 30 June, 2010.

~ Dividends of 26 cents per share, fully franked (including LIC capital gain component of 2 cents per share), compared with 25 cents per share last year (including LIC capital gain component of 2 cents per share).

~ Management expense ratio maintained at 0.17% of average assets at market value.

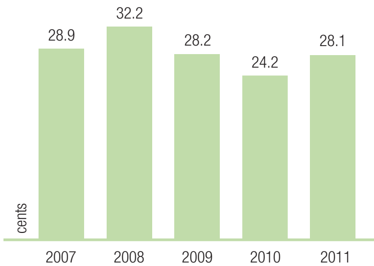
~ Total portfolio return for the year of 9.5%.

~ Capital raisings of $52.9 million from the Share Purchase Plan and $31.0 million from the Dividend Reinvestment Plan.

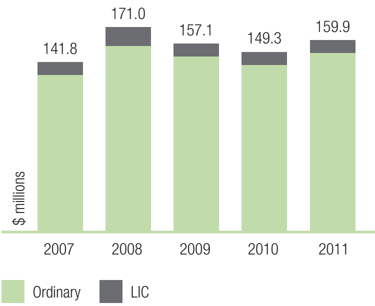
Five year summary

Operating profit

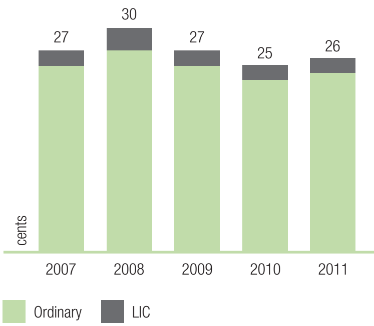
Operating earnings per share



Total dividends

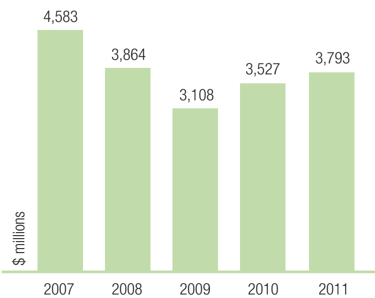


Dividends per share



Shareholders' equity

before provision for deferred income tax

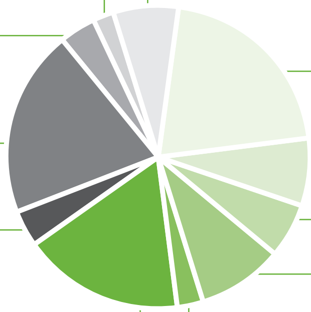


Net tangible assets

per share

Portfolio allocation

as at 30 June, 2011



20 largest investments

as at 30 June, 2011

	$m	% of total assets
BHP Billiton Ltd.	341.9	8.9
Westpac Banking Corporation	203.6	5.3
Rio Tinto Ltd.	198.6	5.2
Wesfarmers Ltd.	155.8	4.1
Australia and New Zealand Banking Group Ltd.	155.1	4.1
Commonwealth Bank of Australia	141.1	3.7
Milton Corporation Ltd.	128.9	3.4
National Australia Bank Ltd.	127.6	3.3
Australian United Investment Company Ltd.	127.6	3.3
Woolworths Ltd.	113.3	3.0
Origin Energy Ltd.	102.4	2.7
Macquarie Group Ltd.	100.7	2.6
Telstra Corporation Ltd.	92.5	2.4
Woodside Petroleum Ltd.	69.7	1.8
QBE Insurance Group Ltd.	62.6	1.6
AMP Ltd.	59.0	1.5
Orica Ltd.	58.9	1.5
Santos Ltd.	49.4	1.3
Computershare Ltd.	43.5	1.1
Diversified United Investment Ltd.	40.0	1.0
	2,372.2	**61.8**
Cash and Short-term Deposits	**142.1**	**3.7**

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, 2011 of $3.5 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, 2011 Argo had 620.4 million shares on issue.

Argo has over 68,000 shareholders who are seeking capital growth and a regular income.

Argo's assets were $3.8 billion as at 30 June, 2011 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 four highly qualified Directors. In 65 years of operation, Argo has only had three Chief Executives.

The investment policy followed by Argo is simple. 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 about 125 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 core holding 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.

Shares in Argo are particularly suitable for new and passive sharemarket investors due to the spread of investments within its portfolio, for those investors who are too busy to monitor their own investment portfolios, and for 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 is no service fee charged to invest in Argo. Being a securities exchange listed company, only normal sharebrokers' charges apply.

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

Shareholder benefits

Low Management Costs

Argo's management costs are extremely low when compared with many other managed investment products. For the year ended 30 June, 2011, total operating costs were 0.17% 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 Argo 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 are largely tax free for tax-paying Australian shareholders. Certain Australian resident shareholders can also claim a tax benefit where the dividend component is sourced from realised eligible 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, usually 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 a 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, usually at a discount from 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

Information produced by JBWere Managed Investment Research, reveals the following share price performance, assuming that all dividends and the proceeds from the sale of rights had been reinvested in Argo shares:-

	10 years to 30 June, 2011
$1,000 invested in Argo shares	$2,362
Compound annual growth rate	
Argo shares	8.8% p.a.
S&P ASX All Ordinaries Accumulation Index	7.4% p.a.
Consumer Price Index	2.9% p.a.

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

Directors' Report

The Directors present their Sixty Fifth Annual Report together with the financial report of Argo Investments Limited ("the Company") for the financial year ended 30 June, 2011 including the independent Auditor's Report thereon.

Operating and Financial Review

The Company's objective 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 through building a portfolio of long-term investments, currently about 125 stocks, representing a cross section of Australia's enterprises, where there is good quality management and prospects for sound earnings and dividend growth. The policy of only investing in Australian companies, many of which have extensive overseas interests, enables the Company's investment analysts to maintain a strong and close relationship with the companies in which we invest.

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

Operating profit after tax for the financial year rose 20.5% to $172.1 million, compared with $142.8 million in the previous financial year. The Directors welcome this improved profit which was achieved as a result of income growth in several of the Company's operating activities.

The receipt of dividend income from the Company's investment portfolio is a major contributor to operating profit and during the year a number of investee companies increased their dividend payments. In addition, the Company's result benefited from one-off transactions which included fully franked buy-back dividends from Woolworths Ltd. and BHP Billiton Ltd., together with the dividend that resulted from the demerger of DuluxGroup Ltd. from Orica Ltd. Another feature of the result was the strong recovery in interest income, due to the benefit received from higher interest rates.

The management expense ratio (MER) for the year remained steady at 0.17% of average assets at market value.

Operating earnings per share was 28.1 cents, up from 24.2 cents in the previous year.

The Company has previously advised that it adopted Accounting Standard AASB 9 *Financial Instruments* as at 7 December, 2009. After that date, realised gains on the sale of long-term investments are accounted for through the capital profits reserve, rather than as part of profit. Therefore, for the year under review, no realised gains on the sale of long-term investments are included whereas $11.1 million was included in the previous year, which resulted in a profit after net realised gains on the sale of long-term investments for the year ended 30 June, 2010 of $153.9 million.

The Directors are pleased that it is no longer a requirement to include realised gains on the sale of long-term investments as profit in the Income Statement and believe that the presentation now allowed by Accounting Standard AASB 9 *Financial Instruments* better reflects the Company's long-term investment objectives.

For the last 10 years, the Company's investment portfolio has produced a compound annual return of 8.2% as measured by the movement in net tangible asset backing per share plus dividends paid. This return is after payment of all administration costs and tax and compares with a return of 7.4% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items. Included in the Company's 10 year portfolio performance is a total return of 9.5% generated in the 2011 financial year.

The Company has no debt, has liquid funds on deposit at balance date available for additional long-term investment in the equity market and intends to continue its investment activities in future years as it has done in the past. The results of these investment activities depend upon the performance of the stocks in the Company's investment portfolio. Their performance is influenced by many economic factors, including economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also specific issues such as management competence, capital strength, industry economics and competitive behaviour.

The Company will continue to focus on producing results that accord with its stated objective.

Dividends

A fully franked interim dividend of 13 cents per share was paid on 7 March, 2011.

On 8 August, 2011, the Directors declared a fully franked dividend of 13 cents per share which includes a 2 cents per share listed investment company (LIC) capital gain component. The LIC component of the dividend will give rise to an attributable part of 2.86 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2011-2012 income tax returns.

Total fully franked dividends for the year amount to 26 cents per share, including a 2 cents per share LIC capital gain component. This compares with 25 cents per share last year, which included a 2 cents per share LIC capital gain component.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised $31.0 million of new capital for investment during the year.

The DRP will operate for the 13 cents per share dividend payable on 7 September, 2011 and the Directors have resolved that the shares will be allotted to eligible shareholders participating in the DRP at a discount of 2.5% 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 $52.9 million of new capital was raised for investment.

Asset Backing

Reflecting the improved performance in equity markets over the reporting period, the net tangible asset backing per Argo share before providing for deferred capital gains tax on unrealised gains within the investment portfolio was $6.11 as at 30 June, 2011, compared with $5.82 as at 30 June, 2010.

Directorate

On 22 June, 2011, Mr. Ian Johnson decided to stand down from the Board. The Directors accepted his resignation with regret and thanked him for his valuable contribution over the last 5 years. The Company has greatly benefited from his wide industry experience, particularly in the resource sector.

Mr. Robert Patterson retired as Managing Director on 25 October, 2010 and as an executive on 28 October, 2010. However, in light of Mr. Patterson's almost 41 years of fund management experience, as well as his intimate knowledge of the Australian equities market and the universe of companies in which Argo invests, the Directors are pleased to nominate and recommend him for election as a non-executive Director at the Company's forthcoming Annual General Meeting. If elected, one year will have elapsed between Mr. Patterson's retirement as Managing Director and his appointment as a non-executive Director. The Board considers this period between roles is in accordance with good corporate governance.

Additional statutory information

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

   Christopher Lee Harris BEc, FCPA, FAICD
   Non-executive Chairman – Independent

   Mr. Harris joined the Board of Argo Investments Limited in 1994 and was appointed Chairman in 1998. He is a member of the Nomination and Remuneration Committee, the Corporate Governance Committee and on 22 June, 2011 was appointed a member of the Audit Committee.

   He is also Chairman of Adelaide Brighton Ltd, having been appointed a non-executive Director in 1995.

   Mr. Harris was previously a non-executive Director of various companies including Simeon Wines Limited from 1994 to 2002 when it merged with McGuigan Simeon Wines Limited which changed its name to Australian Vintage Limited in 2008 and Chairman of EvoGenix Limited from 2004 to 2007 when it merged with Peptech Limited which changed its name to Arana Therapeutics Limited in 2007. Mr. Harris resigned from the Boards of both these companies in 2009.

   He has a company management and corporate finance background and is a former Group Managing Director and Chief Executive Officer of F.H. Faulding & Co. Limited.

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

Mr. Rich joined the Board of Argo Investments Limited in 1992, was an executive Director until 1998 when he became a non-executive Director and was appointed Deputy Chairman. He is currently Chairman of the Audit Committee and a member of the Corporate Governance Committee.

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 various companies, gaining wide experience in many business sectors.

Marina Santini Darling BA(Hons), LLB, FAICD
Non-executive – Independent

Mrs. Darling joined the Board of Argo Investments Limited in 1999, is currently Chairperson of the Corporate Governance Committee and on 22 June, 2011 was appointed a member of the Nomination and Remuneration Committee.

She has commercial, legal and corporate advisory experience as well as previously being a non-executive Director of various companies.

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

Mr. Martin joined the Board of Argo Investments Limited in 2004. He is currently Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee.

He has previously been a non-executive Director of various companies including GPT Group from 2005 to 2010 and Babcock & Brown Limited from 2004 to 2009.

Mr. Martin has a background in economics, investment management and investment banking.

(b) The former Directors who were in office during the year were:-

Robert John Patterson FAICD

Mr. Patterson retired as Managing Director on 25 October, 2010 and as an executive on 28 October, 2010, after almost 41 years of service with the Company. He joined the Board in 1983 and was Managing Director from 1992.

Ian Rutledge Johnson BSc(Hons), FAIMM, FAICD

Mr. Johnson resigned as a non-executive Director on 22 June, 2011, having been appointed in 2006.

(c) **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
C.L. Harris	128,331	-
R.T. Rich	14,258,438	1,724,986
M.S. Darling	62,840	-
G.I. Martin	198,237	-

(d) **Board Committees**

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

There were 14 Directors' meetings, 4 Audit Committee meetings, 5 Nomination and Remuneration Committee meetings and 3 Corporate Governance Committee meetings held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were:-

	Board		**Audit Committee**		**Nomination and 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
C.L. Harris	14	14	-	3*	5	5	3	3
R.T. Rich	14	14	4	4	-	5*	3	3
M.S. Darling	14	13	-	1*	-	4*	3	3
G.I. Martin	14	14	4	4	5	5	-	2*
R.J. Patterson	6	5	-	1*	-	2*	-	-
I.R. Johnson	14	13	4	4	5	4	-	1*

* 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 Argo Investments Limited in 2001 as an Investment Analyst, was appointed an Investment Executive in 2003, Chief Investment Officer in 2008 and Chief Executive Officer on 31 March, 2010.

   He has an engineering and investment background.

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

   Mr. Binks joined the Company in 2007 as Assistant Company Secretary and was appointed Company Secretary on 31 March, 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, 2010 of $78,850,408 (including an LIC capital gain component of $12,130,832) and referred to in the Directors' Report dated 19 August, 2010 was paid on 3 September, 2010.

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.

The Company's Nomination and Remuneration Committee reviews and advises the Board on remuneration issues for the non-executive Directors, Chief Executive Officer and executives. Independent professional advice is considered and a comprehensive review of the Company's remuneration practices was undertaken in the previous financial year to ensure that the Company's remuneration policies and structure are in accordance with the market conditions of the investment industry within which the Company operates.

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 2008, shareholders approved $800,000 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 Nomination and Remuneration Committee, determines the nature and amount of emoluments of non-executive Directors within the limit approved by shareholders.

Base Directors' fees for the year ended 30 June, 2011 were paid to the Chairman being $163,800 with an additional fee of $2,600 paid for each Committee appointment; and to non-executive Directors being $79,170 with an additional fee of $2,600 for each Committee appointment except that the Chairman of each Committee receives a fee of $5,200. 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.

For the year ended 30 June, 2012, the Chairman currently receives remuneration of $176,000 inclusive of Committee appointments and the current base fee for each of the other non-executive Directors is $82,500 per year, with an additional fee of $2,700 paid for each Committee appointment except that the Chairman of each Committee receives $5,400. Superannuation payments 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.

Mr. R.J. Patterson retired as Managing Director on 25 October, 2010 and did not receive Director's fees. Mr. I.R. Johnson resigned as a non-executive Director on 22 June, 2011.

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

The Company has 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, within the limits contemplated by the Corporations Act 2001 and in accordance with principles established by resolution of the shareholders. The agreements were varied as at 31 December, 2003 and entitlements to that date were frozen. As the amounts due for Directors' retiring benefits have been determined, the balances are shown as non-current payables and are disclosed in note 11 to the financial statements.

Chief Executive Officer and executives' remuneration

The remuneration framework to reward the Chief Executive Officer, Managing Director up to 25 October, 2010 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 in attracting, retaining and motivating people of the highest quality who are able 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) together with certain non-monetary benefits which can include motor vehicle expenses and the benefit of interest free loans pursuant to the discontinued Argo Investments Executive Share Plan.

The resultant total remuneration package is determined with reference to levels necessary to recruit and retain staff with the relevant skills and experience in the investment industry.

(b) **short-term performance incentive (STI)**

The Chief Executive Officer and executives are entitled to receive an annual short-term performance incentive of up to 50% of their fixed remuneration component which is inclusive of superannuation and any agreed salary sacrifice arrangements.

The amount awarded is determined based on key Company and individual performance indicators, of which at least 50% are financially based.

The performance indicators which are financially based include the requirement for the Company to achieve superior operating earnings per share and total portfolio return relative to its LIC peer group, and control of management costs.

The measure for the Company to achieve superior operating earnings per share for the year, compared to its LIC peer group, tests the ability of the Company to meet its objective of providing shareholders with long-term dividend growth.

The measure for the Company to achieve a superior portfolio return to its LIC peer group is assessed using the movement in net asset backing per share plus dividends reinvested for the year. This tests the ability of the Company to meet its objective of providing growth in total shareholder returns and also ensures the Company strives to provide outperformance in its investment sector.

The measure to maintain control of the Company's management costs, reflected by its management expense ratio, tests the ability of the Company to meet its objective of maximising shareholder returns in a cost efficient manner.

In addition, personal objectives which set targets for executives are included in the incentive calculations to encourage outperformance on non-financial metrics and the indicators have been 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 which can adequately assess an individual's short-term performance. The assessment of an individual's performance against the applicable specific metrics is made by the Board, Nomination and Remuneration Committee, Chairman, 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 finalization of both the year-end accounts and the assessment of the key individual performance indicators for each executive. The STI amounts are granted and paid in August each year, except that Mr. Patterson's STI amount was granted and paid in October 2010 due to his retirement.

The Board considers the short-term performance incentive, 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.

The Managing Director was not offered an allocation of 2009 or 2010 performance rights under the Company's long-term performance incentive plan due to his impending retirement at the 2010 Annual General Meeting. In lieu of this, he was entitled to receive a short-term performance incentive of up to 100% of his total remuneration package for the period to 28 October, 2010, which was inclusive of superannuation and any agreed salary sacrifice arrangements.

His performance indicators included a significant focus on issues concerning succession, transition, staffing matters and appropriate mentoring.

(c) **long-term performance incentive (LTI)**

Argo Investments Executive Share Plan

Prior to 28 October, 2004, the Managing Director, 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 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 for 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.

Argo Investments Limited Executive Performance Rights Plan

The investment industry provides numerous opportunities for executives to be well remunerated and to accumulate significant equity positions in their employer. In view of this, it is essential that the Company offers competitive remuneration packages which will attract and retain high calibre executives who are able to generate superior returns to shareholders.

The Argo Investments Limited Executive Performance Rights Plan ("Plan") was introduced in 2004 to create a stronger link between increasing long-term shareholder value and executive reward. The Plan currently allows the Board to grant performance rights to acquire shares in the Company to the Chief Executive Officer and executives to a monetary value of up to 50% of their 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.

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

2007 and 2008 Performance Rights

Three year performance rights, subject to a performance and service condition, were granted by the Company on 29 November, 2007 and 19 November, 2008 as remuneration pursuant to the Plan to the Managing Director, 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 (based on net tangible asset backing per share, plus dividends 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 rights have vesting opportunities at the end of the third year and the performance condition can be re-measured at the end of the fourth and fifth years to the extent that they have not vested. Rights that have not vested after the last measurement date will lapse.

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 enable performance rights to continue beyond cessation of employment in certain circumstances which could include death and retirement.

2009 and 2010 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 Performance Rights) and 18 November, 2010 (known as 2010 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 they have not vested. Rights that are not vested after the second performance measurement date lapse.

The TPR Performance Condition is that the TPR Performance of the Company (as calculated by JBWere Managed Investment

Research and published monthly) over a performance period must exceed the movement in the S&P ASX All Ordinaries Accumulation Index (Index Movement). If the TPR Performance exceeds the Index Movement by 3 or more percentage points, all of the TPR tranche of rights will vest. If the TPR Performance exceeds the Index Movement by less than 3 percentage points, the TPR tranche of rights will vest pro-rata in the proportion the increase bears to the 3 percentage point benchmark. If the TPR Performance does not exceed the Index Movement, none of the TPR tranche of rights will vest.

The ALICA Performance Condition is that the TPR Performance of the Company (as calculated by JBWere Managed Investment Research and published monthly) 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 Managed Investment Research statistics (ALICA Movement). If the TPR Performance exceeds the ALICA Movement by 3 or more percentage points, all of the ALICA tranche of rights will vest. If the TPR Performance exceeds the ALICA Movement by less than 3 percentage points, the ALICA tranche of rights will vest pro-rata in the proportion the increase bears to the 3 percentage point benchmark. If the TPR Performance does not exceed the ALICA Movement, none of the ALICA tranche of rights will vest.

The EPS Performance Condition is that the EPS Performance of the Company (EPS means a company's non-dilutive operating earnings per share which is measured as the net operating profit of the consolidated entities 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 that are included in the JBWere Managed Investment Research statistics (ALICA EPS). If the EPS Performance exceeds the ALICA EPS by 3 or more percentage points, all of the EPS tranche of rights will vest. If the EPS Performance exceeds the ALICA EPS by less than 3 percentage points, the EPS tranche of rights will vest pro-rata in the proportion the increase bears to the 3 percentage point benchmark. If the EPS Performance does not exceed the ALICA EPS, none of the EPS tranche of rights will vest.

The Board reserves the right to make changes to the ALICA peer group to allow for changing circumstances (e.g. takeovers) of peer group companies.

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 enable performance rights to continue beyond cessation of employment in certain circumstances which could include death 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, including the Chief Executive Officer. These restricted share rights were issued in three equal tranches which respectively vest in three, four and five years after grant, subject to continued service with the Company. The Board has the discretion to allow the restricted share rights to vest in certain circumstances which could include incapacity, redundancy, retirement or any reason permitted by the Board.

Independent advice and benchmarks

At the time of determining and 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 were appropriate for the Company.

The Company generally uses the S&P ASX All Ordinaries Accumulation Index as its benchmark for performance and therefore it is appropriate and consistent that this Index was chosen as the method of assessing the TPR Performance Condition.

The Company is a listed investment company and therefore it is appropriate for the Company's performance to be measured against a benchmark peer group of listed investment companies when assessing the ALICA Performance Condition and the EPS Performance Condition.

It is considered that the re-measuring opportunities minimise the impact of short-term share market volatility. Any performance rights that do not vest at the applicable time of measuring, or after re-measuring, lapse.

Restrictions

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 performance and restricted share rights are disclosed on pages 24 to 26.

Directors

The names of persons who were non-executive Directors of the Company during the financial year are Mr. C.L. Harris (Chairman), Mr. R.T. Rich (Deputy Chairman), Mrs. M.S. Darling, Mr. I.R. Johnson (until his resignation on 22 June, 2011) and Mr. G.I. Martin. Mr. R.J. Patterson was an executive Director during the financial year until his retirement as Managing Director on 25 October, 2010.

Executives

The Company currently has five executives for whom disclosures are required by Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Act 2001, being Mr. R.J. Patterson until his retirement as an executive on 28 October, 2010, 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[c] $	Total $
Non-executive Directors						
C.L. Harris	**2011**	**131,281**[a]	**5,200**	**32,519**[a]	**15,210**	**184,210**
	2010	127,500[a]	5,000	30,000[a]	14,625	177,125
R.T. Rich	**2011**	**36,997**[b]	**7,800**	**42,173**[b]	**7,827**	**94,797**
	2010	33,651[b]	7,500	42,474[b]	7,526	91,151
M.S. Darling	**2011**	**49,170**[b]	**5,200**	**30,000**[b]	**7,593**	**91,963**
	2010	51,125[b]	5,000	25,000[b]	7,301	88,426
I.R. Johnson	**2011**	**79,170**	**5,200**	**-**	**7,593**	**91,963**
(resigned 22/6/11)	2010	76,125	5,000	-	7,301	88,426
G.I. Martin	**2011**	**45,837**[b]	**7,800**	**33,333**[b]	**7,827**	**94,797**
	2010	56,125[b]	7,500	20,000[b]	7,526	91,151
Total	**2011**	**342,455**	**31,200**	**138,025**	**46,050**	**557,730**
	2010	344,526	30,000	117,474	44,279	536,279

(a) Base fee totalling $163,800 includes amounts paid in cash and superannuation (2010: $157,500).

(b) Base fee totalling $79,170 includes amounts paid in cash and superannuation (2010: $76,125).

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

		Short-term			Post-employ-ment		Share based	
		Salaries $	STI $	Non-monetary benefits $	Super-annuation $	Term-ination benefits $	LTI[l] $	Total $
Executive Director								
R.J. Patterson (retired)*	**2011**	**64,060**[a]	**150,000**[c]	**40,750**[h]	**-**	**628,140**[k]	**(191,795)**	**691,155**
	2010	518,893[a]	383,250[c]	73,425[h]	-	-	(36,341)	939,227
Other Executives								
J. Beddow	**2011**	**456,274**[b]	**125,000**[d]	**4,307**[i]	**-**	**-**	**174,251**	**759,832**
	2010	368,895[b]	110,000[d]	3,603[i]	18,320	-	107,940	608,758
B.R. Aird	**2011**	**322,690**[a]	**110,000**[e]	**30,356**[i]	**50,000**	**-**	**67,767**	**580,813**
	2010	325,135[a]	112,500[e]	52,385[h]	-	-	(33,825)	456,195
C.C. Hall	**2011**	**305,867**[b]	**100,000**[f]	**-**	**25,000**	**-**	**144,499**	**575,366**
	2010	289,760[b]	88,150[f]	5,184[i]	18,127	-	72,427	473,648
A.B. Hill (from 31/3/10)	**2011**	**146,711**[a]	**53,000**[g]	**5,755**[i]	**13,200**	**-**	**26,603**	**245,269**
	2010	33,982[a]	12,013[g]	2,751[h]	3,300	-	4,471	56,517
Total	**2011**	**1,295,602**	**538,000**	**81,168**	**88,200**	**628,140**	**221,325**	**2,852,435**
	2010	1,536,665	705,913	137,348	39,747	-	114,672	2,534,345

* retired as Managing Director on 25 October, 2010 and as an executive on 28 October, 2010

(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) The short-term performance incentive of $150,000 was paid in cash (2010: $383,250 of which $333,250 was paid in cash and $50,000 as superannuation contribution).

(d) The short-term performance incentive of $125,000 was paid $100,000 in cash and $25,000 as an additional superannuation contribution (2010: $110,000 of which $85,000 was paid in cash and $25,000 as an additional superannuation contribution).

(e) The short-term performance incentive of $110,000 was paid in cash (2010: $112,500 was paid in cash).

(f) The short-term performance incentive of $100,000 was paid in cash (2010: $88,150 was paid in cash).

(g) The short-term performance incentive of $53,000 was paid $48,624 in cash and $4,376 as an additional superannuation contribution (2010; $12,013 of which $11,023 was paid in cash and $990 as an additional superannuation contribution).

(h) Includes motor vehicle expenses, fringe benefits tax and the benefit of interest free loans pursuant to the discontinued Argo Investments Executive Share Plan.

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

(j) Includes motor vehicle expenses and fringe benefits tax.

(k) To acknowledge Mr. Patterson's almost 41 years of service to the Company and the growth and profitability achieved during this period, an employment termination payment of $500,000 was paid together with annual and long service leave entitlements of $128,140 which had not been taken.

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

The Accounting Standards require that the expense relating to the long-term 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.

The fair value of the 2007 and 2008 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 and 2010 performance rights granted on 22 April, 2010 and 18 November, 2010 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 performance rights allocated as an accounting charge to this reporting period.

Mr. Patterson retired from the Company effective from 28 October, 2010 and in accordance with the terms of the Argo Investments Limited Executive Performance Rights Plan, the performance rights previously granted to him have lapsed. All expenses relating to these performance rights have been reversed.

Argo Employee Share Ownership Plan

Except for Mr. Patterson, $1,000 of Company shares at market value was received by employees pursuant to the Argo Employee Share Ownership Plan.

(m) 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
R.J. Patterson	**2011**	**100%**	**84.1%**	**15.9%**	**-27.7%**	**-6.0%**
	2010	100%	67.0%	33.0%	-3.9%	36.9%
J. Beddow	**2011**	**50%**	**56.5%**	**43.5%**	**22.9%**	**39.4%**
	2010	50%	62.2%	37.8%	17.7%	35.8%
B.R. Aird	**2011**	**50%**	**68.3%**	**31.7%**	**11.7%**	**30.6%**
	2010	50%	74.4%	25.6%	-7.4%	17.2%
C.C. Hall	**2011**	**50%**	**62.0%**	**38.0%**	**25.1%**	**42.5%**
	2010	50%	58.5%	41.5%	15.3%	33.9%
A.B. Hill	**2011**	**50%**	**68.4%**	**31.6%**	**10.8%**	**32.5%**
	2010	50%	62.0%	38.0%	7.9%	29.2%

(1) These percentages are based on the Accounting Standard disclosures and reflect the net effect of the various outcomes described in (l) 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] $
R.J. Patterson	50,000	29/11/2007	$7.37	29/11/2010	13/12/2012	-	-	-
	41,500	19/11/2008	$4.75	19/11/2011	3/12/2013	-	-	-
	91,500					-	-	-
J. Beddow	17,500	29/11/2007	$7.37	29/11/2010	13/12/2012	11,667	-	-
	24,000	19/11/2008	$4.75	19/11/2011	3/12/2013	24,000	-	10,217
	29,100	22/04/2010	$5.74	18/11/2013	2/12/2014	29,100	-	25,295
	42,300	18/11/2010	$5.16	18/11/2014	2/12/2015	42,300	-	42,504
	112,900					107,067	-	78,016
B.R. Aird	25,000	29/11/2007	$7.37	29/11/2010	13/12/2012	16,667	-	-
	21,500	19/11/2008	$4.75	19/11/2011	3/12/2013	21,500	-	10,284
	25,800	22/04/2010	$5.74	18/11/2013	2/12/2014	25,800	-	24,920
	30,900	18/11/2010	$5.16	18/11/2014	2/12/2015	30,900	-	32,679
	103,200					94,867	-	67,883
C.C. Hall	16,500	29/11/2007	$7.37	29/11/2010	13/12/2012	11,000	-	-
	21,500	19/11/2008	$4.75	19/11/2011	3/12/2013	21,500	-	9,461
	26,100	22/04/2010	$5.74	18/11/2013	2/12/2014	26,100	-	23,191
	30,300	18/11/2010	$5.16	18/11/2014	2/12/2015	30,300	-	28,847
	94,400					88,900	-	61,499
A.B. Hill	7,000	29/11/2007	$7.37	29/11/2010	13/12/2012	4,667	-	-
	9,500	19/11/2008	$4.75	19/11/2011	3/12/2013	9,500	-	4,317
	12,000	22/04/2010	$5.74	18/11/2013	2/12/2014	12,000	-	11,126
	15,000	18/11/2010	$5.16	18/11/2014	2/12/2015	15,000	-	15,229
	43,500					41,167	-	30,672
Total	**445,500**					**332,001**	**-**	**238,070**

Vested and Exercised

	Grant date	Number of rights vested during the year	Number of shares purchased on exercise	Value at exercise date[4] $
J. Beddow	29/11/2007	5,833	5,833	34,998
B.R. Aird	29/11/2007	8,333	8,333	49,998
C.C. Hall	29/11/2007	5,500	5,500	33,000
A.B. Hill	29/11/2007	2,333	2,333	13,998
		21,999	**21,999**	**131,994**

Lapsed

	Number	Grant date	Fair value per right at grant date	Lapsed date	Number of rights lapsed during the year	Value at lapse date[5] $
R.J. Patterson	50,000	29/11/2007	$7.37	29/10/2010	50,000	81,358
	41,500	19/11/2008	$4.75	29/10/2010	41,500	110,437
	91,500				**91,500**	**191,795**

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

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

(3) The maximum value of performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed. Ultimately, the value received will be determined by the quantity of rights to vest and the market value.

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

(5) The value at lapse date of rights that were granted as part of remuneration and which have lapsed due to cessation of employment. The value of the rights that lapsed during the year represents the benefit forgone, as disclosed in previous remuneration disclosures for executives, and is calculated at the date the rights lapsed assuming the performance condition had been satisfied.

Restricted Share 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	25,000	29/11/2007	$7.37	29/11/2010	13/12/2010	-	-	-
	25,000	29/11/2007	$7.12	29/11/2011	13/12/2011	25,000	-	15,727
	25,000	29/11/2007	$6.88	29/11/2012	13/12/2012	25,000	-	40,286
	75,000					50,000	-	56,013
C.C. Hall	20,000	29/11/2007	$7.37	29/11/2010	13/12/2010	-	-	-
	20,000	29/11/2007	$7.12	29/11/2011	13/12/2011	20,000	-	12,875
	20,000	29/11/2007	$6.88	29/11/2012	13/12/2012	20,000	-	33,393
	60,000					40,000	-	46,268
Total	**135,000**					**90,000**	**-**	**102,281**

Vested and Exercised

	Grant date	Number of rights vested during the year	Number of shares purchased on exercise	Value at exercise date[(4)] $
J. Beddow	29/11/2007	25,000	25,000	150,000
C.C. Hall	29/11/2007	20,000	20,000	120,000
		45,000	**45,000**	**270,000**

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

(2) The minimum value of restricted share rights yet to vest is $nil as the service condition may not be met and consequently the restricted share rights may not vest.

(3) The maximum value of restricted share rights yet to vest has been determined as the amount of the grant date fair value of the restricted share rights that is yet to be expensed. Ultimately, the value received will be determined by the quantity of rights to vest and the market value.

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

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

Service Agreements

Mr. R.J. Patterson (Managing Director) had a service agreement with the Company which commenced on 1 July, 2005 for an initial twelve month period and upon expiration, the agreement automatically extended for further periods of twelve months each. His agreement terminated on 28 October, 2010 when he retired as an executive.

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 (except for Mr. Beddow whose remuneration was initially reviewed on 25 October, 2010 after which it will be reviewed annually) 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 abovenamed executives, if they have committed certain breaches or become permanently incapacitated.

The abovementioned 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 abovementioned 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 abovementioned 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 abovementioned 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:-

	2011	2010	2009	2008	2007
Change in share price between years (adjusted for new issues)	-$0.24	$0.09	-$1.33	-$0.98	$0.94
Total portfolio return	9.5%	13.9%	-16.8%	-15.3%	28.4%
	$'000	$'000	$'000	$'000	$'000
Net operating profit	172,058	142,814	163,353	182,292	147,855
Dividends	159,862	149,263	157,058	170,987	141,768
Total assets	3,838,216	3,561,400	3,127,445	3,909,675	4,616,454

There was a negative change in the Company's share price during the year of 4.1% notwithstanding that the portfolio performance for the year generated a total return of 9.5%, based on net tangible asset movements including dividends. These relative movements have resulted in the Company's shares trading at a historically large discount to net tangible asset backing (NTA). It would be expected that investors will again begin to take into account this positive portfolio performance delivered by the key management personnel when considering trading in the Company's shares. It should be noted that over the 3 years to 30 June, 2011, the Company shares have on average traded at a premium to NTA of 3.6%.

The indicators of net operating profit, dividends paid and total assets all improved during the year.

The Company is a long-term investor and its portfolio is managed to achieve a balance between the objectives of capital and dividend growth. The Company has paid dividends every year since its inception and its Total Shareholder Return based on the Company's share price performance and dividends paid for the 10 years ended 30 June, 2011 was 8.8% compounded per annum. Due to the Company's long-term investment philosophy, the Company considers that its remuneration policy should be judged against this investment time frame.

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**

There were no professional fees for non-audit services paid to PricewaterhouseCoopers during the year ended 30 June, 2011.

The Auditor's Independence Declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 30.

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

On behalf of the Board

R.T. Rich
Deputy Chairman

Adelaide
18 August, 2011

Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2011, 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.

This declaration is in respect of Argo Investments Limited during the period.

A G Forman
Partner
PricewaterhouseCoopers

Adelaide
18 August, 2011

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Corporate Governance Statement

Our experienced Board of Directors and executives are committed to responsible financial and business practices to protect and advance shareholders' interests. Consistent with this aim, Argo Investments Limited ("Company") has followed the 2nd Edition of the ASX Corporate Governance Principles and Recommendations.

The Board has adopted these ASX principles and recommendations, however it 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. Our reputation 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 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 which is accomplished by:

- 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 succession planning for the Board and 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; and
- ensuring appropriate resources are available to senior executives.

The Board currently comprises four non-executive, independent Directors. The Board regularly assesses whether each non-executive Director is independent. 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. 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 non-executive, independent 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.

The composition of the Board is monitored by the Nomination and Remuneration Committee to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company.

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 twelve years from the date of first election by shareholders. The Board, on its initiative and on an exceptional basis, may exercise discretion to extend 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 further extend the Director's tenure.

Each year, 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, on an annual basis, the Chairman of the Corporate Governance Committee speaks individually with 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 Board Chairman and the Chairman of the Corporate Governance Committee report the findings of the reviews 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 is in each six months a formal Board review of the investment portfolio 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 2001 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 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.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises three independent non-executive Directors. In accordance with its Charter, it is responsible for the evaluation of the Board to ensure that it comprises individuals who are able to discharge the duties of Directors having regard to complementary skills, experience and qualifications together with high standards of corporate governance.

It also reviews and advises the Board on remuneration arrangements for the non-executive Directors, Chief Executive Officer and executives. The Committee 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 executive 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.

Corporate Governance Committee

In accordance with its Charter, the Corporate Governance Committee comprises three independent non-executive Directors.

The Board believes the Company engages in sound corporate governance practices which follow the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Committee makes recommendations to the Board where it considers there are opportunities for the further enhancement of its corporate governance procedures.

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 the Company Secretary immediately if they become aware of any potentially price sensitive information relating to the Company. 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 regular shareholder information meetings 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 Australian Securities Exchange (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.

Income Statement

for the year ended 30 June, 2011

	Note	2011	2010
		$'000	$'000
Dividends and distributions	2	174,167	143,539
Interest		12,250	7,424
Other revenue		366	738
Total revenue		186,783	151,701
Net gains on trading investments		5,002	9,882
Income from operating activities		191,785	161,583
Administration expenses	3	(7,135)	(6,427)
Operating profit before income tax expense and realised gains on sale of long-term investments		184,650	155,156
Income tax expense thereon *	4	(12,592)	(12,342)
Net operating profit before net realised gains on sale of long-term investments		172,058	142,814
Realised gains on sale of long-term investments before income tax expense		-	16,142
Income tax expense thereon *	4	-	(5,065)
Net realised gains on sale of long-term investments		-	11,077
Profit for the year		172,058	153,891
* Total income tax expense		(12,592)	(17,407)

	Note	2011	2010
		cents	cents
Basic and diluted earnings per share including net realised gains on sale of long-term investments	5	28.1	26.0

Information on earnings per share, including net operating profit before net realised gains on sale of long-term investments, can be found in note 5.

(To be read in conjunction with the accompanying notes)

Statement of Comprehensive Income
for the year ended 30 June, 2011

	2011	2010
	$'000	$'000
Profit for the year	172,058	153,891
Other comprehensive income		
Revaluation of long-term investments	167,504	285,614
Provision for deferred tax expense on unrealised gains on long-term investments	(50,077)	(87,924)
Realised gains on sale of long-term investments transferred to the Income Statement from the investment revaluation reserve	-	(16,142)
Income tax expense thereon	-	5,065
Other comprehensive income for the year	117,427	186,613
Total comprehensive income for the year	289,485	340,504

(To be read in conjunction with the accompanying notes)

Statement of Financial Position

as at 30 June, 2011

	Note	2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	6(a)	82,095	187,270
Receivables	7	27,873	24,628
Other financial assets	8	60,000	45,000
Total Current Assets		169,968	256,898
NON-CURRENT ASSETS			
Receivables	7	833	1,039
Investments	9	3,666,924	3,302,886
Plant and equipment	10	491	577
Total Non-Current Assets		3,668,248	3,304,502
TOTAL ASSETS		3,838,216	3,561,400
CURRENT LIABILITIES			
Payables	11	1,807	2,523
Current tax liabilities		17,997	55
Provisions	12	510	547
Total Current Liabilities		20,314	3,125
NON-CURRENT LIABILITIES			
Payables	11	501	501
Deferred tax liabilities	13	374,005	329,478
Provisions	12	235	186
Total Non-Current Liabilities		374,741	330,165
TOTAL LIABILITIES		395,055	333,290
NET ASSETS		3,443,161	3,228,110
SHAREHOLDERS' EQUITY			
Contributed equity	14	2,167,020	2,083,247
Reserves	15	1,036,275	931,131
Retained profits	16	239,866	213,732
TOTAL SHAREHOLDERS' EQUITY		3,443,161	3,228,110

(To be read in conjunction with the accompanying notes)

Statement of Changes in Equity

for the year ended 30 June, 2011

	Contributed Equity	Reserves	Retained Profits	Total
	$'000	$'000	$'000	$'000
	(note 14)	(note 15)	(note 16)	
Balance at 1 July, 2010	2,083,247	931,131	213,732	3,228,110
Profit for the year	-	-	172,058	172,058
Net revaluation of long-term investments	-	117,427	-	117,427
Total comprehensive income for the year	-	117,427	172,058	289,485
Transactions with shareholders				
Dividend Reinvestment Plan	31,033	-	-	31,033
Share Purchase Plan	52,947	-	-	52,947
Cost of share issues net of tax	(207)	-	-	(207)
Executive performance rights reserve	-	(152)	-	(152)
Dividends paid	-	(12,131)	(145,924)	(158,055)
Total transactions with shareholders	83,773	(12,283)	(145,924)	(74,434)
Balance at 30 June, 2011	2,167,020	1,036,275	239,866	3,443,161

(To be read in conjunction with the accompanying notes)

Statement of Changes in Equity
(continued)

	Contributed Equity $'000 (note 14)	Reserves $'000 (note 15)	Retained Profits $'000 (note 16)	Total $'000
For the year ended 30 June, 2010				
Balance at 1 July, 2009 (as reported)	1,943,944	744,993	205,618	2,894,555
Restatement on adoption of AASB 9				
Investment revaluation reserve	-	(191,847)	-	(191,847)
Impairment revaluation charge reserve	-	191,847	-	191,847
Restated balance	1,943,944	744,993	205,618	2,894,555
Profit for the year	-	-	153,891	153,891
Net revaluation of long-term investments	-	197,690	-	197,690
Net realised gains on sale of long-term investments transferred to the Income Statement	-	(11,077)	-	(11,077)
Total comprehensive income for the year	-	186,613	153,891	340,504
Net realised gains on sale of long-term investments transferred to capital profits reserve	-	11,077	(11,077)	-
Transactions with shareholders				
Dividend Reinvestment Plan	28,694	-	-	28,694
Share Purchase Plan	110,873	-	-	110,873
Cost of share issues net of tax	(264)	-	-	(264)
Executive performance rights reserve	-	137	-	137
Dividends paid	-	(11,689)	(134,700)	(146,389)
Total transactions with shareholders	139,303	(11,552)	(134,700)	(6,949)
Balance at 30 June, 2010	2,083,247	931,131	213,732	3,228,110

(To be read in conjunction with the accompanying notes)

Statement of Cash Flows

for the year ended 30 June, 2011

	Note	2011	2010
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		167,144	140,218
Interest received		12,910	5,658
Other receipts		368	948
Payments for trading investments		(2,130)	(17,544)
Proceeds from trading investments		7,132	29,046
Other payments		(7,571)	(5,628)
Income tax refunded		260	5,157
Net operating cash inflows	6(b)	178,113	157,855
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		113,580	82,455
Payments for long-term investments		(308,797)	(91,008)
Proceeds from other financial assets		155,000	-
Payments for other financial assets		(170,000)	(45,000)
Executive share scheme repayments		1,309	256
Proceeds from sale of fixed assets		31	-
Payments for fixed assets		(40)	(51)
Net investing cash outflows		(208,917)	(53,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		52,947	110,873
Cost of share issues		(296)	(376)
Dividends paid – net of reinvestment		(127,022)	(117,695)
Net financing cash outflows		(74,371)	(7,198)
Net (decrease)/increase in cash held		(105,175)	97,309
Cash at the beginning of the year		187,270	89,961
Cash at the end of the year	6(a)	82,095	187,270

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the year ended 30 June, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue by the Directors on 18 August, 2011.

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.

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 profit and loss and included in the Income Statement. 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 Income Statement 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 Income Statement 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.

In accordance with the previously applied AASB 139 *Financial Instruments: Recognition and Measurement*, the realised gains and losses on the sale of long-term investments were transferred from the investment revaluation reserve and recorded in the Income Statement. The cumulative gain or loss, net of tax, was then transferred from retained profits to the capital profits reserve.

After adopting AASB 9 *Financial Instruments* on 7 December, 2009, the realised gains and losses on the sale of long-term investments, net of tax, are now 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 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 from the holder, the premium received is brought to account and is included in net gains on trading investments in the Income Statement.

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

(d) **Revenue**

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

(e) **Plant and Equipment**

Items of plant, equipment and vehicles 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 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 discontinued 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 Assets**

Other financial 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, including realised gains or losses on sale of long-term investments, is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period.

Basic operating earnings per share, excluding realised gains or losses on sale of long-term investments, is calculated by dividing operating profit before realised gains or losses on sale of long-term investments 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

	2011	2010
	$'000	$'000
Received/receivable from:-		
Long-term investments held at the end of the year	159,331	142,674
Long-term investments sold during the year	14,836	865
	174,167	**143,539**

3. ADMINISTRATION EXPENSES

	2011	2010
	$'000	$'000
Employment benefits	4,638	4,328
Depreciation	93	78
Other administration	2,404	2,021
	7,135	**6,427**

4. INCOME TAX EXPENSE

	2011	2010
	$'000	$'000
(a) Reconciliation of income tax expense to prima facie tax payable		
Operating profit before income tax expense and realised gains on sale of long-term investments	184,650	155,156
Prima facie tax payable calculated at 30% (2010: 30%)	55,395	46,547
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Imputation gross-up on dividends received	16,737	13,953
Franking credits on dividends received	(55,791)	(46,511)
Other	(3,204)	(1,451)
Over provision previous year	(545)	(196)
Income tax expense on operating profit before realised gains on sale of long-term investments	12,592	12,342

	2011	2010
	$'000	$'000
Realised gains on sale of long-term investments	-	16,142
Prima facie tax payable calculated at 30% (2010: 30%)	-	4,843
Tax effect of amounts which are not deductible in calculating taxable income:-		
Difference between accounting and tax cost base for capital gains purposes	-	222
Income tax expense on realised gains on sale of long-term investments	-	5,065
Total income tax expense	**12,592**	**17,407**
(b) Income tax expense composition		
Charge for tax payable relating to current year	12,030	9,830
Increase in deferred tax liabilities	1,107	7,773
Over provision previous year	(545)	(196)
	12,592	**17,407**
(c) Amounts recognised directly in other comprehensive income		
Increase in deferred tax liabilities	**50,077**	**82,859**

5. EARNINGS PER SHARE

	2011	2010
	number '000	number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	611,375	590,772
	$'000	$'000
Basic and diluted earnings per share		
Profit for the year	172,058	153,891
	cents	cents
Basic and diluted earnings per share including net realised gains on sale of long-term investments	**28.1**	**26.0**

	2011	2010
	$'000	$'000
Basic and diluted operating earnings per share excluding net realised gains on sale of long-term investments		
Net operating profit before net realised gains on sale of long-term investments	172,058	142,814
	cents	cents
Basic and diluted operating earnings per share excluding net realised gains on sale of long-term investments	**28.1**	**24.2**

6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents includes cash on deposit (4.70% floating interest rate as at 30 June, 2011; 2010: 4.45%) with banks and fixed term deposits (fixed interest rates to maturity between 5.59% and 5.75% as at 30 June, 2011; 2010: 5.23% and 5.95%) with banks, all maturing within three months from date of deposit.

	2011	2010
	$'000	$'000
Bank deposits	**82,095**	**187,270**
(b) Reconciliation of net cash provided by operating activities to profit for the year:-		
Profit for the year	172,058	153,891
Net realised (gains)/losses on sale of long-term investments	-	(11,077)
Demerger dividend	(4,109)	-
Net loss/(gain) on fixed assets	2	-
Depreciation	93	78
Decrease/(Increase) in current investments	-	1,621
Charges to provisions	134	223
Other movements	(152)	137
Increase/(Decrease) in provision for income tax	17,942	6
Transfer from provision for deferred income tax	(5,657)	12,262
(Increase)/Decrease in deferred tax assets	74	(74)
Changes in assets and liabilities		
Decrease/(Increase) in other debtors	(1,996)	313
Increase/(Decrease) in other creditors	(276)	475
Net cash provided by operating activities	**178,113**	**157,855**

	2011	2010
	$'000	$'000
(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 $31,033,166 were reinvested in shares under the Company's Dividend Reinvestment Plan (2010: $28,693,647).

7. RECEIVABLES

	2011	2010
	$'000	$'000
Current		
Dividends and distributions receivable	24,199	21,286
Interest receivable	1,198	1,857
Outstanding settlements	2,353	-
Executive share plan loan – former Managing Director	-	1,103
Other	123	382
	27,873	**24,628**

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. The executive share plan loan was repaid in accordance with the terms of the plan.

	2011	2010
	$'000	$'000
Non-Current		
Executive share plan loans	**833**	**1,039**

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

8. OTHER FINANCIAL ASSETS

	2011	2010
	$'000	$'000
Bank term deposits	**60,000**	**45,000**

Other financial assets are fixed term deposits (fixed interest rates to maturity between 5.83% and 6.13% as at 30 June, 2011; 2010: 5.10% and 5.94%) with banks, maturing from three to six months from date of deposit.

9. INVESTMENTS

	2011	2010
	$'000	$'000
Listed securities at fair value(1)	3,661,624	3,297,686
Unlisted securities at fair value(2)	5,300	5,200
	3,666,924	**3,302,886**

The fair value of investments is based on the fair value measurement hierarchy disclosed in note 26.

(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.

The fair value of each non-current security (long-term investment) is disclosed in note 27.

There were 108 investment transactions during the financial year. The total brokerage paid on these transactions was $755,983.

10. PLANT AND EQUIPMENT

	2011	2010
	$'000	$'000
Plant, equipment and vehicles at cost	970	1,008
Accumulated depreciation	(479)	(431)
	491	**577**
Reconciliation of Plant and Equipment		
Carrying amount at beginning of year	577	604
Additions	40	51
Disposals	(33)	-
Depreciation	(93)	(78)
Carrying amount at end of year	**491**	**577**

11. PAYABLES

	2011	2010
	$'000	$'000
Current		
Outstanding settlements	822	1,262
Other	985	1,261
	1,807	**2,523**

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

	2011	2010
	$'000	$'000
Non-Current		
Directors' retiring allowances	**501**	**501**

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

12. PROVISIONS

	2011	2010
	$'000	$'000
Current		
Provision for employee entitlements	**510**	**547**
Non-Current		
Provision for employee entitlements	**235**	**186**

13. DEFERRED TAX LIABILITIES

	2011	2010
	$'000	$'000
The balance comprises temporary differences attributed to:-		
Deferred tax liability on unrealised gains on long-term investments	379,450	335,806
Income receivable which is not assessable for tax until receipt	1,210	1,863
	380,660	337,669
Offset by deferred tax assets:-		
Capital gains losses not utilised	(5,794)	(7,223)
Provisions and payables	(655)	(729)
Deferred tax on cost of share issues	(206)	(239)
	(6,655)	(8,191)
Net deferred tax liabilities	**374,005**	**329,478**
Movements:-		
Balance at beginning of year	329,478	229,361
Charged to Income Statement	1,107	7,773
Charged to other comprehensive income	50,077	82,859
Changes to the tax base of investments	(6,657)	9,485
Balance at end of year	**374,005**	**329,478**

14. CONTRIBUTED EQUITY

	2011	2010	2011	2010
	No. of shares	No. of shares	$'000	$'000
(a) Issued and fully paid ordinary shares:-				
Opening balance	606,541,598	584,434,409	2,083,247	1,943,944
Dividend reinvestment plan(b)	5,216,873	4,536,226	31,033	28,694
Share purchase plan(c)	8,679,864	17,570,963	52,947	110,873
Cost of share issues net of tax	-	-	(207)	(264)
Closing balance	**620,438,335**	**606,541,598**	**2,167,020**	**2,083,247**

(b) On 3 September, 2010, 2,727,231 shares were allotted at $5.71 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2010.

On 7 March, 2011, 2,489,642 shares were allotted at $6.21 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2011.

(c) On 15 April, 2011, 8,679,864 shares were allotted at $6.10 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

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

15. RESERVES

	2011	2010
	$'000	$'000
Executive Performance Rights Reserve	1,046	1,198
Investment Revaluation Reserve	791,745	680,212
Capital Profits Reserve	243,484	249,721
Impairment Revaluation Charge Reserve	-	-
	1,036,275	**931,131**

	2011	2010
	$'000	$'000
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	1,198	1,061
Accrued entitlement for unvested rights	354	137
Executive performance shares purchased	(506)	-
Balance at end of year	**1,046**	**1,198**
Investment Revaluation Reserve		
Balance at beginning of year	680,212	485,820
Revaluation of long-term investments	167,504	285,614
Provision for deferred tax expense on unrealised gains on long-term investments	(50,077)	(87,924)
Realised gains on sale of long-term investments to 7 December, 2009 transferred to Income Statement	-	(16,142)
Income tax expense thereon	-	5,065
Realised (gains)/losses on sale of long-term investments after 7 December, 2009 transferred to capital profits reserve	(8,998)	10,846
Income tax expense/(benefit) thereon	3,104	(3,067)
Balance at end of year	**791,745**	**680,212**
Capital Profits Reserve		
Balance at beginning of year	249,721	271,871
Dividend paid	(12,131)	(11,689)
Transfer from retained profits	-	11,077
Transfer from investment revaluation reserve	5,894	(7,779)
Transfer from impairment revaluation charge reserve	-	(13,759)
Balance at end of year	**243,484**	**249,721**
Impairment Revaluation Charge Reserve		
Balance at beginning of year	-	(13,759)
Transfer to capital profits reserve	-	13,759
Balance at end of year	**-**	**-**
Total Reserves	**1,036,275**	**931,131**

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 or redeemed during this period was $142.1 million (2010 - between 7 December, 2009 and reporting date: $22.6 million). The cumulative profit after tax on these disposals was $5.9 million (2010 - between 7 December, 2009 and reporting date: loss $7.8 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 performance rights and restricted share rights issued to participants, pursuant to the Argo Investments Limited Executive Performance Rights Plan, calculated at grant date and allocated to each reporting period from grant date to 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.

Impairment Revaluation Charge Reserve

In accordance with the previously applied Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, the unrealised impairment revaluation charge on long-term investments, net of any tax benefit, was transferred from retained profits and recorded in this reserve, until the balance was transferred to capital profits reserve after the adoption on 7 December, 2009 of Accounting Standard AASB 9 *Financial Instruments.*

16. RETAINED PROFITS

	2011	**2010**
	$'000	$'000
Balance at beginning of year	213,732	205,618
Dividends paid	(145,924)	(134,700)
Profit for the year	172,058	153,891
Transfer to capital profits reserve	-	(11,077)
Balance at end of year	**239,866**	**213,732**

17. CAPITAL MANAGEMENT

The Company's objective in managing 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, may 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.

18. DIVIDENDS

	2011	2010
	$'000	$'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June, 2010 of 13 cents fully franked at 30% tax rate paid 3 September, 2010 (2010: 13 cents fully franked at 30% tax rate)	78,850	75,976
Interim dividend for the year ended 30 June, 2011 of 13 cents fully franked at 30% tax rate paid 7 March, 2011 (2010: 12 cents fully franked at 30% tax rate)	79,205	70,413
Total dividends paid	**158,055**	**146,389**

The final dividend contained a listed investment company (LIC) capital gain component of 2 cents per share (2010: 2 cents per share).

	2011	2010
	$'000	$'000
(b) **Dividends 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, 2011 of 13 cents fully franked at 30% tax rate payable 7 September, 2011 (2010: 13 cents fully franked at 30% tax rate)	**80,657**	**78,850**

The final dividend will contain a listed investment company (LIC) capital gain component of 2 cents per share (2010: 2 cents per share).

19. FRANKING ACCOUNT

	2011 $'000	2010 $'000
Balance of the franking account after allowing for tax payable/receivable and the receipt of franked dividends recognised as receivables	55,506	48,103
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(34,567)	(33,793)
	20,939	**14,310**
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	**48,858**	**33,390**

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.

20. LISTED INVESTMENT COMPANY CAPITAL GAIN ACCOUNT

	2011 $'000	2010 $'000
Balance of the listed investment company (LIC) capital gain account	23,708	35,657
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(12,409)	(12,131)
	11,299	**23,526**
This equates to an attributable amount of	**16,141**	**33,609**

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 distributions from LIC securities held in the investment portfolio.

21. 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 Managing Director (for the period to 25 October, 2010), Chief Executive Officer (from 25 October, 2010) 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.

22. COMMITMENTS

	2011	2010
	$'000	$'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:-		
Not later than one year	181	224
Later than one year but not later than five years	559	643
Later than five years	-	98
	740	**965**

The Company has entered into two property leases, one expiring on 12 December, 2011 and the other expiring on 31 January, 2016. Lease rentals are subject to review during the term of the leases. The lease expiring on 12 December, 2011 provides the Company with a right of renewal at which time all terms are renegotiated.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

The names of each person holding the position of Director of Argo Investments Limited for the financial year were Mr. C.L. Harris (Chairman), Mr. R.T. Rich (Deputy Chairman), Mrs. M.S. Darling, Mr I.R. Johnson to 22 June, 2011, Mr. G.I. Martin and Mr R.J. Patterson until his retirement as Managing Director on 25 October, 2010.

Persons who were executives with authority for the strategic direction and management of the Company during the financial year were Mr. R.J. Patterson until his retirement as an executive on 28 October, 2010, 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 directly, indirectly or beneficially during the financial year by key management personnel, including their related parties, are disclosed in the following tables:-

(a) **Shareholdings**

		Opening balance	Changes during the year	Closing balance
Non-executive Directors				
C.L. Harris	**2011**	**123,411**	**4,920**	**128,331**
	2010	121,033	2,378	123,411
R.T. Rich	**2011**	**16,367,530**	**16,500**	**16,384,030**
	2010	16,424,375	(56,845)	16,367,530
M.S. Darling	**2011**	**57,825**	**5,015**	**62,840**
	2010	53,319	4,506	57,825
I.R. Johnson (resigned 22 June, 2011)	**2011**	**16,808**	**13,203**	**n/a**
	2010	13,876	2,932	16,808
G.I. Martin	**2011**	**185,138**	**13,099**	**198,237**
	2010	171,173	13,965	185,138
Executive Director				
R.J. Patterson (retired)*	**2011**	**909,636**	**41**	**n/a**
	2010	906,432	3,204	909,636
Other Key Management Personnel				
J. Beddow	**2011**	**35,576**	**20,166**	**55,742**
	2010	35,576	-	35,576
B.R. Aird	**2011**	**463,450**	**13,419**	**476,869**
	2010	476,061	(12,611)	463,450
C.C. Hall	**2011**	**34,109**	**654**	**34,763**
	2010	32,263	1,846	34,109
A.B. Hill (from 31 March, 2010)	**2011**	**59,929**	**(839)**	**59,090**
	2010	n/a	-	59,929

* Mr. Patterson retired as Managing Director on 25 October, 2010 and as an executive on 28 October, 2010.

(b) Performance rights holdings

		Opening balance	Granted as remun-eration	Vested and exercised	Lapsed	Closing balance
Executive Director						
R.J. Patterson	**2011**	**91,500**	**-**	**-**	**(91,500)**	**-**
(retired)*	2010	219,300	-	-	(127,800)	91,500
Other Key Management Personnel						
J. Beddow	**2011**	**70,600**	**42,300**	**(5,833)**	**-**	**107,067**
	2010	97,600	29,100	-	(56,100)	70,600
B.R. Aird	**2011**	**72,300**	**30,900**	**(8,333)**	**-**	**94,867**
	2010	108,900	25,800	-	(62,400)	72,300
C.C. Hall	**2011**	**64,100**	**30,300**	**(5,500)**	**-**	**88,900**
	2010	106,700	26,100	-	(68,700)	64,100
A.B. Hill	**2011**	**28,500**	**15,000**	**(2,333)**	**-**	**41,167**
(from 31 March, 2010)	2010	n/a	12,000	-	-	28,500

* Mr. Patterson retired as Managing Director on 25 October, 2010 and as an executive on 28 October, 2010.

(c) Restricted share rights holdings

		Opening balance	Granted as remun-eration	Vested and exercised	Lapsed	Closing balance
Other Key Management Personnel						
J. Beddow	**2011**	**75,000**	**-**	**(25,000)**	**-**	**50,000**
	2010	75,000	-	-	-	75,000
C.C. Hall	**2011**	**60,000**	**-**	**(20,000)**	**-**	**40,000**
	2010	60,000	-	-	-	60,000

Key Management Personnel Compensation

	2011	2010
	$'000	$'000
Short-term	2,288,425	2,754,452
Post-employment	272,275	201,500
Termination benefits	628,140	-
Share based	221,325	114,672
	3,410,165	**3,070,624**

Loans

Key management personnel with loans from the Company in the financial year are as follows:-

		Opening balance	Interest charged	Interest not charged	Closing balance	Highest balance in period
		$	$	$	$	$
Executive Director						
R.J. Patterson	**2011**	**1,102,755**	**-**	**27,719**	**-**	**1,102,755**
(retired)*	2010	1,254,591	-	41,929	1,102,755	1,254,591
Other Key Management Personnel						
J. Beddow	**2011**	**97,197**	**-**	**4,307**	**90,434**	**97,197**
	2010	103,699	-	3,603	97,197	103,699
B.R. Aird	**2011**	**705,173**	**-**	**30,356**	**622,228**	**705,173**
	2010	784,927	-	26,578	705,173	784,927
A.B. Hill	**2011**	**130,893**	**-**	**5,755**	**120,073**	**130,893**
(from 31 March, 2010)	2010	n/a	-	1,415	130,893	130,893

* Mr. Patterson retired as Managing Director on 25 October, 2010 and as an executive on 28 October, 2010.

Interest free loans were issued to the executive Director and 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.

24. 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, 2,490 (2010: 1,672) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $15,039 (2010: $11,021) and had a market value of $13,969 (2010: $9,781) at $5.61 per share (2010: $5.85 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 long-term incentives for participants to deliver long-term returns to shareholders. Under the Plan, participants are granted options which 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 2007, 2008, 2009 and 2010 performance and service conditions for each grant of rights is set out in the Remuneration Report on pages 17 to 19.

Both the 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:-

Performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance
29/11/2007	29/11/2010	13/12/2012	135,000	-	(28,332)	(56,000)[2]	50,668
19/11/2008	19/11/2011	3/12/2013	164,500	-	-	(52,500)[2]	112,000
22/04/2010	18/11/2013	2/12/2014	150,300	-	-	(13,500)[2]	136,800
18/11/2010	18/11/2014	2/12/2015	-	192,600[1]	-	-	192,600
			449,800	**192,600**	**(28,332)**	**(122,000)**	**492,068**

(1) The fair value at grant date of the performance rights issued during the year was $5.16 (2010: $5.74) 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 performance rights issued:-

(a) Share price at valuation date 18 November, 2010 – $6.00 (2010: 22 April, 2010 – $6.50);

(b) Dividend yield based on historic and future yield estimates – 3.75% (2010: 3.5%).

(2) 2007, 2008 and 2009 performance rights lapsed due to retirement or resignation of executives.

(3) Performance rights expense of $112,042 (2010: recovery of $127,572) was recognised as an administration expense in the Income Statement.

(4) The weighted average remaining life of the performance rights outstanding at the end of the year was 3.4 years (2010: 3.5 years).

Restricted share rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance
29/11/2007	29/11/2010	13/12/2010	55,000	-	(55,000)	-	-
29/11/2007	29/11/2011	13/12/2011	55,000	-	-	-	55,000
29/11/2007	29/11/2012	13/12/2012	55,000	-	-	-	55,000
			165,000	**-**	**(55,000)**	**-**	**110,000**

(1) Restricted share rights expense of $241,804 (2010: $264,524) was recognised as an administration expense in the Income Statement.

(2) The weighted average remaining life of the restricted share rights outstanding at the end of the year was 1.0 year (2010: 1.5 years).

25. AUDITOR'S REMUNERATION

	2011	2010
	$	$
During the year the Auditor earned remuneration for auditing the financial statements	**97,020**	**93,280**

No remuneration was paid to the Auditor for any non-audit services.

26. FINANCIAL RISK MANAGEMENT

The risks associated with the holding of financial instruments such as investments, cash and cash equivalents, other financial 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 assets disclosed in notes 6(a) and 8, 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 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 no exchange traded option positions were held at balance date (2010: nil).

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, 2011 (2010: 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 $165.9 million (2010: $150.2 million) and $331.8 million (2010: $300.4 million) respectively, after tax. The investment revaluation reserve at 30 June, 2011 has an after tax balance of $791.8 million (2010: $680.2 million). It would require a 24% (2010: 23%) after tax fall in the value of the 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 investment portfolio that can be invested in a single company or sector.

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

	2011	2010
Energy	7%	6%
Materials	21%	18%
Industrials	7%	8%
Consumer Discretionary	6%	6%
Consumer Staples	9%	9%
Health Care	3%	3%
Banks	17%	15%
Cash and Short-term Deposits	4%	6%
Other Financials	20%	22%
Telecommunication Services & I.T.	4%	5%
Utilities	2%	2%
	100%	**100%**

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

	2011	2010
BHP Billiton Ltd.	8.9%	7.5%
Westpac Banking Corporation	5.3%	5.2%
Rio Tinto Ltd.	5.2%	4.5%

The Company has no current investments at balance date (2010: nil) and the Board continues its policy of not having a substantial trading portfolio. It is considered that the market risk to the Company's trading portfolio is immaterial.

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. At 30 June, 2011, the Company did not hold any exchange traded options (2010: nil). Investments with a market value of $49.7 million (2010: $27.6 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).

27. LONG-TERM INVESTMENTS

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

	2011 No. of shares or units	2011	2010 No. of shares or units	2010
		$'000		$'000
Aberdeen Leaders Ltd.	7,093,201	8,441	9,990,659	12,688
Adelaide Brighton Ltd	4,803,103	14,842	3,932,062	10,538
Aevum Ltd.	-	-	2,312,091	2,543
AGL Energy Ltd.	2,653,787	38,878	2,453,787	36,071
ALE Property Group	1,287,900	2,473	1,215,000	2,539
Alesco Corporation Ltd.	2,545,979	6,951	2,545,979	6,059
Alumina Ltd.	10,779,840	22,745	10,785,930	16,449
Amalgamated Holdings Ltd.	1,040,151	6,033	976,723	5,567
Amcor Ltd.	4,614,711	33,226	4,614,711	29,442
AMP Ltd.	12,068,681	59,016	7,130,954	37,152
Ansell Ltd.	665,685	9,426	665,685	8,740
APA Group	5,350,000	21,774	4,100,000	14,760
A.P. Eagers Ltd.	846,524	8,618	846,524	10,582
APN News & Media Ltd.	3,811,844	5,013	3,811,844	7,567

	2011 No. of shares or units	2011	2010 No. of shares or units	2010
		$'000		$'000
Aristocrat Leisure Ltd.	2,241,000	5,423	2,241,000	8,202
Asciano Ltd.	16,986,474	27,858	7,936,474	12,857
Aston Resources Ltd.	419,463	3,674	-	-
ASX Ltd.	244,015	7,430	244,015	7,115
Australia and New Zealand Banking Group Ltd.	7,050,225	155,105	4,890,260	105,679
Australian Infrastructure Fund	3,185,735	6,117	3,185,735	5,416
Australian United Investment Company Ltd.	19,660,931	127,599	17,664,043	118,349
Automotive Holdings Group Ltd.	4,238,629	9,452	2,638,629	5,937
AXA Asia Pacific Holdings Ltd.	-	-	6,086,109	33,291
Bank of Queensland Ltd.	579,447	4,734	510,147	5,341
Bank of Queensland Ltd. reset preference	-	-	7,500	750
BHP Billiton Ltd.	7,805,509	341,881	7,067,411	266,088
Billabong International Ltd.	1,180,528	7,095	1,180,528	10,318
BKI Investment Company Ltd.	8,311,237	10,057	8,311,237	9,516
Boom Logistics Ltd.	4,500,000	1,350	4,500,000	1,733
Boral Ltd.	3,266,907	14,374	2,866,907	13,818
Brambles Ltd.	4,334,610	31,296	4,252,106	23,216
Brickworks Ltd.	574,960	5,865	574,960	6,871
Campbell Brothers Ltd.	716,395	32,782	689,427	20,786
Centennial Coal Company Ltd.	-	-	1,504,854	6,727
Choiseul Investments Ltd.	-	-	1,791,854	7,974
Coca-Cola Amatil Ltd.	1,770,012	20,214	1,220,012	14,591
Cochlear Ltd.	128,000	9,216	128,000	9,513
Coffey International Ltd.	-	-	3,639,292	3,494
Colorpak Ltd.	4,049,000	2,834	4,049,000	1,863
Commonwealth Bank of Australia	2,697,895	141,100	2,347,895	114,202

	2011 No. of shares or units	2011	2010 No. of shares or units	2010
		$'000		$'000
Commonwealth Property Office Fund	-	-	2,594,066	2,412
Computershare Ltd.	4,901,166	43,473	4,401,166	46,696
Consolidated Media Holdings Ltd.	1,548,203	4,041	1,548,203	4,923
Corporate Express Australia Ltd.	-	-	361,000	2,047
Coventry Group Ltd	-	-	740,703	1,370
Crane Group Ltd.	-	-	664,173	5,347
Crown Ltd.	1,930,925	17,243	1,548,203	12,030
CSL Ltd.	1,129,752	37,350	874,752	28,499
CSR Ltd.	1,349,493	3,914	4,048,477	6,801
David Jones Ltd.	3,426,706	13,912	3,426,706	14,769
Dexion Ltd.	-	-	3,951,149	3,003
DEXUS Property Group	4,416,805	3,887	4,016,805	3,093
Diversified United Investment Ltd.	14,769,575	40,026	14,769,575	42,684
Downer EDI Ltd.	2,392,527	8,852	1,555,771	5,601
DUET Group	6,272,825	10,664	5,565,951	8,989
DuluxGroup Ltd.	2,064,698	5,802	-	-
Echo Entertainment Group Ltd.	2,455,345	10,091	-	-
Envestra Ltd.	5,833,146	4,025	5,833,146	2,858
Fairfax Media Ltd.	15,779,138	15,464	15,779,138	20,750
FKP Property Group	7,421,600	5,195	7,186,681	4,887
Fleetwood Corporation Ltd.	1,492,485	16,910	1,492,485	13,716
Fletcher Building Ltd.	664,173	4,403	-	-
Foster's Group Ltd.	7,449,721	38,366	7,449,721	42,091
Global Mining Investments Ltd.	4,196,111	4,763	4,196,111	4,763
Goodman Fielder Ltd.	-	-	2,850,000	3,833
GPT Group	2,255,924	7,129	1,955,924	5,496
G.U.D. Holdings Ltd.	1,395,000	12,694	1,395,000	12,067
Gujarat NRE Coking Coal Ltd.	1,000,000	430	-	-

	2011 No. of shares or units	2011	2010 No. of shares or units	2010
		$'000		$'000
GWA Group Ltd.	1,043,094	2,869	1,043,094	3,140
Harvey Norman Holdings Ltd.	4,030,000	10,035	4,030,000	13,339
Hastings Diversified Utilities Fund	2,405,898	3,801	2,405,898	3,055
Hills Holdings Ltd.	1,860,000	2,223	4,208,604	9,048
IAG Finance (New Zealand) Ltd. reset exch. securities	25,000	2,575	25,000	2,500
Iluka Resources Ltd.	1,500,000	25,170	1,600,000	7,440
Incitec Pivot Ltd.	3,895,530	15,037	3,895,530	10,635
Insurance Australia Group Ltd.	6,303,333	21,431	6,303,333	21,494
Insurance Australia Group Ltd. reset conv. preference	30,800	3,111	30,800	3,035
Intoll Group	-	-	7,372,491	7,667
InvoCare Ltd.	1,281,310	9,853	1,176,358	7,129
IRESS Market Technology Ltd.	791,884	7,135	791,884	6,881
James Hardie Industries SE	1,214,000	7,114	1,469,000	9,211
Leighton Holdings Ltd.	583,572	12,167	583,572	16,894
Lend Lease Group	3,718,609	33,356	3,437,063	25,194
Lex Property Fund	3,000,000	3,300	3,000,000	3,000
Lex Retail Property Trust	2,000,000	2,000	2,000,000	2,200
Macquarie Group Ltd.	3,221,636	100,676	3,577,360	132,792
Macquarie Group Ltd. income securities	15,000	1,155	15,000	1,050
MAp Group	9,528,810	31,826	9,528,810	25,632
Mermaid Marine Australia Ltd.	6,026,838	19,226	5,550,000	14,097
Metcash Ltd.	1,506,027	6,250	1,564,038	6,553
Miclyn Express Offshore Ltd.	1,896,859	2,883	1,696,859	2,460
Milton Corporation Ltd.	8,260,028	128,856	7,760,452	124,012
Mirvac Group	3,975,878	4,970	2,961,469	3,894
Mount Gibson Iron Ltd.	6,433,498	11,838	5,233,498	8,112
National Australia Bank Ltd.	4,982,301	127,647	4,982,301	115,988

	2011 No. of shares or units	2011	2010 No. of shares or units	2010
		$'000		$'000
National Australia Bank Ltd. income securities	25,770	2,054	25,770	1,938
Navitas Ltd.	2,923,160	11,780	2,244,817	10,461
Newcrest Mining Ltd.	50,000	1,886	-	-
News Corporation class A	879,655	14,294	879,655	12,711
News Corporation class B	1,030,067	17,140	980,067	16,495
Norfolk Group Ltd.	2,264,551	2,638	2,264,551	1,721
Oakton Ltd.	2,065,242	4,316	1,865,242	4,477
Oceania Capital Partners Ltd.	-	-	830,000	1,253
OneSteel Ltd.	6,079,109	11,246	5,779,109	17,222
Orica Ltd.	2,187,983	58,944	2,064,698	52,030
Origin Energy Ltd.	6,486,168	102,417	5,405,140	80,753
OZ Minerals Ltd.	701,342	9,258	6,313,416	6,061
PaperlinX Ltd.	-	-	2,440,274	1,513
Peet Ltd.	6,134,679	8,987	2,197,247	4,636
Peet Ltd. convertible notes	32,500	3,250	-	-
Perpetual Ltd.	350,880	8,747	350,880	9,916
Premier Investments Ltd.	1,250,000	7,600	1,250,000	7,625
Primary Health Care Ltd.	2,823,947	9,686	2,823,947	10,053
Programmed Maintenance Services Ltd.	1,642,838	3,614	1,642,838	4,091
Qantas Airways Ltd.	3,464,661	6,375	3,464,661	7,622
QBE Insurance Group Ltd.	3,631,156	62,637	3,266,095	59,443
Ramsay Health Care Ltd.	1,353,443	24,606	1,353,443	19,016
Ramsay Health Care Ltd. reset conv. preference	25,000	2,535	25,000	2,375
Reece Australia Ltd.	583,006	12,045	583,006	14,109
Rio Tinto Ltd.	2,393,539	198,640	2,393,539	159,553
Salmat Ltd.	1,457,048	5,391	1,457,048	5,843

	2011 No. of shares or units	2011	2010 No. of shares or units	2010
		$'000		$'000
Santos Ltd.	3,648,136	49,396	3,350,000	42,210
Seven West Media Ltd.	1,039,558	4,210	-	-
Sigma Pharmaceuticals Ltd.	-	-	4,000,000	1,680
Sims Metal Management Ltd.	415,772	7,338	415,772	7,114
Sonic Healthcare Ltd.	2,224,483	28,629	1,974,483	20,594
Southern Cross Media Group Ltd.	5,940,784	9,208	3,360,422	5,528
Spark Infrastructure Group	3,535,714	4,561	2,750,000	3,149
Stockland	2,417,934	8,245	1,266,934	4,713
Straits Resources Ltd.	3,111,921	2,490	3,111,921	4,061
Structural Systems Ltd.	-	-	1,919,916	941
Suncorp Group Ltd.	3,510,894	28,579	3,308,894	26,604
Suncorp-Metway Ltd. reset conv. preference	-	-	32,000	3,174
Tabcorp Holdings Ltd.	2,455,345	8,078	2,209,810	13,988
Tatts Group Ltd.	2,052,730	4,927	2,052,730	4,598
Technology One Ltd.	4,164,564	4,248	4,164,564	3,290
Telstra Corporation Ltd.	32,004,800	92,494	32,004,800	104,016
Toll Holdings Ltd.	2,388,785	11,586	2,388,785	13,091
Transfield Services Ltd.	4,547,040	15,233	3,638,487	11,316
Transfield Services Infrastructure Fund	-	-	2,125,000	1,328
Transurban Group	3,311,375	17,318	3,311,375	14,040
Treasury Wine Estates Ltd.	2,099,927	7,140	-	-
UGL Ltd.	1,513,242	21,004	1,478,242	20,030
Washington H. Soul Pattinson and Company Ltd.	2,182,606	28,592	1,532,507	19,861
WDS Ltd.	-	-	1,714,285	609
Wesfarmers Ltd.	4,493,419	143,115	4,215,376	120,771
Wesfarmers Ltd. partially protected	392,024	12,643	392,024	11,286

	2011 No. of shares or units	2011	2010 No. of shares or units	2010
		$'000		$'000
West Australian Newspapers Holdings Ltd.	-	-	1,039,558	6,799
Westfield Group	4,070,335	35,249	4,070,335	49,577
Westfield Retail Trust	5,032,589	13,638	-	-
Westpac Banking Corporation	9,146,851	203,609	8,646,851	183,573
Westpac Office Trust instalment receipts	-	-	6,722,374	2,185
Whitehaven Coal Ltd.	2,111,698	12,311	2,000,000	9,600
Woodside Petroleum Ltd.	1,700,873	69,736	1,568,868	65,641
Woolworths Ltd.	4,083,026	113,304	3,985,985	107,701
WorleyParsons Ltd.	422,336	11,927	422,336	9,380
Total long-term investments		**3,666,924**		**3,302,886**

Directors' Declaration

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

(a) the financial statements and notes set out on pages 37 to 75 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, 2011 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, 2011.

Dated at Adelaide this 18th day of August, 2011

Signed in accordance with a resolution of the Directors

R.T. Rich
Deputy 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 2011, and the income statement, 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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Independent auditor's report to the members of Argo Investments Limited (continued)

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

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 2011 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 12 to 28 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A G Forman
Partner

Adelaide
18 August, 2011

Shareholding details

as at 16 August, 2011

	Ordinary shareholders
Total number of shareholders (entitled to one vote per share)	**68,607**
Number of shareholders holding:-	
1 - 1,000 shares	16,172
1,001 - 5,000 shares	25,705
5,001 - 10,000 shares	12,288
10,001 - 100,000 shares	13,958
100,001 or more shares	484
	68,607

Number of shareholders holding less than a marketable parcel	1,902

20 largest shareholders of ordinary shares

Name	No. of shares	% of issued capital
RCY Pty. Limited	6,166,887	0.99
JIT Pty. Limited	4,950,972	0.80
Questor Financial Services Limited (TPS RF a/c)	3,539,009	0.57
RBC Dexia Investor Services Australia Nominees Pty. Limited (MLCI a/c)	3,327,093	0.54
TRIGT Pty. Limited	2,852,478	0.46
Ramea Holdings Pty. Limited	2,381,666	0.38
McLennan Holdings Pty. Ltd.	2,115,616	0.34
Bougainville Copper Limited	1,937,571	0.31
Donald Cant Pty. Ltd.	1,800,792	0.29
Kalymna Pty. Ltd.	1,620,737	0.26
Poplar Pty. Limited	1,402,812	0.23
Jacaranda Pastoral Pty. Ltd.	1,366,178	0.22
Salur Holdings Pty. Limited	1,356,030	0.22
Mr. Stuart John McWilliam	1,348,164	0.22
Redemptorist (Central Investment Fund a/c)	1,314,000	0.21
Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c)	1,306,272	0.21
Questor Financial Services Limited (TPS PIP a/c)	1,162,765	0.19
UBS Wealth Management Australia Nominees Pty. Ltd.	1,141,551	0.18
Ling Nominees Pty. Ltd.	1,066,366	0.17
Avanteos Investments Limited (Symetry Retire SVS 1006 a/c)	1,058,740	0.17
	43,215,699	**6.96**

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