Argo Investing in Australia

2012 Annual Report

Directory

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

Chief Executive Officer
Jason Beddow

Chief Operating Officer
Brenton R. Aird

Senior Investment Officer
Christopher C. Hall

Chief Financial Officer
Andrew B. Hill

Company Secretary
Timothy C.A. Binks

Auditor
PricewaterhouseCoopers

Meetings

Annual general meeting
Adelaide Convention Centre, North Terrace, Adelaide at 10.00 a.m. **22 October, 2012**

Information meetings
Melbourne:-
State Library of Victoria Theatrette
Entry 3, 179 La Trobe Street, Melbourne at 10.00 a.m. **23 October, 2012**

Sydney:-
PricewaterhouseCoopers, Darling Park Cockle Bay,
Tower 2, 201 Sussex Street, Sydney at 10.00 a.m. **24 October, 2012**

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

2012 Summary

~ Profit of $167.3 million, compared with $172.1 million last year.

~ Earnings per share of 26.8 cents, compared with 28.1 cents last year.

~ Year-end net tangible asset backing of $5.50 per share, compared with $6.11 per share at 30 June, 2011, reflecting the general decline of the share market.

~ Steady dividends of 26 cents per share, fully franked (including LIC capital gain component of 1 cent per share).

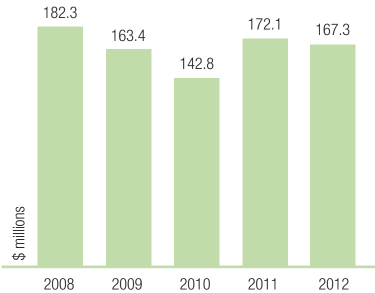
~ Management expense ratio of 0.18% of average assets at market value.

~ Total portfolio return for the year of negative 5.7%, which compares favourably with the S&P ASX All Ordinaries Accumulation Index movement of negative 7.0% over the same period.

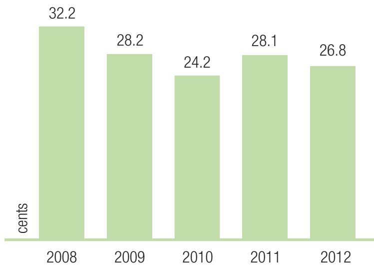
~ Capital raising of $31.2 million from the Dividend Reinvestment Plan.

Five year summary

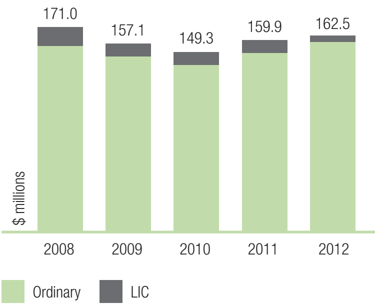
Operating profit



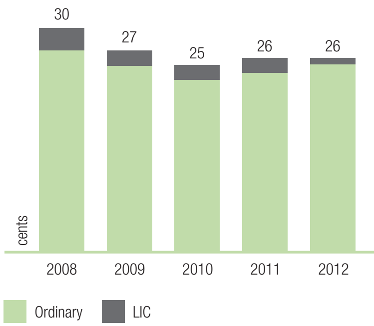
Operating earnings per share



Total dividends

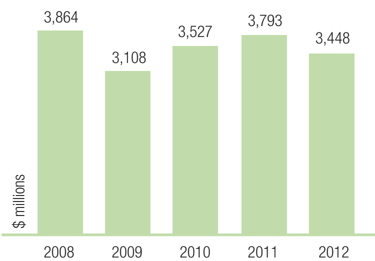


Dividends per share



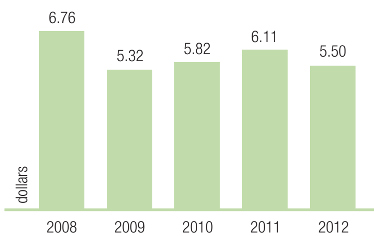
Shareholders' equity

before provision for deferred income tax



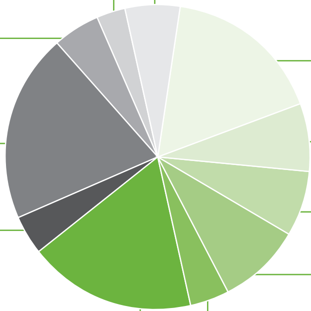
Net tangible assets

per share



Portfolio allocation

as at 30 June, 2012



20 largest investments

as at 30 June, 2012

	$m	% of total assets
BHP Billiton Ltd.	252.4	7.2
Westpac Banking Corporation	193.8	5.5
Australia and New Zealand Banking Group Ltd.	168.7	4.8
Wesfarmers Ltd.	149.4	4.3
Commonwealth Bank of Australia	147.5	4.2
Rio Tinto Ltd.	138.8	4.0
Telstra Corporation Ltd.	128.1	3.7
Milton Corporation Ltd.	125.6	3.6
National Australia Bank Ltd.	121.4	3.5
Woolworths Ltd.	109.4	3.1
Australian United Investment Company Ltd.	109.1	3.1
Macquarie Group Ltd.	83.2	2.4
Origin Energy Ltd.	81.6	2.3
Orica Ltd.	55.3	1.6
QBE Insurance Group Ltd.	53.9	1.5
Woodside Petroleum Ltd.	52.8	1.5
AMP Ltd.	47.1	1.3
AGL Energy Ltd.	46.7	1.3
CSL Ltd.	46.5	1.3
Santos Ltd.	43.2	1.2
	2,154.5	**61.4**
Cash and Short-term Deposits	**151.7**	**4.3**

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, 2012 of $3.2 billion.

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

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

At 30 June, 2012 Argo had 626.5 million shares on issue.

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

Argo's total assets were $3.5 billion as at 30 June, 2012 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange.

Argo has an experienced and knowledgeable Board of Directors and management team, which are essential prerequisites for the effective surveillance of a long-term investment portfolio. The Board currently consists of seven highly qualified Directors. In 66 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 110 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is good quality management and prospects for sound earnings growth.

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

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

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

We encourage investors to visit the Argo website at www.argoinvestments.com.au 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, 2012, total operating costs were 0.18% of average assets at market value.

Franked Dividends

Argo has paid dividends every year since its inception.

Franking credits on dividends received by Argo are passed on to shareholders through dividends paid that are fully or substantially franked, depending on tax credits available to the Company. The franked portion of Argo's dividends 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 listed investment company (LIC) capital gains. Overseas shareholders also benefit, since withholding tax is not deducted from franked dividends.

Share Purchase Plan

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

New Share Issues

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

Share Price Performance

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:-

	15 years to 30 June, 2012
$10,000 invested in Argo shares	$32,540
Compound annual growth rate:-	
Argo shares	8.2% p.a.
S&P ASX All Ordinaries Accumulation Index	7.0% p.a.
Consumer Price Index	2.7% p.a.

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

Directors' Report

The Directors present their Sixty Sixth Annual Report together with the financial report of Argo Investments Limited ("the Company") for the financial year ended 30 June, 2012 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 110 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 profit, earnings per share, dividends paid to shareholders, shareholders' equity, asset backing per share, total and relative portfolio return and control of management costs.

Profit after tax for the financial year fell 2.8% to $167.3 million, compared with $172.1 million in the previous financial year. However, the previous year's profit included $13.7 million of income due to one-off items such as demerger and buy-back dividends. This year, the only one-off item, being a buy-back dividend from Perpetual Ltd., added $1.3 million to profit.

If the income from these one-off items is excluded from both years, the result reflects an increase in dividends and distributions received from some of the companies and trusts held in the investment portfolio. This improved dividend and distribution income was partly offset by lower interest income on cash and term deposits, due to lower interest rates available.

Although operating costs were lower than last year, the management expense ratio (MER) rose slightly to 0.18% due to a decline in average assets at market value.

Earnings per share was 26.8 cents, compared with 28.1 cents in the previous year.

For the last 15 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 7.0% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items. As a result of the general decline in equity markets, the total return from the portfolio in the financial year was negative 5.7%, which compares favourably with the S&P ASX All Ordinaries Accumulation Index movement of negative 7.0% over the same period.

The Company has no debt, has liquid funds on deposit 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 both the share price of, and the dividends and distributions received from, the entities in which the Company has invested. 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, 2012.

On 6 August, 2012, the Directors declared a fully franked dividend of 13 cents per share which includes a 1 cent per share listed investment company (LIC) capital gain component. The LIC component of the dividend will give rise to an attributable part of 1.43 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2012-2013 income tax returns.

Total fully franked dividends for the year amount to 26 cents per share, including a 1 cent per share LIC capital gain component. This compares with 26 cents per share also paid last year, which included a 2 cents per share LIC capital gain component.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised $31.2 million of new capital for investment during the year.

The DRP will operate for the 13 cents per share dividend payable on 5 September, 2012 and the Directors have resolved that the shares will be allotted to eligible shareholders participating in the DRP at the market price of Argo shares, as defined by the DRP. No discount will apply.

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

A Share Purchase Plan (SPP) has not been offered during the financial year. However, the SPP remains an important part of the Company's ongoing capital management and the Directors intend to offer it again at an appropriate time.

Net Asset Backing

Reflecting the decline 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 $5.50 as at 30 June, 2012, compared with $6.11 as at 30 June, 2011.

Directorate

The Board has undertaken a carefully planned process of Board renewal, which has now been completed. During the year, Mr. Chris Harris and Mrs. Marina Darling retired after 18 years' and 13 years' service respectively. The Directors thanked them for their valuable contribution to the Company's affairs over many years.

After eight years as a non-executive Director, Mr. Ian Martin succeeded Mr. Chris Harris as Chairman. Mr. Rob Patterson returned to the Board as a non-executive Director following a 12 month break since his retirement as Managing Director, and four new non-executive Directors were appointed, being Ms. Anne Brennan, Mr. Russell Higgins AO, Ms. Joycelyn Morton and Mr. Roger Davis.

The appointment of these experienced company Directors has added considerable knowledge, expertise and depth to the Board's composition.

Additional statutory information

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

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

Mr. Martin joined the Board in 2004 and was appointed Chairman on 1 March, 2012. He is currently Chair of the Nomination and Remuneration Committee and a member of the Audit Committee.

Mr. Martin is also Vice Chairman - Asia Pacific of Berkshire Capital. He has previously been a non-executive Director of various companies including GPT Group (2005-2010) and Babcock & Brown Limited (2004-2009). More recently, he was a Panel Member of the Superannuation System Review (The Cooper Review).

He has over 25 years' experience in economics, investment management, financial services, superannuation and investment banking, both in Australia and internationally.

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

Mr. Rich joined the Board in 1992, was an executive Director until 1998 when he became a non-executive Director and was appointed Deputy Chairman. He is currently Chair 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.

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

Ms. Brennan was appointed to the Board on 1 September, 2011 and is a member of the Audit Committee and the Nomination and Remuneration Committee.

She is also a non-executive Director of Myer Limited (since 2009), Charter Hall Group (since 2010), NuFarm Limited (since 2011) and Echo Entertainment Limited (since 2012).

Ms. Brennan has extensive financial experience in a variety of senior management roles with large corporates and chartered accounting firms.

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

Mr. Davis was appointed to the Board on 1 June, 2012.

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

Mr. Davis is a Rhodes Scholar and has an extensive background in investment banking in Australia and overseas.

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

Mr. Higgins was appointed to the Board on 1 September, 2011 and is Chair of the Corporate Governance Committee and a member of the Nomination and Remuneration Committee.

He is also a non-executive Director of APA Group (since 2004), Ricegrowers Limited (since 2005) and Telstra Corporation Limited (since 2009).

Mr. Higgins is an experienced company director who has also held a number of very senior government positions across a variety of sectors, including energy in particular.

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

Ms. Morton was appointed to the Board on 1 March, 2012 and is a member of the Audit Committee and the Corporate Governance Committee.

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

Ms. Morton has an extensive financial background and has worked in senior financial roles internationally and in Australia, with particular expertise in taxation.

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

Mr. Patterson was elected a non-executive Director at the Annual General Meeting on 25 October, 2011. This followed a 12 month break from the Company after his retirement as Managing Director in 2010. He is a member of the Corporate Governance Committee.

Mr. Patterson has over 40 years' experience in the investment industry after beginning his career with the Company in 1969.

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

Christopher Lee Harris BEc, FCPA, FAICD

Mr. Harris retired from the Board on 29 February, 2012 after serving 18 years as a non-executive Director including the last 14 years as Chairman.

Marina Santini Darling BA(Hons), LLB, FAICD

Mrs. Darling retired from the Board on 29 February, 2012 after serving 13 years as a non-executive Director.

(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
G.I. Martin	208,306	-
R.T. Rich	14,210,938	969,275
A.B. Brennan	-	-
R.A. Davis	10,000	-
R.A. Higgins AO	51,117	3,661
J.C. Morton	8,197	-
R.J. Patterson	781,219	-

(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 13 Directors' meetings, 5 Audit Committee meetings, 6 Nomination and Remuneration Committee meetings and 2 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
G.I. Martin	13	13	5	5	6	6	-	2*
R.T. Rich	13	11	5	5	-	1*	2	2
A.B. Brennan	10	10	2	2	3	3	-	1*
M.S. Darling	9	9	-	1*	3	3	-	-
R.A. Davis	1	1	-	-	-	-	-	1*
C.L. Harris	9	8	4	2	3	3	-	-
R.A. Higgins AO	10	10	-	-	3	3	2	2
J.C. Morton	4	4	1	1	-	-	2	2
R.J. Patterson	9	9	-	-	-	-	2	2

* by invitation

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

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

   He has an engineering and investment background.

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

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

   He has an accounting and investment background.

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

5. The final dividend paid by the Company for the financial year ended 30 June, 2011 of $80.7 million (including an LIC capital gain component of $12.4 million) and referred to in the Directors' Report dated 18 August, 2011 was paid on 7 September, 2011.

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. In March 2012, the Company's Nomination and Remuneration Committee undertook a comprehensive review of executive remuneration matters, particularly in relation to the Company's short-term incentive (STI) and long-term incentive (LTI) arrangements. Ernst & Young were engaged by the Committee to assist with this review. The changes now made by the Board will be effective from 1 July, 2012 and are summarised later in this report. For the purposes of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, the Ernst & Young advice did not contain a remuneration recommendation in relation to key management personnel as defined by section 9B of the Corporations Act 2001. Total fees paid to Ernst & Young for these services in 2011-2012 were $67,980.

Non-executive Directors' remuneration

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

For the year ended 30 June, 2012, the Chairman received remuneration of $176,000 inclusive of Committee appointments; and the base Directors' fees for each of the other non-executive Directors was $82,500 with an additional fee of $2,700 for each Committee appointment, except that the Chair of each Committee received a fee of $5,400. 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.

The Chairman's current remuneration for the year ending 30 June, 2013 will be $181,300 inclusive of Committee appointments; and the current base fee for the year for each of the other non-executive Directors will be $85,000, with an additional fee of $2,800 payable for each Committee appointment, except that the Chair of each Committee will receive $5,600. Superannuation payments will continue to be made by the Company on behalf of non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

Ms. A.B. Brennan and Mr. R.A. Higgins AO were appointed non-executive Directors on 1 September, 2011. Mr. R.J. Patterson was elected a non-executive Director on 25 October, 2011 and Ms. J.C. Morton and Mr. R.A. Davis were appointed non-executive Directors on 1 March, 2012 and 1 June, 2012 respectively.

Mr. C.L. Harris and Mrs. M.S. Darling retired as non-executive Directors on 29 February, 2012.

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

The Company entered into an agreement with each non-executive Director who held office prior to 31 December, 2003 for the payment of a retirement benefit upon termination of office, within the limits contemplated by the Corporations Act 2001 and in accordance with principles established by resolution of the shareholders. The agreements were varied as at 31 December, 2003 and entitlements to that date were frozen. As the amount due for Directors' retiring benefits has been determined, the balance is shown as non-current payables and is disclosed in note 11 to the financial statements. During the year, Directors' retiring benefit payments were made to Mr. C.L. Harris and Mrs. M.S. Darling.

Chief Executive Officer and executives' remuneration

The remuneration framework to reward the Chief Executive Officer and executives includes a mix of fixed remuneration and short and long-term performance based "at risk" remuneration which reflect both Company and individual performance. The proportions of those elements of the person's remuneration are considered appropriate having regard to industry and commercial practices. The broad remuneration policy is to ensure remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive 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 the benefit of interest free loans pursuant to the superseded 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)**

For the year ending 30 June, 2012, the Chief Executive Officer and executives were 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 (EPS) and total portfolio return (TPR) relative to its listed investment company (LIC) peer group, and control of management costs.

The measure for the Company to achieve superior operating EPS 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 TPR when compared 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, 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.

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.

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

Argo Employee Share Ownership Plan

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

Argo Investments Executive Share Plan

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

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

Argo Investments Limited Executive Performance Rights Plan

The 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 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 performance 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, 2010 and 2011 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), 18 November, 2010 (known as 2010 Performance Rights) and 17 November, 2011 (known as 2011 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).

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).

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

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

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

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

Although the re-measuring opportunities of the performance conditions were reduced for the 2009, 2010 and 2011 Performance

Rights, it was still considered that re-measuring minimised 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.

Executive remuneration changes from 1 July, 2012

After the 2012 review of executive remuneration policies, the remuneration strategy and principles remain unaltered. However, changes to the STI and LTI executive remuneration arrangements will be effective from 1 July, 2012.

Changes to the STI plan will include increasing the STI opportunity from 50% to 70% of fixed remuneration and introducing STI deferral, in the form of equity, for a proportion of the STI opportunity together with a clawback provision to allow the STI deferred unvested equity to be adjusted downwards if, after it has been granted, a material misstatement is discovered in the Company's accounts.

Changes to the LTI plan will include removing the re-measurement opportunities of LTI performance rights granted in the future; reducing the LTI opportunity from 50% to 30% of fixed remuneration for executives other than the Chief Executive Officer whose opportunity will increase from 50% to 70%; removing the ALICA Performance Condition; amending the vesting schedule; scaling back the executive incentive opportunity if the Company outperforms the benchmarks but produces an absolute negative return over the testing period; and introducing a clawback provision to allow the LTI unvested performance rights to be adjusted downwards, if after they have been granted, a material misstatement is discovered in the Company's accounts.

The Board considers that the changes to the executive STI and LTI opportunities will provide better alignment with Argo's corporate objectives; will be best practice and generally consistent with the Australian Shareholders' Association guidelines, having regard to Argo's specific business objectives and circumstances; will assist the Board to achieve its objective of providing senior executives' with the opportunity to hold equity in the Company which will better align their interests with shareholders; will achieve a realistic mixture of STI and LTI opportunity for executives while removing retesting; and will provide the Chief Executive Officer with a remuneration structure that is more orientated towards rewarding his efforts if they provide the Company with sustained performance.

Directors

The names of persons who were non-executive Directors of the Company during the financial year are Mr. G.I. Martin (Chairman), Mr. R.T. Rich (Deputy Chairman), Ms. A.B. Brennan (from her appointment on 1 September, 2011), Mr. R.A. Higgins AO (from his appointment on 1 September, 2011), Mr. R.J. Patterson (from his election on 25 October, 2011), Ms. J.C. Morton (from her appointment on 1 March, 2012), Mr. R.A. Davis (from his appointment on 1 June, 2012), and Mr. C.L. Harris and Mrs. M.S. Darling (until their retirement on 29 February, 2012).

Other Key Management Personnel

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

Key Management Personnel Remuneration

		Short-term		Post-employment			
				Superannuation			
		Directors' fees $	Committee fees $	Salary sacrifice $	Other[f] $	Termination benefits $	Total $
Non-executive Directors							
G.I. Martin	**2012**	**86,229**[a]	**5,400**	**27,438**[a]	**10,716**	**-**	**129,783**
	2011	45,837[a]	7,800	33,333[a]	7,827	-	94,797
R.T. Rich	**2012**	**40,654**[b]	**8,100**	**41,846**[b]	**8,154**	**-**	**98,754**
	2011	36,997[b]	7,800	42,173[b]	7,827	-	94,797
A.B. Brennan (appointed 1/9/11)	**2012**	**68,592**	**2,370**	**-**	**6,386**	**-**	**77,348**
	2011	-	-	-	-	-	-
M.S. Darling (retired 29/2/12)	**2012**	**35,000**[c]	**5,400**	**20,000**[c]	**5,436**	**132,500**[g]	**198,336**
	2011	49,170[c]	5,200	30,000[c]	7,593	-	91,963
R.A. Davis (appointed 1/6/12)	**2012**	**6,638**	**-**	**-**	**597**	**-**	**7,235**
	2011	-	-	-	-	-	-
C.L. Harris (retired 29/2/12)	**2012**	**80,164**[d]	**-**	**37,169**[d]	**10,560**	**218,750**[h]	**346,643**
	2011	131,281[d]	5,200	32,519[d]	15,210	-	184,210
R.A. Higgins AO (appointed 1/9/11)	**2012**	**68,592**	**3,270**	**-**	**6,467**	**-**	**78,329**
	2011	-	-	-	-	-	-
I.R. Johnson (retired 22/6/11)	**2012**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	79,170	5,200	-	7,593	-	91,963
J.C. Morton (appointed 1/3/12)	**2012**	**27,500**	**1,800**	**-**	**2,637**	**-**	**31,937**
	2011	-	-	-	-	-	-
R.J. Patterson (elected 25/10/11)	**2012**	**12,873**[e]	**1,470**	**43,707**[e]	**5,224**	**-**	**63,274**
	2011	-	-	-	-	-	-
Total	**2012**	**426,242**	**27,810**	**170,160**	**56,177**	**351,250**	**1,031,639**
	2011	342,455	31,200	138,025	46,050	-	557,730

(a) Base fee totalling $113,667 includes amounts paid in cash and superannuation (2011: $79,170).

(b) Base fee totalling $82,500 includes amounts paid in cash and superannuation (2011: $79,170).

(c) Base fee totalling $55,000 includes amounts paid in cash and superannuation (2011: $79,170).

(d) Base fee totalling $117,333 includes amounts paid in cash and superannuation (2011: $163,800).

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

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

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

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

		Short-term			Post-employment		Share based	
		Salaries $	STI $	Non-monetary benefits $	Superannuation $	Termination benefits $	LTI[i] $	Total $
Other Key Management Personnel								
J. Beddow	**2012**	**479,147**[a]	**142,500**[c]	**3,731**[f]	**-**	**-**	**116,790**	**742,168**
	2011	456,274[a]	125,000[c]	4,307[f]	-	-	174,251	759,832
B.R. Aird	**2012**	**321,269**[a]	**119,550**[d]	**24,835**[f]	**50,000**	**-**	**44,625**	**560,279**
	2011	322,690[a]	110,000[d]	30,356[f]	50,000	-	67,767	580,813
C.C. Hall	**2012**	**325,464**[b]	**104,625**[d]	**-**	**25,000**	**-**	**92,415**	**547,504**
	2011	305,867[b]	100,000[d]	-	25,000	-	144,499	575,366
A.B. Hill	**2012**	**158,300**[a]	**54,050**[e]	**4,911**[f]	**15,624**	**-**	**19,265**	**252,150**
	2011	146,711[a]	53,000[e]	5,755[f]	13,200	-	26,603	245,269
R.J. Patterson (retired)*	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	64,060[a]	150,000[d]	40,750[g]	-	628,140[h]	(191,795)	691,155
Total	**2012**	**1,284,180**	**420,725**	**33,477**	**90,624**	**-**	**273,095**	**2,102,101**
	2011	1,295,602	538,000	81,168	88,200	628,140	221,325	2,852,435

* 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 $142,500 was paid $117,500 in cash and $25,000 as a superannuation contribution (2011: $125,000 of which $100,000 was paid in cash and $25,000 as a superannuation contribution).

(d) The short-term performance incentive was paid in cash.

(e) The short-term performance incentive of $54,050 was paid in cash (2011: $53,000 of which $48,624 was paid in cash and $4,376 as an additional superannuation contribution).

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

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

(h) Termination payment was paid in cash.

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

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, 2010 and 2011 performance rights granted on 22 April, 2010, 18 November, 2010 and 17 November, 2011 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.

Argo Employee Share Ownership Plan

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

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

Remuneration Performance Percentages

		STI opportunity as % of fixed remuneration component	Actual STI as % of STI opportunity	% of STI opportunity payment not achieved	Share based remuneration as proportion of remuneration (1)	Total performance related remuneration
J. Beddow	**2012**	**50%**	**60.0%**	**40.0%**	**15.7%**	**34.9%**
	2011	50%	56.5%	43.5%	22.9%	39.4%
B.R. Aird	**2012**	**50%**	**65.5%**	**34.5%**	**8.0%**	**29.3%**
	2011	50%	68.3%	31.7%	11.7%	30.6%
C.C. Hall	**2012**	**50%**	**62.0%**	**38.0%**	**16.9%**	**36.0%**
	2011	50%	62.0%	38.0%	25.1%	42.5%
A.B. Hill	**2012**	**50%**	**65.5%**	**34.5%**	**7.6%**	**29.1%**
	2011	50%	68.4%	31.6%	10.8%	32.5%
R.J. Patterson (retired)*	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	100%	84.1%	15.9%	-27.7%	-6.0%

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

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

Performance Rights[1]

Granted

	Number	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Number yet to vest	Value yet to vest Min.[2] $	Value yet to vest Max.[3] $
J. Beddow	17,500	29/11/2007	$7.37	29/11/2010	13/12/2012	10,889	-	-
	24,000	19/11/2008	$4.75	19/11/2011	3/12/2013	12,000	-	-
	29,100	22/04/2010	$5.74	18/11/2013	2/12/2014	29,100	-	16,288
	42,300	18/11/2010	$5.16	18/11/2014	2/12/2015	42,300	-	29,942
	53,400	17/11/2011	$4.40	17/11/2015	1/12/2016	53,400	-	49,269
	166,300					147,689	-	95,499
B.R. Aird	25,000	29/11/2007	$7.37	29/11/2010	13/12/2012	15,555	-	-
	21,500	19/11/2008	$4.75	19/11/2011	3/12/2013	10,750	-	-
	25,800	22/04/2010	$5.74	18/11/2013	2/12/2014	25,800	-	16,046
	30,900	18/11/2010	$5.16	18/11/2014	2/12/2015	30,900	-	23,021
	41,100	17/11/2011	$4.40	17/11/2015	1/12/2016	41,100	-	35,925
	144,300					124,105	-	74,992
C.C. Hall	16,500	29/11/2007	$7.37	29/11/2010	13/12/2012	10,266	-	-
	21,500	19/11/2008	$4.75	19/11/2011	3/12/2013	10,750	-	-
	26,100	22/04/2010	$5.74	18/11/2013	2/12/2014	26,100	-	14,933
	30,300	18/11/2010	$5.16	18/11/2014	2/12/2015	30,300	-	20,321
	38,100	17/11/2011	$4.40	17/11/2015	1/12/2016	38,100	-	33,302
	132,500					115,516	-	68,556
A.B. Hill	7,000	29/11/2007	$7.37	29/11/2010	13/12/2012	4,356	-	-
	9,500	19/11/2008	$4.75	19/11/2011	3/12/2013	4,750	-	-
	12,000	22/04/2010	$5.74	18/11/2013	2/12/2014	12,000	-	7,164
	15,000	18/11/2010	$5.16	18/11/2014	2/12/2015	15,000	-	10,728
	18,600	17/11/2011	$4.40	17/11/2015	1/12/2016	18,600	-	17,342
	62,100					54,706	-	35,234
Total	**505,200**					**442,016**	**-**	**274,281**

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	778	778	3,999
	19/11/2008	12,000	12,000	60,360
B.R. Aird	29/11/2007	1,112	1,112	5,604
	19/11/2008	10,750	10,750	54,073
C.C. Hall	29/11/2007	734	734	3,765
	19/11/2008	10,750	10,750	54,073
A.B. Hill	29/11/2007	311	311	1,571
	19/11/2008	4,750	4,750	24,130
		41,185	**41,185**	**207,575**

(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.

No performance rights were forfeited or lapsed during the year.

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	$7.12	29/11/2011	13/12/2011	-	-	-
	25,000	29/11/2007	$6.88	29/11/2012	13/12/2012	25,000	-	11,734
	50,000					25,000	-	11,734
C.C. Hall	20,000	29/11/2007	$7.12	29/11/2011	13/12/2011	-	-	-
	20,000	29/11/2007	$6.88	29/11/2012	13/12/2012	20,000	-	9,726
	40,000					20,000	-	9,726
Total	**90,000**					**45,000**	**-**	**21,460**

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	128,500
C.C. Hall	29/11/2007	20,000	20,000	102,600
		45,000	**45,000**	**231,100**

(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

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

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

The agreements may be immediately terminated by the Company, without prior notice to the 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:-

	2012	2011	2010	2009	2008
Change in share price between years (adjusted for new issues)	-$0.46	-$0.24	$0.09	-$1.33	-$0.98
Total portfolio return	-5.7%	9.5%	13.9%	-16.8%	-15.3%
	$'000	$'000	$'000	$'000	$'000
Profit for the year	167,274	172,058	142,814	163,353	182,292
Dividends	162,498	159,862	149,263	157,058	170,987
Total assets	3,493,084	3,838,216	3,561,400	3,127,445	3,909,675

There was a negative change in the Company's share price during the year of 8.2% notwithstanding that the portfolio performance for the year was a negative return of only 5.7%, based on net tangible asset movements including dividends, which compared favorably with the S&P ASX All Ordinaries Accumulation Index movement of negative 7.0% 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 15 years ended 30 June, 2012 was 8.2% compounded per annum. Due to the Company's long-term investment philosophy, it is considered reasonable that its remuneration policy should be judged against a long-term investment time frame.

The Company's portfolio outperformance and share price underperformance has resulted in the Company's shares trading at a discount to net tangible asset backing (NTA) and partly reflects retail investors' current general lack of interest in the sharemarket. We would expect the Company's shares to trade closer to NTA, or at a premium to NTA, when investor confidence returns to the market.

The dividends paid indicator improved during the year. Although the profit indicator fell during the year, the Company's profit was higher if the one-off items, being dividends from off-market share buy-backs and a demerger, are excluded. The total assets indicator also fell during the year and reflected the general decline of the equity market.

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

11. **Environmental Regulations**

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

12. **Rounding of Amounts**

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

13. **Non-audit Services**

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in note 26 to the Financial Statements on page 63 of this report.

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

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

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

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

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

On behalf of the Board

G.I. Martin
Chairman

Adelaide
16 August, 2012

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Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2012, 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
16 August, 2012

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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. In developing and maintaining its corporate governance framework, Argo Investments Limited ("Company") has followed 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;
- ensuring appropriate resources are available to senior executives;
- approving appropriate Company policies, procedures and codes of behaviour as required to maintain a culture of integrity and a strong framework of corporate governance; and
- establishing and reporting on diversity objectives for the Company.

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

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

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

The composition of the Board is monitored by the Nomination and Remuneration Committee to ensure that the Board has a mix of skills, experience and diversity 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 12 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 Chair 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 Chair 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 regarding the preparation of the Company's financial statements is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material aspects in relation to financial reporting risks.

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

Audit Committee

The Audit Committee of the Board, comprising four 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 an appropriate mix of skills, experience and diversity, 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

The Corporate Governance Committee comprises three independent, non-executive Directors and one non-independent, non-executive Director.

The Board believes the Company engages in sound corporate governance practices which follow the ASX Corporate Governance Principles and Recommendations. In accordance with its Charter, 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 annual shareholder information meetings in Melbourne and

Sydney, which provide an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

Shareholdings of Directors, Executives and Employees

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

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

Diversity

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

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

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

Board of Directors	29%
Senior executive roles	18%
Organisation overall	35%

Given the low numbers of personnel employed by the Company, its measureable objective for gender diversity is set at the overall organisational level, with the long-term, ongoing objective of maintaining a female representation of at least one third of personnel including Board members. The Directors advise that currently 35% of positions are filled by women.

Income Statement

for the year ended 30 June, 2012

	Note	2012	2011
		$'000	$'000
Dividends and distributions	2	171,569	174,167
Interest		8,539	12,250
Other revenue		303	366
Total revenue		180,411	186,783
Net gains on trading investments		4,668	5,002
Income from operating activities		185,079	191,785
Administration expenses	3	(6,652)	(7,135)
Profit before income tax expense		178,427	184,650
Income tax expense thereon	4	(11,153)	(12,592)
Profit for the year		167,274	172,058

		2012	2011
		cents	cents
Basic and diluted earnings per share	5	26.8	28.1

Statement of Comprehensive Income

for the year ended 30 June, 2012

	2012	2011
	$'000	$'000
Profit for the year	167,274	172,058
Other comprehensive income:-		
Revaluation of long-term investments	(380,278)	167,504
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	110,090	(50,077)
Other comprehensive income for the year	(270,188)	117,427
Total comprehensive income for the year	(102,914)	289,485

(To be read in conjunction with the accompanying notes)

Statement of Financial Position

as at 30 June, 2012

	Note	2012 $'000	2011 $'000
CURRENT ASSETS			
Cash and cash equivalents	6(a)	141,727	82,095
Receivables	7	34,400	27,873
Investments	8	2,102	-
Other financial cash assets	9	10,000	60,000
Current tax assets		763	-
Total Current Assets		188,992	169,968
NON-CURRENT ASSETS			
Receivables	7	732	833
Investments	8	3,302,933	3,666,924
Plant and equipment	10	427	491
Total Non-Current Assets		3,304,092	3,668,248
TOTAL ASSETS		3,493,084	3,838,216
CURRENT LIABILITIES			
Payables	11	13,206	1,807
Derivative financial instruments	12	419	-
Current tax liabilities		-	17,997
Provisions	13	650	510
Total Current Liabilities		14,275	20,314
NON-CURRENT LIABILITIES			
Payables	11	150	501
Deferred tax liabilities	14	269,171	374,005
Provisions	13	145	235
Total Non-Current Liabilities		269,466	374,741
TOTAL LIABILITIES		283,741	395,055
NET ASSETS		3,209,343	3,443,161
SHAREHOLDERS' EQUITY			
Contributed equity	15	2,198,081	2,167,020
Reserves	16	753,429	1,036,275
Retained profits	17	257,833	239,866
TOTAL SHAREHOLDERS' EQUITY		3,209,343	3,443,161

(To be read in conjunction with the accompanying notes)

Statement of Changes in Equity

for the year ended 30 June, 2012

	Contributed Equity	Reserves	Retained Profits	Total
	$'000	$'000	$'000	$'000
	(note 15)	(note 16)	(note 17)	
Balance at 1 July, 2011	2,167,020	1,036,275	239,866	3,443,161
Profit for the year	-	-	167,274	167,274
Other comprehensive income	-	(270,188)	-	(270,188)
Total comprehensive income for the year	-	(270,188)	167,274	(102,914)
Transactions with shareholders:-				
Dividend Reinvestment Plan	31,169	-	-	31,169
Cost of share issues net of tax	(108)	-	-	(108)
Executive performance rights reserve	-	(249)	-	(249)
Dividends paid	-	(12,409)	(149,307)	(161,716)
Total transactions with shareholders	31,061	(12,658)	(149,307)	(130,904)
Balance at 30 June, 2012	2,198,081	753,429	257,833	3,209,343

for the year ended 30 June, 2011

Balance at 1 July, 2010	2,083,247	931,131	213,732	3,228,110
Profit for the year	-	-	172,058	172,058
Other comprehensive income	-	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 Cash Flows

for the year ended 30 June, 2012

	Note	2012	2011
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		169,512	167,144
Interest received		8,892	12,910
Other receipts		308	368
Proceeds from trading investments		9,222	7,132
Payments for trading investments		(6,237)	(2,130)
Other payments		(6,996)	(7,571)
Income tax (paid)/refunded		(24,611)	260
Net operating cash inflows	6(b)	150,090	178,113
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		101,490	113,580
Payments for long-term investments		(111,332)	(308,797)
Proceeds from other financial cash assets		100,000	155,000
Payments for other financial cash assets		(50,000)	(170,000)
Executive share scheme repayments		100	1,309
Proceeds from sale of fixed assets		13	31
Payments for fixed assets		(28)	(40)
Net investing cash inflows/(outflows)		40,243	(208,917)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Share Purchase Plan		-	52,947
Cost of share issues		(155)	(296)
Dividends paid – net of Dividend Reinvestment Plan		(130,546)	(127,022)
Net financing cash outflows		(130,701)	(74,371)
Net increase/(decrease) in cash held		59,632	(105,175)
Cash at the beginning of the year		82,095	187,270
Cash at the end of the year	6(a)	141,727	82,095

(To be read in conjunction with the accompanying notes)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue by the Directors on 16 August, 2012. The Directors have the power to amend and reissue the financial statements.

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

(a) Basis of Preparation

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

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

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

(b) Investments

(1) Classification

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

Current Assets

Investments classified as Current Assets comprise holdings of trading securities and are categorised as financial assets measured at fair value through the 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.

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

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

(c) **Derivative Financial Instruments**

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

The premium received for selling options is not initially brought to account as revenue but is recognised in the Statement of Financial Position as a liability. When the option expires, is exercised or is repurchased 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 superseded Argo Investments Executive Share Plan and are recognised initially at fair value and subsequently measured at amortised cost.

(j) **Receivables**

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

(k) **Payables**

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

(l) **Operating Leases**

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

(m) **Cash and Cash Equivalents**

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

(n) **Other Financial Cash Assets**

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

(o) **Earnings per Share**

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

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

(p) **Contributed Equity**

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

(q) **Provision for Dividend**

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

(r) **Rounding of Amounts**

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

(s) **New Accounting Standards**

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

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

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

2. DIVIDENDS AND DISTRIBUTIONS

	2012	2011
	$'000	$'000
Received/receivable from:-		
Long-term investments held at the end of the year	168,814	159,331
Long-term investments sold during the year	2,755	14,836
	171,569	**174,167**

3. ADMINISTRATION EXPENSES

	2012	2011
	$'000	$'000
Employment benefits	4,134	4,992
Depreciation	74	93
Other administration	2,444	2,050
	6,652	**7,135**

4. INCOME TAX EXPENSE

	2012	2011
	$'000	$'000
(a) Reconciliation of income tax expense to prima facie tax payable:-		
Profit before income tax expense	178,427	184,650
Prima facie tax payable calculated at 30% (2011: 30%)	53,528	55,395
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Imputation gross-up on dividends received	17,217	16,737
Franking credits on dividends received	(57,390)	(55,791)
Other	(1,979)	(3,204)
Over provision previous year	(223)	(545)
Income tax expense	**11,153**	**12,592**
(b) Income tax expense composition:-		
Charge for tax payable relating to current year	9,590	12,030
Increase in deferred tax liabilities	1,786	1,107
Over provision previous year	(223)	(545)
	11,153	**12,592**
(c) Amounts recognised directly in other comprehensive income:-		
(Decrease)/Increase in deferred tax liabilities	**(110,090)**	**50,077**

5. EARNINGS PER SHARE

	2012	2011
	number '000	number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	623,864	611,375
	$'000	$'000
Profit for the year	167,274	172,058
	cents	cents
Basic and diluted earnings per share	**26.8**	**28.1**

6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents includes cash on deposit (3.45% floating interest rate as at 30 June, 2012; 2011: 4.70%) with banks and fixed term deposits (fixed interest rates to maturity between 4.34% and 5.61% as at 30 June, 2012; 2011: 5.59% and 5.75%) with banks, all maturing within three months from date of deposit.

	2012	2011
	$'000	$'000
Bank deposits	**141,727**	**82,095**
(b) Reconciliation of net cash provided by operating activities to profit for the year:-		
Profit for the year	167,274	172,058
Demerger dividend	-	(4,109)
Net loss on fixed assets	5	2
Depreciation	74	93
Charges to provisions	146	134
Other movements	(250)	(152)
(Decrease)/Increase in provision for income tax	(18,760)	17,942
Transfer from provision for deferred income tax	5,139	(5,657)
Decrease in deferred tax assets	68	74
Changes in operating assets and liabilities:-		
Increase in current investments	(2,102)	-
Increase in other debtors	(1,589)	(1,996)
Increase/(Decrease) in other creditors	85	(276)
Net cash provided by operating activities	**150,090**	**178,113**
(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 $31.2 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2011: $31.0 million).

7. RECEIVABLES

	2012	2011
	$'000	$'000
Current		
Dividends and distributions receivable	26,256	24,199
Interest receivable	845	1,198
Outstanding settlements	7,290	2,353
Other	9	123
	34,400	**27,873**

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.

	2012	2011
	$'000	$'000
Non-Current		
Executive share plan loans	**732**	**833**

The Executive share plan loans are repaid in accordance with the terms of the plan and are disclosed in note 24.

8. INVESTMENTS

	2012	2011
	$'000	$'000
Current		
Listed securities at fair value(1)	**2,102**	**-**
Non-Current		
Listed securities at fair value(1)	3,299,633	3,661,624
Unlisted securities at fair value(2)	3,300	5,300
	3,302,933	**3,666,924**

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

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

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

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

	2012	2011
	$'000	$'000
Carrying amount at beginning of year	5,300	5,200
Fair value gains recognised in other comprehensive income	84	100
Disposals	(2,084)	-
Carrying amount at end of year	**3,300**	**5,300**

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

There were 82 investment transactions during the financial year. The total brokerage paid on these transactions was $0.4 million.

9. OTHER FINANCIAL CASH ASSETS

	2012	2011
	$'000	$'000
Bank term deposits	**10,000**	**60,000**

Other financial cash assets are fixed term deposits (fixed interest rate to maturity of 5.66% as at 30 June, 2012; 2011: fixed interest rates to maturity between 5.83% and 6.13%) with banks, maturing from three to six months from date of deposit.

10. PLANT AND EQUIPMENT

	2012	2011
	$'000	$'000
Plant, equipment and vehicles at cost	949	970
Accumulated depreciation	(522)	(479)
	427	**491**
Movements		
Carrying amount at beginning of year	491	577
Additions	28	40
Disposals	(18)	(33)
Depreciation	(74)	(93)
Carrying amount at end of year	**427**	**491**

11. PAYABLES

	2012	2011
	$'000	$'000
Current		
Outstanding settlements	12,204	822
Other	1,002	985
	13,206	**1,807**

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.

	2012	2011
	$'000	$'000
Non-Current		
Directors' retiring allowances	**150**	**501**
Movements		
Balance at beginning of year	501	501
Paid on retirement	(351)	-
Balance at end of year	**150**	**501**

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2012	2011
	$'000	$'000
Exchange traded options at fair value	**419**	**-**

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

13. PROVISIONS

	2012	2011
	$'000	$'000
Current		
Provision for employee entitlements	**650**	**510**
Non-Current		
Provision for employee entitlements	**145**	**235**

14. DEFERRED TAX LIABILITIES

	2012	2011
	$'000	$'000
The balance comprises temporary differences attributed to:-		
Deferred tax liability on unrealised gains on long-term investments	272,286	379,450
Income receivable which is not assessable for tax until receipt	1,153	1,210
Deferred tax liability on current investments	145	-
	273,584	380,660
Offset by deferred tax assets:-		
Capital losses not utilised	(3,670)	(5,794)
Provisions and payables	(587)	(655)
Deferred tax on cost of share issues	(156)	(206)
	(4,413)	(6,655)
Net deferred tax liabilities	**269,171**	**374,005**
Movements		
Balance at beginning of year	374,005	329,478
Charged to Income Statement	1,786	1,107
(Credited)/Charged to other comprehensive income	(110,090)	50,077
Changes to the tax base of investments	3,470	(6,657)
Balance at end of year	**269,171**	**374,005**

The amount of net deferred tax liabilities expected to be settled in the next 12 months is $1.2 million (2011: $1.2 million).

15. CONTRIBUTED EQUITY

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

	2012	2011	2012	2011
	No. of shares	No. of shares	$'000	$'000
Issued and fully paid ordinary shares:-				
Opening balance	620,438,335	606,541,598	2,167,020	2,083,247
Dividend reinvestment plan[a]	6,014,075	5,216,873	31,169	31,033
Share purchase plan	-	8,679,864	-	52,947
Cost of share issues net of tax	-	-	(108)	(207)
Closing balance	**626,452,410**	**620,438,335**	**2,198,081**	**2,167,020**

(a) On 7 September, 2011, 3,088,054 shares were allotted at $5.10 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2011.

On 7 March, 2012, 2,926,021 shares were allotted at $5.27 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2012.

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

16. RESERVES

	2012	2011
	$'000	$'000
Executive Performance Rights Reserve	797	1,046
Investment Revaluation Reserve	512,276	791,745
Capital Profits Reserve	240,356	243,484
	753,429	**1,036,275**

	2012 $'000	2011 $'000
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	1,046	1,198
Accrued entitlement for unvested rights	335	354
Executive performance shares purchased	(584)	(506)
Balance at end of year	**797**	**1,046**
Investment Revaluation Reserve		
Balance at beginning of year	791,745	680,212
Revaluation of long-term investments	(380,278)	167,504
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	110,090	(50,077)
Realised gains on sale of long-term investments transferred to capital profits reserve	(9,900)	(8,998)
Income tax expense thereon	619	3,104
Balance at end of year	**512,276**	**791,745**
Capital Profits Reserve		
Balance at beginning of year	243,484	249,721
Dividend paid	(12,409)	(12,131)
Transfer from investment revaluation reserve	9,281	5,894
Balance at end of year	**240,356**	**243,484**
Total Reserves	**753,429**	**1,036,275**

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 $107.8 million (2011: $142.1 million). The cumulative profit after tax on these disposals was $9.3 million (2011: $5.9 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.

17. RETAINED PROFITS

	2012	2011
	$'000	$'000
Balance at beginning of year	239,866	213,732
Dividends paid	(149,307)	(145,924)
Profit for the year	167,274	172,058
Balance at end of year	**257,833**	**239,866**

18. CAPITAL MANAGEMENT

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

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

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

19. DIVIDENDS

	2012 $'000	2011 $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June, 2011 of 13 cents fully franked at 30% tax rate paid 7 September, 2011 (2011: 13 cents fully franked at 30% tax rate)	80,657	78,850
Interim dividend for the year ended 30 June, 2012 of 13 cents fully franked at 30% tax rate paid 7 March, 2012 (2011: 13 cents fully franked at 30% tax rate)	81,059	79,205
Total dividends paid	**161,716**	**158,055**

The final dividend contained a listed investment company (LIC) capital gain component of 2 cents per share (2011: 2 cents per share).

	2012 $'000	2011 $'000
(b) **Dividend declared after balance date**		
Since the end of the financial year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the financial year:-		
Final dividend for the year ended 30 June, 2012 of 13 cents fully franked at 30% tax rate payable 5 September, 2012 (2011: 13 cents fully franked at 30% tax rate)	**81,439**	**80,657**

The final dividend will contain a listed investment company (LIC) capital gain component of 1 cent per share (2011: 2 cents per share).

20. FRANKING ACCOUNT

	2012 $'000	2011 $'000
Balance of the franking account after allowing for tax payable/receivable and the receipt of franked dividends recognised as receivables	50,519	55,506
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(34,902)	(34,567)
	15,617	**20,939**
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	**36,440**	**48,858**

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

21. LISTED INVESTMENT COMPANY CAPITAL GAIN ACCOUNT

	2012	2011
	$'000	$'000
Balance of the listed investment company (LIC) capital gain account	11,299	23,708
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(6,265)	(12,409)
	5,034	**11,299**
This equates to an attributable amount of	**7,191**	**16,141**

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

22. FINANCIAL REPORTING BY SEGMENTS

The Company operates only in the investment industry within Australia.

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

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

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

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

23. COMMITMENTS

	2012	2011
	$'000	$'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:-		
Not later than one year	318	181
Later than one year but not later than five years	1,169	559
Later than five years	303	-
	1,790	**740**

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

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

The names of each person holding the position of Director of Argo Investments Limited during the financial year were Mr. G.I. Martin (Chairman), Mr. R.T. Rich (Deputy Chairman), Ms. A.B. Brennan from 1 September, 2011, Mr. R.A. Higgins AO from 1 September, 2011, Mr. R.J. Patterson from 25 October, 2011, Ms. J.C. Morton from 1 March, 2012, Mr. R.A. Davis from 1 June, 2012, Mr. C.L. Harris until 29 February, 2012 and Mrs. M.S. Darling until 29 February, 2012.

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

Shareholdings, performance rights, restricted share rights and transactions

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

(a) **Shareholdings**

		Opening balance	Changes during the year	Closing balance
Non-executive Directors				
G.I. Martin	**2012**	**198,237**	**10,069**	**208,306**
	2011	185,138	13,099	198,237
R.T. Rich	**2012**	**16,384,030**	**(765,711)**	**15,618,319**
	2011	16,367,530	16,500	16,384,030
A.B. Brennan(1) (appointed 1/9/11)	**2012**	**n/a**	**-**	**-**
	2011	n/a	n/a	n/a
M.S. Darling(2) (retired 29/2/12)	**2012**	**62,840**	**1,602**	**n/a**
	2011	57,825	5,015	62,840
R.A. Davis(1) (appointed 1/6/12)	**2012**	**n/a**	**-**	**10,000**
	2011	n/a	n/a	n/a
C.L. Harris(2) (retired 29/2/12)	**2012**	**128,331**	**-**	**n/a**
	2011	123,411	4,920	128,331

		Opening balance	Changes during the year	Closing balance
Non-executive Directors (cont.)				
R.A. Higgins AO[(1)] (appointed 1/9/11)	**2012**	**n/a**	**6,132**	**54,778**
	2011	n/a	n/a	n/a
I.R. Johnson[(2)] (resigned 22/6/11)	**2012**	**n/a**	**n/a**	**n/a**
	2011	16,808	13,203	n/a
J.C. Morton[(1)] (appointed 1/3/12)	**2012**	**n/a**	**197**	**8,197**
	2011	n/a	n/a	n/a
R.J. Patterson[(1)] (elected 25/10/11)	**2012**	**n/a**	**26**	**870,785**
	2011	n/a	n/a	n/a

(1) Opening balance plus changes during the year does not equal the closing balance as the Director was not in office at the beginning of the reporting period.

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

		Opening balance	Changes during the year	Closing balance
Other Key Management Personnel				
J. Beddow	**2012**	**55,742**	**25,490**	**81,232**
	2011	35,576	20,166	55,742
B.R. Aird	**2012**	**476,869**	**12,046**	**488,915**
	2011	463,450	13,419	476,869
C.C. Hall	**2012**	**34,763**	**779**	**35,542**
	2011	34,109	654	34,763
A.B. Hill	**2012**	**59,090**	**184**	**59,274**
	2011	59,929	(839)	59,090
R.J. Patterson (retired)*	**2012**	**n/a**	**n/a**	**n/a**
	2011	909,636	41	n/a

* 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
J. Beddow	**2012**	**107,067**	**53,400**	**(12,778)**	**-**	**147,689**
	2011	70,600	42,300	(5,833)	-	107,067
B.R. Aird	**2012**	**94,867**	**41,100**	**(11,862)**	**-**	**124,105**
	2011	72,300	30,900	(8,333)	-	94,867
C.C. Hall	**2012**	**88,900**	**38,100**	**(11,484)**	**-**	**115,516**
	2011	64,100	30,300	(5,500)	-	88,900
A.B. Hill	**2012**	**41,167**	**18,600**	**(5,061)**	**-**	**54,706**
	2011	28,500	15,000	(2,333)	-	41,167
R.J. Patterson (retired)*	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	91,500	-	-	(91,500)	-

* 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
J. Beddow	**2012**	**50,000**	**-**	**(25,000)**	**-**	**25,000**
	2011	75,000	-	(25,000)	-	50,000
C.C. Hall	**2012**	**40,000**	**-**	**(20,000)**	**-**	**20,000**
	2011	60,000	-	(20,000)	-	40,000

Key Management Personnel Compensation

	2012	2011
	$	$
Short-term	2,192,434	2,288,425
Post-employment	316,961	272,275
Termination benefits	351,250	628,140
Share based	273,095	221,325
	3,133,740	**3,410,165**

Key Management Personnel Loans

		Opening balance $	Closing balance $	Interest not charged $	Number in group at end of year
Key Management Personnel	**2012**	**832,735**	**732,208**	**33,477**	**3**
	2011	2,036,018	832,735	68,317	3

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

		Opening balance $	Closing balance $	Interest not charged $	Highest balance in period $
B.R. Aird	**2012**	**622,228**	**539,283**	**24,835**	**622,228**
	2011	705,173	622,228	30,356	705,173
A.B. Hill	**2012**	**120,073**	**109,253**	**4,911**	**120,073**
	2011	130,893	120,073	5,755	130,893
R.J. Patterson (retired)*	**2012**	**n/a**	**n/a**	**n/a**	**n/a**
	2011	1,102,755	-	27,719	1,102,755

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

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

25. SHARE BASED PAYMENTS

(a) Argo Employee Share Ownership Plan

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

During the year, 2,576 (2011: 2,490) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $14,034 (2011: $15,039) and had a market value of $13,266 (2011: $13,969) at $5.15 per share (2011: $5.61 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 performance and service conditions for each grant of rights from 2007 to 2011 is set out in the Remuneration Report on pages 16 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 (unvested)
29/11/2007	29/11/2010	13/12/2012	135,000	-	(31,712)	(56,000)(2)	47,288
19/11/2008	19/11/2011	3/12/2013	164,500	-	(56,000)	(59,250)(2)	49,250
22/04/2010	18/11/2013	2/12/2014	150,300	-	-	(29,700)(2)	120,600
18/11/2010	18/11/2014	2/12/2015	192,600	-	-	(18,900)(2)	173,700
17/11/2011	17/11/2015	1/12/2016	-	235,500(1)	-	-	235,500
			642,400	**235,500**	**(87,712)**	**(163,850)**	**626,338**

(1) The fair value at grant date of the performance rights issued during the year was $4.40 (2011: $5.16) 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 17 November, 2011 – \$5.11 (2011: 18 November, 2010 – \$6.00); and
(b) Dividend yield based on historic and future yield estimates – 4.25% (2011: 3.75%).

(2) 2007, 2008, 2009 and 2010 performance rights lapsed due to retirement or resignation of executives.

(3) Performance rights expense of \$179,887 (2011: \$112,042) 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 3.2 years (2011: 3.4 years).

Restricted share rights

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

(1) Restricted share rights expense of \$155,384 (2011: \$241,804) 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 0.5 years (2011: 1.0 year).

26. AUDITOR'S REMUNERATION

	2012	2011
	\$	\$
During the year the following remuneration amounts were paid or payable for services provided by the Auditor:-		
(a) Audit services		
Audit and review of financial reports	107,470	97,020
(b) Non-audit services		
Taxation services	6,050	-
Total remuneration	**113,520**	**97,020**

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

27. FINANCIAL RISK MANAGEMENT

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

Credit Risk

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

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

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

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

Credit risk exposure also arises in relation to option positions held by the Company. The extent of this exposure is reflected in the carrying value and is disclosed in note 12 (2011: 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, 2012 (2011: 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 current investments after tax of 5% and 10% would lead to a reduction in profit after tax of $73,570 and $147,140 respectively (2011: nil).

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 $115.6 million (2011: $165.9 million) and $231.2 million (2011: $331.8 million) respectively, after tax. The investment revaluation reserve at 30 June, 2012 has an after tax balance of $512.3 million (2011: $791.7 million). It would require a 22% (2011: 24%) after tax fall in the value of the long-term investment portfolio to fully deplete this reserve.

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

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

	2012	2011
Energy	6%	7%
Materials	17%	21%
Industrials	7%	7%
Consumer Discretionary	7%	6%
Consumer Staples	9%	9%
Health Care	4%	3%
Banks	18%	17%
Cash and Short-term Deposits	4%	4%
Other Financials	20%	20%
Telecommunication Services & I.T.	5%	4%
Utilities	3%	2%
	100%	100%

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

	2012	2011
BHP Billiton Ltd.	7.2%	8.9%
Westpac Banking Corporation	5.5%	5.3%
Rio Tinto Ltd.	-	5.2%

The fair value of the Company's current investments, as disclosed in note 8, is $2.1 million (2011: 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. The fair value of exchange traded options at balance date was $0.4 million (2011: nil) and is disclosed in note 12. Investments with a market value of $31.4 million (2011: $24.6 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).

28. LONG-TERM INVESTMENTS

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

	2012 No. of shares or units	2012	2011 No. of shares or units	2011
		$'000		$'000
Aberdeen Leaders Ltd.	4,723,651	4,700	7,093,201	8,441
Adelaide Brighton Ltd	6,053,103	19,249	4,803,103	14,842
AGL Energy Ltd.	3,159,316	46,663	2,653,787	38,878
ALE Property Group	-	-	1,287,900	2,473
Alesco Corporation Ltd.	2,290,979	4,456	2,545,979	6,951
Alumina Ltd.	11,779,840	9,306	10,779,840	22,745
Amalgamated Holdings Ltd.	1,040,151	6,709	1,040,151	6,033
Amcor Ltd.	4,614,711	32,718	4,614,711	33,226
AMP Ltd.	12,231,674	47,092	12,068,681	59,016
Ansell Ltd.	665,685	8,787	665,685	9,426
APA Group	5,738,230	28,634	5,350,000	21,774
A.P. Eagers Ltd.	4,232,620	14,391	846,524	8,618
APN News & Media Ltd.	3,811,844	2,516	3,811,844	5,013
Aristocrat Leisure Ltd.	2,241,000	6,185	2,241,000	5,423
Arrium Ltd.	6,079,109	5,258	6,079,109	11,246
Asciano Ltd.	6,293,086	27,375	16,986,474	27,858
Aston Resources Ltd.	-	-	419,463	3,674
ASX Ltd.	244,015	7,277	244,015	7,430
Australia and New Zealand Banking Group Ltd.	7,655,715	168,655	7,050,225	155,105
Australian Infrastructure Fund	3,185,735	7,646	3,185,735	6,117
Australian United Investment Company Ltd.	19,660,931	109,118	19,660,931	127,599
Automotive Holdings Group Ltd.	4,600,295	11,363	4,238,629	9,452
Bank of Queensland Ltd.	579,447	3,836	579,447	4,734
BHP Billiton Ltd.	8,024,309	252,365	7,805,509	341,881
Billabong International Ltd.	1,180,528	1,269	1,180,528	7,095
BKI Investment Company Ltd.	8,311,237	9,599	8,311,237	10,057

	2012 No. of shares or units	2012	2011 No. of shares or units	2011
		$'000		$'000
Boom Logistics Ltd.	4,500,000	967	4,500,000	1,350
Boral Ltd.	3,266,907	9,637	3,266,907	14,374
Brambles Ltd.	4,756,341	29,299	4,334,610	31,296
Brickworks Ltd.	574,960	5,807	574,960	5,865
Campbell Brothers Ltd.	716,395	38,864	716,395	32,782
Challenger Ltd.	2,355,473	7,655	-	-
Coca-Cola Amatil Ltd.	2,125,733	28,442	1,770,012	20,214
Cochlear Ltd.	128,000	8,428	128,000	9,216
Colorpak Ltd.	4,049,000	2,247	4,049,000	2,834
Commonwealth Bank of Australia	2,777,895	147,506	2,697,895	141,100
Computershare Ltd.	4,901,166	36,318	4,901,166	43,473
Consolidated Media Holdings Ltd.	1,548,203	5,217	1,548,203	4,041
Crown Ltd.	2,084,184	17,695	1,930,925	17,243
CSL Ltd.	1,179,752	46,506	1,129,752	37,350
CSR Ltd.	-	-	1,349,493	3,914
David Jones Ltd.	3,426,706	8,875	3,426,706	13,912
DEXUS Property Group	4,416,805	4,108	4,416,805	3,887
Diversified United Investment Ltd.	14,769,575	35,004	14,769,575	40,026
Downer EDI Ltd.	2,392,527	7,489	2,392,527	8,852
DUET Group	8,367,623	15,396	6,272,825	10,664
DuluxGroup Ltd.	2,064,698	6,215	2,064,698	5,802
Echo Entertainment Group Ltd.	2,455,345	10,509	2,455,345	10,091
Envestra Ltd.	-	-	5,833,146	4,025
Fairfax Media Ltd.	10,060,616	5,584	15,779,138	15,464
FKP Property Group	7,604,285	2,890	7,421,600	5,195
Fleetwood Corporation Ltd.	1,492,485	17,522	1,492,485	16,910
Fletcher Building Ltd.	1,350,701	6,213	664,173	4,403
Foster's Group Ltd.	-	-	7,449,721	38,366
Global Mining Investments Ltd.	-	-	4,196,111	4,763

	2012 No. of shares or units	2012	2011 No. of shares or units	2011
		$'000		$'000
GPT Group	2,255,924	7,422	2,255,924	7,129
GUD Holdings Ltd.	1,395,000	11,997	1,395,000	12,694
Gujarat NRE Coking Coal Ltd.	-	-	1,000,000	430
GWA Group Ltd.	1,043,094	2,190	1,043,094	2,869
Harvey Norman Holdings Ltd.	4,030,000	7,858	4,030,000	10,035
Hastings Diversified Utilities Fund	2,744,167	6,586	2,405,898	3,801
Hills Holdings Ltd.	-	-	1,860,000	2,223
IAG Finance (New Zealand) Ltd. reset exch. securities	25,000	2,482	25,000	2,575
Iluka Resources Ltd.	1,500,000	16,980	1,500,000	25,170
Incitec Pivot Ltd.	3,895,530	11,102	3,895,530	15,037
Insurance Australia Group Ltd.	6,303,333	21,936	6,303,333	21,431
Insurance Australia Group Ltd. reset conv. preference	-	-	30,800	3,111
InvoCare Ltd.	1,396,310	11,254	1,281,310	9,853
IRESS Ltd.	791,884	5,187	791,884	7,135
James Hardie Industries SE	814,000	6,479	1,214,000	7,114
Leighton Holdings Ltd.	583,572	9,495	583,572	12,167
Lend Lease Group	3,893,609	28,034	3,718,609	33,356
Lex Property Fund	3,000,000	3,300	3,000,000	3,300
Lex Retail Property Trust	-	-	2,000,000	2,000
Macquarie Group Ltd.	3,199,936	83,198	3,221,636	100,676
Macquarie Group Ltd. income securities	15,000	875	15,000	1,155
Mermaid Marine Australia Ltd.	6,379,852	17,991	6,026,838	19,226
Metcash Ltd.	1,506,027	5,075	1,506,027	6,250
Miclyn Express Offshore Ltd.	-	-	1,896,859	2,883
Milton Corporation Ltd.	8,260,028	125,635	8,260,028	128,856
Mirvac Group	3,975,878	5,069	3,975,878	4,970
Mount Gibson Iron Ltd.	6,433,498	5,533	6,433,498	11,838

	2012 No. of shares or units	2012	2011 No. of shares or units	2011
		$'000		$'000
National Australia Bank Ltd.	5,156,609	121,387	4,982,301	127,647
National Australia Bank Ltd. income securities	25,770	1,770	25,770	2,054
Navitas Ltd.	3,123,160	13,555	2,923,160	11,780
Newcrest Mining Ltd.	352,000	7,959	50,000	1,886
News Corporation class A	879,655	19,264	879,655	14,294
News Corporation class B	1,030,067	22,692	1,030,067	17,140
Norfolk Group Ltd.	-	-	2,264,551	2,638
Oakton Ltd.	2,065,242	2,169	2,065,242	4,316
Orica Ltd.	2,237,983	55,256	2,187,983	58,944
Origin Energy Ltd.	6,689,947	81,617	6,486,168	102,417
OZ Minerals Ltd.	701,342	5,513	701,342	9,258
Peet Ltd.	7,612,727	5,101	6,134,679	8,987
Peet Ltd. convertible notes	32,500	2,974	32,500	3,250
Perpetual Ltd.	238,905	5,471	350,880	8,747
Premier Investments Ltd.	1,250,000	5,813	1,250,000	7,600
Primary Health Care Ltd.	2,823,947	8,331	2,823,947	9,686
Programmed Maintenance Services Ltd.	1,642,838	3,959	1,642,838	3,614
Qantas Airways Ltd.	-	-	3,464,661	6,375
QBE Insurance Group Ltd.	4,028,499	53,901	3,631,156	62,637
Ramsay Health Care Ltd.	1,353,923	30,612	1,353,443	24,606
Ramsay Health Care Ltd. reset conv. preference	25,000	2,530	25,000	2,535
Reece Australia Ltd.	583,006	10,523	583,006	12,045
Rio Tinto Ltd.	2,456,539	138,794	2,393,539	198,640
Salmat Ltd.	-	-	1,457,048	5,391
Santos Ltd.	4,053,116	43,166	3,648,136	49,396
Seven West Media Ltd.	1,095,196	1,911	1,039,558	4,210
Sims Metal Management Ltd.	415,772	3,996	415,772	7,338

	2012 No. of shares or units	2012	2011 No. of shares or units	2011
		$'000		$'000
Sonic Healthcare Ltd.	2,274,483	28,886	2,224,483	28,629
Southern Cross Media Group Ltd.	5,940,784	7,129	5,940,784	9,208
Spark Infrastructure Group	3,535,714	5,392	3,535,714	4,561
Stockland	2,817,934	8,679	2,417,934	8,245
Straits Resources Ltd.	2,769,114	1,011	3,111,921	2,490
Suncorp Group Ltd.	3,510,894	28,403	3,510,894	28,579
Sydney Airport	9,528,810	27,634	9,528,810	31,826
Tabcorp Holdings Ltd.	2,631,388	7,710	2,455,345	8,078
Tatts Group Ltd.	2,052,730	5,378	2,052,730	4,927
Technology One Ltd.	4,164,564	4,852	4,164,564	4,248
Telstra Corporation Ltd.	34,704,800	128,061	32,004,800	92,494
Toll Holdings Ltd.	2,388,785	9,507	2,388,785	11,586
Transfield Services Ltd.	4,797,040	8,707	4,547,040	15,233
Transurban Group	3,311,375	18,842	3,311,375	17,318
Treasury Wine Estates Ltd.	-	-	2,099,927	7,140
UGL Ltd.	1,513,242	18,779	1,513,242	21,004
Washington H. Soul Pattinson and Company Ltd.	2,182,606	30,098	2,182,606	28,592
Wesfarmers Ltd.	4,583,419	137,044	4,493,419	143,115
Wesfarmers Ltd. partially protected	392,024	12,372	392,024	12,643
Westfield Group	4,070,335	38,668	4,070,335	35,249
Westfield Retail Trust	4,632,589	13,203	5,032,589	13,638
Westpac Banking Corporation	9,171,851	193,801	9,146,851	203,609
Whitehaven Coal Ltd.	2,706,652	11,233	2,111,698	12,311
Woodside Petroleum Ltd.	1,700,873	52,761	1,700,873	69,736
Woolworths Ltd.	4,083,026	109,425	4,083,026	113,304
WorleyParsons Ltd.	472,336	11,856	422,336	11,927
Total long-term investments		**3,302,933**		**3,666,924**

Directors' Declaration

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

(a) the financial statements and notes set out on pages 38 to 71 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, 2012 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, 2012.

Dated at Adelaide this 16th day of August, 2012

Signed in accordance with a resolution of the Directors

G.I. Martin
Chairman

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

Report on the financial report

We have audited the accompanying financial report of Argo Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2012, 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 opinion.

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 2012 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A G Forman
Partner

Adelaide
16 August, 2012

Shareholding details

as at 14 August, 2012

	Ordinary shareholders
Total number of shareholders (entitled to one vote per share)	**68,508**
Number of shareholders holding:-	
1 - 1,000 shares	16,388
1,001 - 5,000 shares	25,420
5,001 - 10,000 shares	12,238
10,001 - 100,000 shares	13,982
100,001 or more shares	480
	68,508

Number of shareholders holding less than a marketable parcel	1,949

20 largest shareholders of ordinary shares

Name	No. of shares	% of issued capital
RCY Pty. Limited	6,166,887	0.98
JIT Pty. Limited	4,950,972	0.79
Questor Financial Services Limited (TPS RF a/c)	3,954,060	0.63
TRIGT Pty. Limited	2,852,478	0.46
Ramea Holdings Pty. Limited	2,381,666	0.38
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,253,111	0.36
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,153,427	0.34
McLennan Holdings Pty. Ltd.	2,115,616	0.34
Bougainville Copper Limited	1,937,571	0.31
HSBC Custody Nominees (Australia) Limited	1,904,984	0.30
National Nominees Limited	1,868,217	0.30
Donald Cant Pty. Ltd.	1,812,892	0.29
Kalymna Pty. Ltd.	1,620,737	0.26
Mr. Stuart John McWilliam	1,432,003	0.23
Poplar Pty. Ltd.	1,429,327	0.23
Salur Holdings Pty. Limited	1,424,898	0.23
Redemptorists (Central Investment Fund a/c)	1,413,000	0.23
Jacaranda Pastoral Pty. Ltd.	1,366,178	0.22
Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c)	1,306,272	0.21
Questor Financial Services Limited (TPS PIP a/c)	1,205,248	0.19
	45,549,544	**7.28**

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

Securities issued

since 19 September, 1985

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

Securities issued
since 19 September, 1985

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