Argo Investing in Australia

2016
Annual Report

Directory

Argo Investments Limited
ABN 35 007 519 520

Non-executive Directors

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

Managing Director

Jason Beddow

Chief Financial Officer

Andrew B. Hill

Chief Operating Officer

Timothy C.A. Binks

Auditor

PricewaterhouseCoopers

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Share Registry

Computershare Investor
Services Pty Limited
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Adelaide, South Australia 5000
Telephone: 1300 350 716
www.investorcentre.com

"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."

Meetings

Annual General Meeting

Adelaide:
Wednesday 26 October 2016
Adelaide Oval
William Magarey Room,
War Memorial Drive,
North Adelaide at 10.00 a.m.

Information meetings

Melbourne:
27 October 2016
Grand Hyatt Hotel
123 Collins Street,
Melbourne at 10.00 a.m.

Sydney:
28 October 2016
Hilton Hotel
488 George Street,
Sydney at 10.00 a.m.

Brisbane:
31 October 2016
Marriott Hotel
515 Queen Street,
Brisbane at 10.00 a.m.

Perth:
1 November 2016
Duxton Hotel
1 St. Georges Terrace,
Perth at 9.30 a.m.

2016 Summary

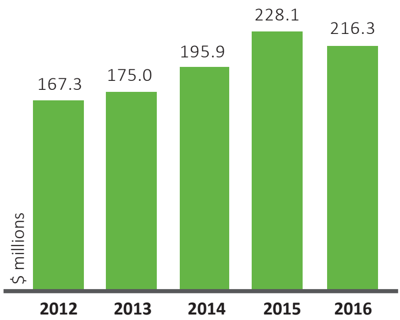
- Profit of $216.3 million, compared with $228.1 million last year*.
- Earnings per share of 32.0 cents, compared with 34.3 cents last year*.
- Dividends of 30.5 cents per share fully franked, compared with 29.5 cents per share (including LIC capital gain component of 3.0 cents) last year.
- Year-end net tangible asset backing of $7.11 per share, compared with $7.52 per share at 30 June 2015.
- Management expense ratio at 0.17% of average assets at market value.
- Total portfolio return for the year of -1.2% after deducting costs and tax, which compares with the one year S&P ASX 200 Accumulation Index return of 0.6% without taking into account any costs or tax.
- Capital raisings of $60.4 million from the Share Purchase Plan and $38.8 million from the Dividend Reinvestment Plan.

* The previous year's profit of $228.1 million included a one-off, non-cash income item of $18.6 million resulting from the demerger of South32 from BHP Billiton. If this corporate action is excluded, Argo's profit increased by 3.2%, and its earnings per share rose by 1.6%.

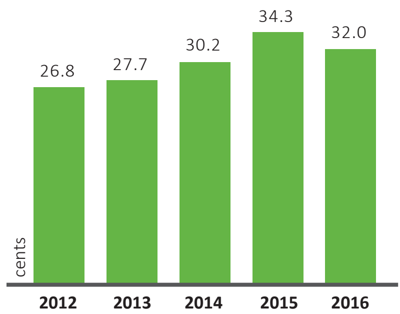
Contents

Five year summary

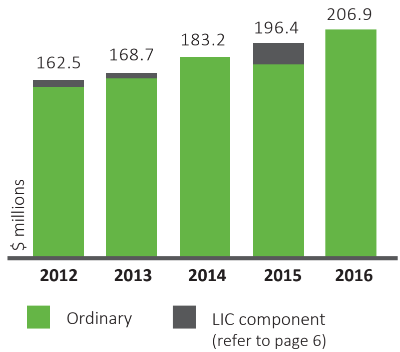
Profit



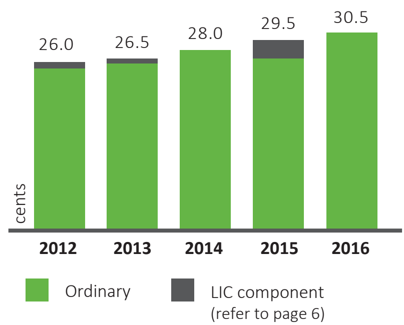
Earnings per share



Total dividends

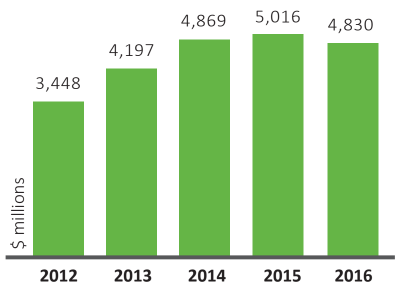


Dividends per share



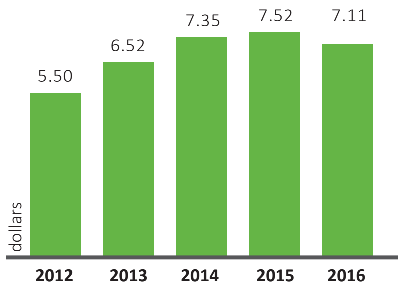
Shareholders' equity

before provision for deferred income tax

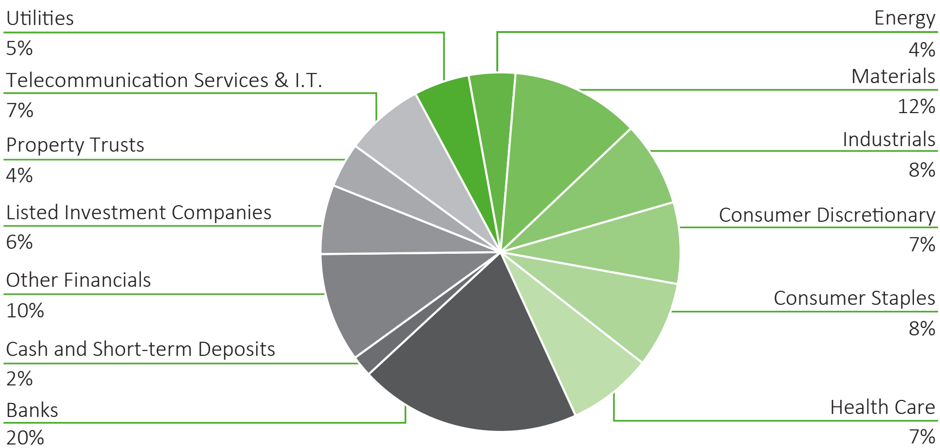


Net tangible assets

per share



Portfolio sector allocation as at 30 June 2016



20 largest investments as at 30 June 2016

	$m	% of total assets
Westpac Banking Corporation	326.8	6.7
Telstra Corporation Ltd.	239.1	4.9
Commonwealth Bank of Australia	238.3	4.9
Australia and New Zealand Banking Group Ltd.	235.5	4.9
Wesfarmers Ltd.	218.1	4.5
Macquarie Group Ltd.	169.4	3.5
BHP Billiton Ltd.	159.1	3.3
National Australia Bank Ltd.	154.0	3.2
Milton Corporation Ltd.	121.9	2.5
CSL Ltd.	118.0	2.4
Australian United Investment Company Ltd.	117.7	2.4
Rio Tinto Ltd.	114.2	2.4
Ramsay Health Care Ltd.	101.3	2.1
Sydney Airport	100.3	2.1
APA Group	95.0	2.0
Woolworths Ltd.	86.3	1.8
Amcor Ltd.	73.4	1.5
AGL Energy Ltd.	70.4	1.5
Transurban Group	69.4	1.4
Brambles Ltd.	68.2	1.4
	2,876.4	**59.4**
Cash and Short-term Deposits	**93.1**	**1.9**

Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation at 30 June 2016 of $5.0 billion.

Argo shares offer investors a low cost, 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 2016, Argo had 679.7 million shares on issue.

Argo has over 80,000 shareholders who are seeking long-term capital growth and a regular income.

Argo's total assets were $4.9 billion at 30 June 2016 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange (ASX).

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, one of whom is the Managing Director.

The investment philosophy followed by Argo is straightforward. Rather than attempt to gain spectacular rewards in the short term from high-risk situations, management aims to provide consistent tax-effective income combined with long-term capital growth, by investing in a diversified portfolio of securities. The portfolio contains investments in 99 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 judged to be good quality management and prospects for sound earnings growth.

Successful equity investing depends on good quality research and analysis. Argo's investment team includes the Managing Director and a number of specialist research analysts. The research has two objectives: to monitor the portfolio of leading stocks and smaller companies, and to find new investments to complement the portfolio. 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 ASX and reported daily in the media. There are no fees charged to Argo shareholders. Being a securities exchange listed company, only sharebrokers' charges apply.

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

Shareholder benefits

Low management costs

Argo's management costs are very low when compared with many other managed investment products. For the year ended 30 June 2016, total operating costs were 0.17% of average assets at market value.

Franked dividends and potential Listed Investment Company capital gain tax benefits

Argo has paid dividends every year since its inception in 1946.

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. In addition, certain Australian resident shareholders can also claim a tax benefit where a component of the dividend is sourced from realised eligible listed investment company (LIC) capital gains. Overseas shareholders also benefit, since withholding tax is not deducted from franked dividends.

Share Purchase Plan

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

Dividend Reinvestment Plan

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

New share issues

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

Share price performance

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

	15 years to 30 June 2016
Compound annual growth rate:	
Argo shares	9.1% p.a.
S&P ASX 200 Accumulation Index	7.3% p.a.
Consumer Price Index	2.7% p.a.

A $10,000 investment in Argo shares on 1 July 2001 would have grown to a value of $36,929 at 30 June 2016.

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

Directors' Report

The Directors present their Seventieth Annual Report together with the financial report of the consolidated entity, consisting of Argo Investments Limited and its controlled entities (Argo or Company), for the financial year ended 30 June 2016, including the Independent Auditor's Report.

1. Directors

At the date of this report, the Board comprised six Non-executive Directors and the Managing Director.

(a) **The Directors in office during or since the end of the financial year are as follows:**

Geoffrey Ian Martin AM BEc(Hons), FAICD

Non-executive Chairman – Independent

Mr. Martin joined the Board in 2004 and was appointed Chairman on 1 March 2012. He is also a member of the Remuneration Committee.

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

Mr. Martin is also Chairman of Argo Global Listed Infrastructure Limited (since 2015) and is currently Vice Chairman, Asia Pacific, of Berkshire Capital and an independent Non-executive Director of UniSuper Limited.

Jason Beddow BEng, GdipAppFin(SecInst)

Managing Director – Non-independent

Mr. Beddow was appointed to the Board as Managing Director in 2014.

He joined the Company in 2001 as an Investment Analyst. He became Chief Investment Officer in 2008 and was appointed Chief Executive Officer in 2010. He is also Managing Director of Argo Global Listed Infrastructure Limited (since 2015).

Mr. Beddow has an engineering and investment background.

Anne Bernadette Brennan BCom(Hons), FCA, FAICD

Non-executive Director – Independent

Ms. Brennan joined the Board in 2011 and is Chair of the Audit & Risk Committee.

She is also a Non-executive Director of Myer Holdings Limited (since 2009), Charter Hall Group (since 2010) and Nufarm Limited (since 2011). She was previously a Non-executive Director of Echo Entertainment Group Limited (2012 to 2014).

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

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

Mr. Davis joined the Board in 2012 and is a member of the Remuneration Committee.

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

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

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

Mr. Higgins joined the Board in 2011 and is Chair of the Remuneration Committee.

He is also a Non-executive Director of APA Group (since 2004) and Telstra Corporation Limited (since 2009). He was previously a Non-executive Director of Leighton Holdings Limited (2013 to 2014).

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

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

Ms. Morton joined the Board in 2012 and is a member of the Audit & Risk Committee.

She is also a Non-executive Director of InvoCare Limited (since 2015), Argo Global Listed Infrastructure Limited (since 2015), Snowy Hydro Limited (since 2012) and is Chair of Thorn Group Limited (Director since 2011 and appointed Chair in 2014). Previously she was a Non-executive Director and Chair of Noni B Limited (2009 to 2015).

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

Robert John Patterson FAICD
Non-executive Director – Independent

Mr. Patterson has been a Non-executive Director since 2011, following a 12 month break from the Company after his retirement as Managing Director in 2010. He is also a Non-executive Director of Funds SA.

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

Mr. Patterson is considered an independent Director in accordance with the Company's Board Charter, notwithstanding that he served a one year gap from the Company between his executive and non-executive service, which is less than the three year period suggested by the ASX Corporate Governance Principles and Recommendations. The Board considers that since re-joining the Board as a Non-executive Director in 2011, Mr. Patterson has consistently exhibited independent judgement and at all times acted in the best interests of shareholders.

(b) Directors' relevant interests

The Directors' relevant interests in shares and executive performance rights, as notified to the ASX in accordance with the *Corporations Act 2001,* at the date of this report are as follows:

	Shares	Performance Rights
G.I. Martin AM	264,680	-
J. Beddow	114,916	367,404
A.B. Brennan	3,544	-
R.A. Davis	16,346	-
R.A. Higgins AO	89,573	-
J.C. Morton	19,092	-
R.J. Patterson	714,712	-

(c) Board and Committee meetings

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

There were 10 Board meetings, 5 Audit & Risk Committee meetings and 5 Remuneration 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 & Risk Committee**		**Remuneration 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
G.I. Martin AM	10	10	-	5*	5	5
J. Beddow	10	10	-	5*	-	5*
A.B. Brennan	10	10	5	5	-	-
R.A. Davis	10	9	-	5*	5	4
R.A. Higgins AO	10	10	-	5*	5	5
J.C. Morton	10	10	5	5	-	-
R.J. Patterson	10	10	5	5	-	-

* By invitation

2. Secretary

Timothy Campbell Agar Binks BEc, CA, AGIA held the role of Company Secretary during the year and at the date of this report.

Mr. Binks joined the Company in 2007 and has a background in accounting, funds management and stockbroking. He was appointed Company Secretary in 2010 and became Chief Operating Officer in 2015, whilst still maintaining the company secretarial duties.

3. Principal activities and state of affairs

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. The Company's wholly owned subsidiary also provides management services to an external listed investment company under an Australian Financial Services Licence. More details are provided in the Operating and Financial Review below.

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.

4. Operating and Financial Review

Summary of business model

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

Argo generates the majority of its revenue by 'harvesting' the dividends and distributions received from the companies and trusts in its investment portfolio. Additional income is derived from interest earned on cash deposits, premium income from writing exchange-traded options, a small amount of share trading activity and for the first time this year, fee income from managing an external listed investment company. In 2015-16, dividends and distributions made up 94% of Argo's income, with the portfolio's top 20 equity investments contributing 63% of that income.

Argo's costs of operation are relatively stable and are lower than those of most other managed investment products, due to the structure of an internally managed listed investment company which requires few employees to administer its business. In 2015-16 the Company's annual expenses were equivalent to 0.17% of average assets, which is very low by industry standards. Argo's main expense items are generally remuneration, share registry fees and office rent.

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

The majority of Argo's profit is paid out as dividends to its shareholders, with fully franked dividends a priority. For 2015-16, Argo's annual dividends increased by 1.0 cent per share to a record high of 30.5 cents per share fully franked.

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

For the last 15 years, the Company's investment portfolio has produced a compound return of 7.9% per annum, as measured by the movement in net tangible asset backing (NTA) per share assuming dividends paid are reinvested. This return is after payment of all costs and tax and compares favourably to a return of 7.3% per annum from the S&P ASX 200 Accumulation Index, which does not take into account any costs or tax. In addition, Argo's total return based on the share price over the same period was 9.1% per annum.

Investment process

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

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

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

Review of activities and events during the year ended 30 June 2016

The Company's assets are invested primarily in securities which are listed on the ASX. The capital growth of Argo's shares is therefore linked to the fortunes of the Australian equity market. In a year characterised by global macroeconomic and political uncertainty, the S&P ASX 200 Index fell by -4.1%, while the S&P ASX 200 Accumulation Index, which includes dividend income, eked out a small gain of +0.6%.

Over the course of the year, Argo's investment portfolio returned -1.2% after deducting costs and tax (measured by the movement in NTA assuming dividends paid are reinvested) and Argo's share price performance returned-3.8% for the financial year, reflecting a contraction in the share price's premium to NTA.

During the year, $218 million was outlaid on long-term investment purchases, partly funded by $115 million in disposals and takeover proceeds. The larger movements in the portfolio during the year included:

Purchases (above $10m)	Sales (above $5m)
Estia Health	Medibank Private*
Westpac Banking Corporation	Milton Corporation
Commonwealth Bank of Australia	Affinity Education (takeover)*
DUET Group	CIMIC Group*
Santos	Broadspectrum (takeover)*
Origin Energy	UGL*
McGrath	CYBG plc*

* Sale of complete position and removal from portfolio. Other stocks exited during the year were Whitehaven Coal, OZ Minerals, Colorpak (takeover), Newcrest Mining and Amaysim.

Despite the Australian equity market ending the year virtually where it started, the index was volatile throughout the year and there were significant variations in the performance of individual industry sectors.

The best performing sectors for the year were Healthcare, Utilities, Consumer Discretionary and Industrials, while the larger capitalisation sectors, Energy, Banks, and Materials, all dragged the overall market down. Although the skew of Argo's long-term portfolio to some of those larger sectors negatively impacted its relative performance this year, these broad portfolio settings are expected to continue to deliver solid growth and dividend income in the long term.

The Company added a number of new investments to the portfolio, primarily in industries that were not previously represented but where it is anticipated that growth opportunities may be superior to those in many of the larger companies in the broader index. The new investments during the financial year included CBL Corporation, Estia Health, Genworth Mortgage Insurance, McGrath, M2 Group (later taken over by Vocus Communications), Reliance Worldwide and Rural Funds Group.

The best performing stocks in Argo's portfolio for the year were Managed Accounts Holdings, Colorpak (exited by takeover), CIMIC Group (now exited), Medibank Private (now exited), CBL Corporation, Vocus Communications and Monash IVF Group, all up over 50%. The worst performing stocks were Australian Careers Network, Surfstitch, Origin Energy, Orica, Santos, BHP Billiton and WorleyParsons, which all fell by at least 25%.

In addition to managing Argo's portfolio and operations, the Company's wholly owned subsidiary, Argo Service Company Pty Ltd, manages an external listed investment company, Argo Global Listed Infrastructure Limited (AGLI).

The management activities are carried out by existing Argo personnel and include administration, financial reporting, provision of senior management personnel, and supervision of AGLI's share registry, asset custodian and its US-based portfolio manager, Cohen & Steers.

In 2015-16, Argo received $1.7 million in net fee income for managing AGLI since it listed on the ASX on 3 July 2015.

There were no changes to the Company's Board of Directors or senior management personnel during the year.

Discussion of results and financial position

The headline profit for the year ended 30 June 2016 was 5.2% lower than last year. However, the previous year's profit of $228.1 million included a one-off, non-cash income item of $18.6 million resulting from the demerger of South32 from BHP Billiton. If this corporate action is excluded, Argo's profit increased by 3.2%, and its earnings per share rose by 1.6%.

Argo is a long-term investor and its diversified portfolio again generated strong levels of dividend income. In addition, trading profit and income from option writing both rose again this year. However, interest received on cash deposits was lower, continuing the trend of the last few years as interest rates decline to historic lows.

Expenses increased by only 1.6% on last year, including the costs of managing the external listed investment company, AGLI, for which the Company received management fee income.

Argo's total assets decreased slightly from $5.0 billion to $4.9 billion, due to the impact of the decline in the equity market on the portfolio value. During the year, shareholders contributed $39 million through the Dividend Reinvestment Plan and $60 million through the Share Purchase Plan offered in September 2015. The number of Argo shareholders has increased again this year, with 80,556 holders on the register as at 30 June 2016.

The diversification of Argo's assets by investment sectors can be seen on page 4 of this Annual Report. The 20 largest equity holdings accounted for 59% of total assets, which is down from 63% last year end, reflecting the new portfolio investments during the year and the superior performance of smaller companies on the ASX this year. The Small Ordinaries Index returned +10.4% for the year, while the market's 20 largest stocks, represented by the S&P ASX 20 Index, returned -11.9%.

The cash assets at year end were $93 million, representing 1.9% of the Company's total assets. Cash on hand fluctuates throughout the year according to the timing of dividends received, dividends paid, capital raisings, and investment purchases and disposals.

One measure of the financial position of a listed investment company is its net tangible asset backing (NTA) per share. As a long-term investor, Argo does not intend to dispose of its long-term investment portfolio. Therefore, when calculating NTA, Argo values its portfolio using the market price of each listed holding, without providing for estimated tax on gains that would be realised if the portfolio were to be sold. At 30 June 2016, this valuation resulted in a NTA per share of $7.11, compared with $7.52 at 30 June 2015. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share at 30 June 2016 would have been $6.34, compared with $6.62 at 30 June 2015. Both NTA figures are updated monthly and announced to the ASX.

Future prospects, strategies and risks

The Company has cash available for additional long-term investment in the equity market, and will continue to focus on producing results in accord with its stated investment objective.

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

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

As noted previously, the Company now also earns management fee income due to managing AGLI. Although the income received in the first year was modest compared to Argo's traditional sources of revenue, this additional income stream is expected to grow over time as AGLI becomes larger.

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

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

5. Matters arising since year end

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

6. Dividends

A fully franked interim dividend of 15.0 cents per share was paid on 4 March 2016.

On 8 August 2016, the Directors declared a fully franked final dividend of 15.5 cents per share to be paid on 9 September 2016. Total fully franked dividends for the year amount to 30.5 cents per share. This compares with 29.5 cents per share last year.

The final dividend paid by the Company for the financial year ended 30 June 2015 of $103.3 million and referred to in the Directors' Report dated 20 August 2015 was paid on 2 September 2015.

7. Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised $38.8 million of new capital for investment during the year.

The DRP will operate for the 15.5 cents per share dividend payable on 9 September 2016 and the Directors have resolved that the shares will be allotted to eligible shareholders participating in the DRP at a discount of 2% from the market price of Argo shares, as defined by the DRP.

8. 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 per share. 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.

9. Indemnification of Directors and Officers and insurance arrangements

The Company indemnifies 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.

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.

10. Remuneration Report

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

The Company’s Remuneration Committee reviews and advises the Board on remuneration issues for the Non-executive Directors, Managing Director and executives. In June 2015, the Remuneration Committee undertook a comprehensive review of executive remuneration compensation, including the Company’s short-term incentive (STI) and long-term incentive (LTI) arrangements. The Financial Institutions Remuneration Group (FIRG) were engaged by the Committee to assist with this review. No changes were recommended to the Board as a result of this review.

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 2015, shareholders approved $1,100,000 as the maximum aggregate amount of remuneration available per annum for distribution to the Non-executive Directors. The Board, after taking into account the recommendations of the Remuneration Committee, determines the nature and amount of emoluments of the Non-executive Directors within the limit approved by shareholders.

For the year ended 30 June 2016, the Chairman received remuneration of $198,200 inclusive of Committee appointments; and the base Directors' fees for each of the other Non-executive Directors was $92,800 with an additional fee of $3,100 for each Committee appointment, except that the Chair of each Committee received a fee of $6,200. In addition, contributions were also made by the Company on behalf of the Non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

Following a review of the Non-executive Directors' remuneration, a 3% increase is being applied for the year ending 30 June 2017. The Chairman's remuneration will be $204,100 inclusive of Committee appointments and the base fee for each of the other Non-executive Directors will be $95,600, with an additional fee of $3,200 payable for each Committee appointment, except that the Chair of each Committee will receive $6,400. Superannuation payments will continue to be made by the Company on behalf of the Non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

A performance evaluation process for the Non-executive Directors is undertaken each year and is described in the Corporate Governance Statement, which is available on the Company's website.

Managing Director and executives' remuneration

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

(a) **Fixed remuneration and benefits**

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

The fixed amount of remuneration and benefits are determined in line with market factors and independent advice. The Company uses independent financial services industry data provided by FIRG to assist in setting the remuneration for executives.

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

The Managing Director and executives are entitled to receive an annual STI of up to 70% of their fixed remuneration component which is inclusive of superannuation and any agreed salary sacrifice arrangements. Of the 70% maximum STI opportunity, half is payable in cash and half is deferred. Pursuant to the Argo Investments Limited Executive Performance Rights Plan (Plan), the STI deferral is issued as performance rights which vest two years after grant, subject to the executive having continued service with the Company. However, the Board has discretion to allow the performance rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement. On exercise, each performance right will be convertible into an ordinary Argo share. The deferred STI opportunities assist the Board to achieve its objective of providing senior executives with the opportunity to hold equity in the Company which will better align their interests with shareholders.

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

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

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

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

In addition, personal performance indicators are set for each executive. These personal objectives are designed to encourage outperformance on non-financial metrics and the indicators are tailored for each individual to take account of their specific role and responsibilities. The objectives can include strategic direction, analyst stock recommendations, risk management, succession planning, marketing, communication with internal and external stakeholders and provision of management services to external listed investment companies.

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

The STI for individual executives is determined after the finalisation of both the year end results and the assessment of the key individual performance indicators for each executive. For the year ended 30 June 2016, the cash component of the STI was paid on 10 August 2016 and the STI deferral, in the form of performance rights, is expected to be granted on 26 October 2016.

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

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

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

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

Performance rights are issued in two equal tranches, each subject to a performance and service condition, as remuneration pursuant to the Plan to the Managing Director and executives, with no consideration in respect to the granting or vesting of the rights payable by the recipient.

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

The LTI performance measurement period is four financial years and the performance rights have one vesting opportunity at the end of the fourth year.

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

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

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

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

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

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

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

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

Restrictions and further details

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

Further details regarding the STI and LTI performance rights are disclosed on pages 26 and 27.

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

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

Directors

The Non-executive Directors of the Company during the financial year were Mr. G.I. Martin AM (Chairman), Ms. A.B. Brennan, Mr. R.A. Davis, Mr. R.A. Higgins AO, Ms. J.C. Morton and Mr. R.J. Patterson.

Mr. J. Beddow (Managing Director) was an executive Director during the financial year.

Other Key Management Personnel

The names of the other key management personnel disclosed in this report are Mr. T.C.A. Binks (Chief Operating 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[b] $	Termination benefits $	Total $
Non-executive Directors							
G.I. Martin AM	**2016**	**198,200**	**-**	**-**	**18,829**	**-**	**217,029**
	2015	192,400	-	-	18,278	-	210,678
R.T. Rich*	**2016**	**-**	**-**	**-**	**-**	**-**	**-**
	2015	-	-	30,320	2,880	150,000	183,200
A.B. Brennan	**2016**	**92,800**	**8,783**	**-**	**9,650**	**-**	**111,233**
	2015	90,100	6,000	-	9,129	-	105,229
R.A. Davis	**2016**	**92,800**	**3,100**	**-**	**9,111**	**-**	**105,011**
	2015	90,100	3,000	-	8,845	-	101,945
R.A. Higgins AO	**2016**	**92,800**	**6,200**	**-**	**9,405**	**-**	**108,405**
	2015	90,100	6,000	-	9,129	-	105,229
J.C. Morton	**2016**	**92,800**	**3,100**	**-**	**9,111**	**-**	**105,011**
	2015	90,100	3,000	-	8,845	-	101,945
R.J. Patterson	**2016**	**70,825**[a]	**3,100**	**21,975**[a]	**9,111**	**-**	**105,011**
	2015	67,805[a]	2,034	22,295[a]	8,752	-	100,886
Total	**2016**	**640,225**	**24,283**	**21,975**	**65,217**	**-**	**751,700**
	2015	620,605	20,034	52,615	65,858	150,000	909,112

* Retired 27 October 2014.

(a) Base fee totalling $92,800 includes amounts paid in cash and superannuation (2015: $90,100).

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

		Short-term			Post-employment	Share based[f]		
		Salaries[a]	STI[b]	Non-monetary benefits[e]	Superannuation	STI[g]	LTI[h]	Total
		$	$	$	$	$	$	$
Managing Director								
J. Beddow	**2016**	**652,271**	**154,350**[c]	**1,148**	**-**[c]	**140,473**	**94,517**	**1,042,759**
	2015	611,985	193,515[c]	1,522	-[c]	79,244	68,760	955,026
Other Key Management Personnel								
T.C.A. Binks	**2016**	**245,666**	**61,688**[d]	**-**	**19,308**	**50,590**	**13,262**	**390,514**
	2015	194,291	65,354[d]	-	18,783	28,489	7,940	314,857
C.C. Hall*	**2016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2015	162,235	-	-	9,392	(43,704)	(92,708)	35,215
A.B. Hill	**2016**	**174,314**	**49,613**[d]	**1,353**	**35,000**	**45,996**	**12,497**	**318,773**
	2015	162,865	62,659[d]	1,868	35,000	28,658	7,629	298,679
Total	**2016**	**1,072,251**	**265,651**	**2,501**	**54,308**	**237,059**	**120,276**	**1,752,046**
	2015	1,131,376	321,528	3,390	63,175	92,687	(8,379)	1,603,777

* Resignation effective 31 December 2014.

(a) Salaries include the movement in the provision for annual leave and long service leave and any salary sacrifice arrangements.

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

(c) The STI of $154,350 was paid $124,350 in cash and $30,000 as a superannuation contribution (2015: $193,515 of which $163,515 was paid in cash and $30,000 as a superannuation contribution).

(d) The STI was paid in cash.

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

(f) The Accounting Standards require that the expense relating to the share based 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.

(g) **Argo Investments Limited Executive STI Performance Rights**
The values of the STI performance rights are calculated and allocated to each reporting period from the commencement of the performance period to the vesting date. The value of STI performance rights for the current reporting period, which are yet to be issued to executives, has been estimated.

(h) **Argo Investments Limited Executive LTI Performance Rights**
The fair value of the LTI performance rights granted 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.

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

(i) 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 not achieved	Share based remuneration as proportion of remuneration(1)	Total performance related remuneration
J. Beddow	**2016**	**70%**	**70.0%**	**30.0%**	**22.5%**	**37.3%**
	2015	70%	97.0%	3.0%	15.5%	35.8%
T.C.A. Binks	**2016**	**70%**	**70.5%**	**29.5%**	**16.4%**	**32.1%**
	2015	70%	97.0%	3.0%	11.6%	32.3%
A.B. Hill	**2016**	**70%**	**70.0%**	**30.0%**	**18.3%**	**33.9%**
	2015	70%	93.0%	7.0%	12.1%	33.1%

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

Executive remuneration (non-statutory information)

The Company has included the following table to clarify actual payments received by the Managing Director and Other Key Management Personnel.

Remuneration received

		Total fixed remuneration[a] $	Annual STI to 30 June[b] $	Loan repayment[c] $	Prior years rights vested[d] $	Total received $
Managing Director						
J. Beddow	**2016**	**630,000**	**154,350**	**7,562**	**164,915**	**956,827**
	2015	570,000	193,515	7,202	15,433	786,150
Other Key Management Personnel						
T.C.A. Binks	**2016**	**250,000**	**61,688**	**-**	**57,795**	**369,483**
	2015	192,500	65,354	-	5,093	262,947
A.B. Hill	**2016**	**202,500**	**49,613**	**12,100**	**61,700**	**325,913**
	2015	192,500	62,659	11,524	5,709	272,392
Total	**2016**	**1,082,500**	**265,651**	**19,662**	**284,410**	**1,652,223**
	2015	955,000	321,528	18,726	26,235	1,321,489

(a) Base remuneration including superannuation and any salary sacrificing arrangements.

(b) Comprises the 50% cash portion of the STI performance for the 12 months to 30 June and is paid in August each year. The 50% STI deferred component for the year ended 30 June 2016 will be issued on 26 October 2016 as STI performance rights and will vest two years after grant, subject to the executive having continued service with the Company (2015: issued 26 October 2015).

(c) Comprises the amount of dividends received to repay the interest free loan pursuant to the superseded Argo Investments Executive Share Plan.

(d) The value of STI and LTI performance rights exercised during the year is based on the market price of shares of the Company on the date the performance rights were exercised.

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	STI	10,785	20/11/14	$7.07	20/11/16	4/12/16	10,785	-	12,230
		25,802	26/10/15	$7.08	26/10/17	9/11/17	25,802	-	72,831
		-	-	-	-	-	-	-	107,940[(4)]
	LTI	53,400	17/11/11	$4.40	17/11/15	1/12/16	47,467	-	-
		86,000	15/11/12	$4.44	15/11/16	29/11/16	86,000	-	11,157
		67,700	22/11/13	$5.67	22/11/17	6/12/17	67,700	-	36,609
		64,700	20/11/14	$6.33	20/11/18	4/12/18	64,700	-	73,394
		64,950	26/10/15	$6.41	26/10/19	9/11/19	64,950	-	94,006
		373,337					367,404	-	408,167
T.C.A. Binks	STI	3,961	20/11/14	$7.07	20/11/16	4/12/16	3,961	-	5,729
		8,714	26/10/15	$7.08	26/10/17	9/11/17	8,714	-	24,597
		-	-	-	-	-	-	-	43,138[(4)]
	LTI	16,800	17/11/11	$4.40	17/11/15	1/12/16	14,934	-	-
		12,000	15/11/12	$4.44	15/11/16	29/11/16	12,000	-	1,523
		9,400	22/11/13	$5.67	22/11/17	6/12/17	9,400	-	4,973
		9,400	20/11/14	$6.33	20/11/18	4/12/18	9,400	-	10,431
		11,050	26/10/15	$6.41	26/10/19	9/11/19	11,050	-	15,642
		71,325					69,459	-	106,033
A.B. Hill	STI	4,025	20/11/14	$7.07	20/11/16	4/12/16	4,025	-	5,819
		8,355	26/10/15	$7.08	26/10/17	9/11/17	8,355	-	23,583
		-	-	-	-	-	-	-	34,693[(4)]
	LTI	18,600	17/11/11	$4.40	17/11/15	1/12/16	16,534	-	-
		12,700	15/11/12	$4.44	15/11/16	29/11/16	12,700	-	1,701
		9,700	22/11/13	$5.67	22/11/17	6/12/17	9,700	-	5,416
		9,400	20/11/14	$6.33	20/11/18	4/12/18	9,400	-	11,009
		8,950	26/10/15	$6.41	26/10/19	9/11/19	8,950	-	13,372
		71,730					69,664	-	95,593
Total		**516,392**					**506,527**	**-**	**609,793**

Performance Rights[1]
Vested, Exercised and Lapsed

		Grant date	Number of rights vested during the year	Number of shares purchased on exercise	Value at exercise date[5] $	Number of rights lapsed during the year[6]	Value at lapse date[7] $
J. Beddow	STI	17/9/13	10,484	10,484	80,727	-	-
	LTI	18/11/10	5,029	5,029	38,623	35,861	185,043
		17/11/11	5,933	5,933	45,565	-	-
T.C.A. Binks	STI	17/9/13	4,089	4,089	31,485	-	-
	LTI	18/11/10	1,605	1,605	12,166	11,445	59,056
		17/11/11	1,866	1,866	14,144	-	-
A.B. Hill	STI	17/9/13	4,173	4,173	32,132	-	-
	LTI	18/11/10	1,784	1,784	13,701	12,716	65,615
		17/11/11	2,066	2,066	15,867	-	-
Total			**37,029**	**37,029**	**284,410**	**60,022**	**309,714**

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

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

(3) The maximum value yet to vest of STI performance rights has been determined as the amount of the fair value of the STI performance rights from the commencement of the performance period to the vesting date that is yet to be expensed.

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

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

(4) The maximum value yet to vest of STI performance rights which are expected to be granted on 26 October 2016 has been determined as the estimated fair value of the STI performance rights yet to be expensed.

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

(6) The 2010 LTI performance rights lapsed on 18 November 2015 because the performance condition was not fully satisfied.

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

Shareholdings, performance rights and transactions

The number of ordinary shares and performance 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
G.I. Martin AM	248,526	16,154	264,680
J. Beddow	93,257	21,659	114,916
A.B. Brennan	3,544	-	3,544
R.A. Davis	14,410	1,936	16,346
R.A. Higgins AO	80,337	9,236	89,573
J.C. Morton	16,439	2,653	19,092
R.J. Patterson	801,720	50	801,770
T.C.A. Binks	5,349	7,928	13,277
A.B. Hill	62,390	8,278	70,668

(b) STI performance rights holdings

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	21,269	25,802	(10,484)	-	36,587
T.C.A. Binks	8,050	8,714	(4,089)	-	12,675
A.B. Hill	8,198	8,355	(4,173)	-	12,380

(c) LTI performance rights holdings

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	312,690	64,950	(10,962)	(35,861)	330,817
T.C.A. Binks	60,650	11,050	(3,471)	(11,445)	56,784
A.B. Hill	64,900	8,950	(3,850)	(12,716)	57,284

Key Management Personnel Loans

	Opening balance $	Closing balance $	Interest not charged $	Highest balance in period $
J. Beddow	62,685	55,122	1,148	62,685
A.B. Hill	75,672	63,573	1,353	75,672
Total	**138,357**	**118,695**	**2,501**	**138,357**

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.

Service Agreements

Mr. J. Beddow (Managing Director), Mr. T.C.A. Binks (Chief Operating Officer) and Mr. A.B. Hill (Chief Financial Officer) have service agreements with the Company.

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

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

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

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

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

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

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

Remuneration Policy and Company Performance

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

	2016	2015	2014	2013	2012
Argo share price as at 30 June	$7.37	$7.97	$7.63	$6.46	$5.15
Change in share price between years	-$0.60	+$0.34	+$1.17	+$1.31	-$0.46
Total portfolio return	-1.2%	+6.1%	+17.1%	+23.6%	-5.7%
	$'000	$'000	$'000	$'000	$'000
Profit for the year	216,286	228,104	195,874	175,035	167,274
Dividends	206,917	196,384	183,217	168,674	162,498
Total assets	4,854,537	5,034,649	4,912,162	4,232,680	3,493,084

Over the year, the Company's share price decreased by 7.5%. The portfolio performance for the year was a negative return of 1.2%, based on the movement in net tangible asset backing per share assuming dividends paid are reinvested, compared with the S&P ASX 200 Accumulation Index which returned 0.6% for the same period without taking into account any costs or tax.

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 increased sustainable dividends paid to shareholders for the past five years and its Total Shareholder Return based on the Company's share price performance and assuming dividends paid are reinvested for the 15 years to 30 June 2016 was 9.1% compounded per annum. Due to the Company's long-term investment philosophy, it is considered that its remuneration policy should be judged against a long-term investment time frame.

The Company's profit was 5.2% lower than last year. The previous year's profit included a one-off, non-cash income item resulting from the demerger of South32 from BHP Billiton. If this corporate action is excluded, Argo's profit increased by 3.2%, and its earnings per share rose by 1.6%.

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. Corporate Governance Statement

The Corporate Governance Statement for the year ended 30 June 2016 can be accessed on the Company's website at www.argoinvestments.com.au/about/corporate-governance.

Relevant governance charters, policies and codes are also available in this section of the website.

12. Environmental Regulations

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

13. Rounding of Amounts

Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Instrument, unless otherwise stated.

14. 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 58 of this report.

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

(a) all non-audit services have been reviewed by the Audit & Risk 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 32.

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

On behalf of the Board

G.I. Martin AM
Chairman
18 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2016, 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 and the entities it controlled during the year.

M T Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
18 August 2016

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Consolidated Statement of Profit or Loss

for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Dividends and distributions	2	223,686	237,289
Interest		2,209	4,004
Other revenue		2,140	608
Total revenue		228,035	241,901
Net gains on trading investments		10,743	7,183
Income from operating activities		238,778	249,084
Administration expenses	3	(7,998)	(7,869)
Finance costs		(170)	(50)
Profit before income tax expense		230,610	241,165
Income tax expense thereon	4	(14,324)	(13,061)
Profit for the year		216,286	228,104
		cents	cents
Basic and diluted earnings per share	5	32.0	34.3

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	2016 $'000	2015 $'000
Profit for the year	216,286	228,104
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of long-term investments	(299,781)	73,620
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	89,293	(26,271)
Other comprehensive income for the year	(210,488)	47,349
Total comprehensive income for the year	5,798	275,453

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

as at 30 June 2016

	Note	2016 $'000	2015 $'000
Current Assets			
Cash and cash equivalents	6(a)	93,144	77,644
Receivables	7	41,178	38,551
Investments	8	1,865	1,660
Current tax assets		5,628	-
Total Current Assets		141,815	117,855
Non-Current Assets			
Receivables	7	119	138
Investments	8	4,712,277	4,916,333
Plant and equipment	9	326	323
Total Non-Current Assets		4,712,722	4,916,794
Total Assets		4,854,537	5,034,649
Current Liabilities			
Payables	10	1,988	2,271
Derivative financial instruments	11	4,354	1,466
Current tax liabilities		-	879
Provisions	12	467	428
Total Current Liabilities		6,809	5,044
Non-Current Liabilities			
Deferred tax liabilities	13	536,369	618,091
Provisions	12	154	110
Total Non-Current Liabilities		536,523	618,201
Total Liabilities		543,332	623,245
Net Assets		4,311,205	4,411,404
Shareholders' Equity			
Contributed equity	14	2,572,213	2,473,320
Reserves	15	1,366,037	1,596,512
Retained profits	16	372,955	341,572
Total Shareholders' Equity		4,311,205	4,411,404

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Contributed Equity $'000 (Note 14)	Reserves $'000 (Note 15)	Retained Profits $'000 (Note 16)	Total $'000
Balance as at 1 July 2015	2,473,320	1,596,512	341,572	4,411,404
Profit for the year	-	-	216,286	216,286
Other comprehensive income	-	(210,488)	-	(210,488)
Total comprehensive income for the year	-	(210,488)	216,286	5,798
Transactions with shareholders:				
Dividend Reinvestment Plan	38,819	-	-	38,819
Share Purchase Plan	60,355	-	-	60,355
Cost of share issues net of tax	(281)	-	-	(281)
Executive performance rights reserve	-	16	-	16
Dividends paid	-	(20,003)	(184,903)	(204,906)
Total transactions with shareholders	98,893	(19,987)	(184,903)	(105,997)
Balance as at 30 June 2016	2,572,213	1,366,037	372,955	4,311,205

for the year ended 30 June 2015

	Contributed Equity $'000 (Note 14)	Reserves $'000 (Note 15)	Retained Profits $'000 (Note 16)	Total $'000
Balance as at 1 July 2014	2,437,259	1,548,931	302,519	4,288,709
Profit for the year	-	-	228,104	228,104
Other comprehensive income	-	47,349	-	47,349
Total comprehensive income for the year	-	47,349	228,104	275,453
Transactions with shareholders:				
Dividend Reinvestment Plan	36,115	-	-	36,115
Cost of share issues net of tax	(54)	-	-	(54)
Executive performance rights reserve	-	232	-	232
Dividends paid	-	-	(189,051)	(189,051)
Total transactions with shareholders	36,061	232	(189,051)	(152,758)
Balance as at 30 June 2015	2,473,320	1,596,512	341,572	4,411,404

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Dividends and distributions received		197,207	212,293
Interest received		2,164	4,798
Other receipts		1,860	608
Proceeds from trading investments		42,661	19,120
Payments for trading investments		(29,235)	(13,131)
Other payments		(7,666)	(8,136)
Income tax paid		(13,139)	(31,891)
Net operating cash inflows	6(b)	193,852	183,661
Cash flows from investing activities			
Proceeds from sale of long-term investments		116,222	135,987
Payments for long-term investments		(188,293)	(286,245)
Proceeds from other financial cash assets		-	70,000
Executive share scheme repayments		19	389
Payments for fixed assets		(166)	(29)
Net investing cash outflows		(72,218)	(79,898)
Cash flows from financing activities			
Proceeds from Share Purchase Plan		60,355	-
Cost of share issues		(402)	(76)
Dividends paid – net of Dividend Reinvestment Plan		(166,087)	(152,936)
Net financing cash outflows		(106,134)	(153,012)
Net increase/(decrease) in cash held		15,500	(49,249)
Cash at the beginning of the year		77,644	126,893
Cash at the end of the year	6(a)	93,144	77,644

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the year ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the financial statements of the consolidated entity, consisting of Argo Investments Limited and its controlled entities (Argo or Company) which are presented in Australian currency. The Company is incorporated and domiciled in Australia. Argo is a company limited by shares.

The financial statements were authorised for issue by the Directors on 18 August 2016. 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, interpretations issued by the Australian Accounting Standards Board 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 have been prepared using the conventional historical cost basis except for the fair value accounting of investments detailed in Note 1(d)(ii) and exchange traded options in Note 1(e).

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

(b) Principles of consolidation

The Company meets the definition of an investment entity (see Note 1(c)).

The Company's wholly owned subsidiary, Argo Service Company Pty Ltd (ASCO), provides services to the Company. The consolidated financial statements incorporate the assets and liabilities of ASCO as at 30 June 2016 and its results for the year then ended. Intercompany transactions and balances between the Company and ASCO are eliminated on consolidation.

The Company has determined that for any entities that it controls or has significant influence over, that do not provide services to the Company, consolidated financial statements are not required provided the Company measures its investments in these entities at fair value in its financial statements.

(c) Investment Entity

The Company has determined that it is an investment entity under the definition in AASB 10 *Consolidated Financial Statements* as it meets the following criteria:

(i) The Company has obtained funds from shareholders for the purpose of providing them with investment management services;

(ii) The Company's business purpose, which it communicated directly to shareholders, is investing solely for returns from capital appreciation and investment income; and

(iii) The performance of investments made by the Company are measured and evaluated on a fair value basis.

The Company also meets all of the typical characteristics of an investment entity.

(d) **Investments**

(i) **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 Consolidated Statement of Profit or Loss. Investments are initially recognised at fair value and transaction costs are expensed. An investment is classified in this category if acquired principally for the purpose of selling in the short term.

Non-Current Assets

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

(ii) **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.

(iii) **Gains and Losses**

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.

Current Assets

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

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

Non-Current Assets

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.

(e) **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 Consolidated Statement of Financial Position as a liability. When the option expires, is exercised or is repurchased, the premium received is brought to account and is included in net gains on trading investments in the Consolidated Statement of Profit or Loss.

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

(f) **Revenue**

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

(g) **Plant and Equipment**

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

(h) **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 and when the deferred tax balances relate to the same taxation authority.

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.

Argo Investments Limited (the parent) and its wholly owned subsidiary have formed an income tax consolidated group. Each entity in the group recognises its own current and deferred tax amounts. The current tax liability of both entities is subsequently assumed by the parent entity.

The entities have also entered into a tax funding agreement whereby the subsidiary compensates the parent entity for any current tax payable or receivable and deferred tax assets relating to unused tax losses or unused tax credits.

(i) **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.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

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

The share based short-term incentive (STI) performance rights are measured at fair value. The amount of these rights is expensed on a straight line basis over the period between the performance commencement date and the expected date that the rights will vest.

The share based long-term incentive (LTI) performance rights are 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.

(k) **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.

(l) **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.

(m) **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.

(n) **Operating Leases**

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

(o) **Cash and Cash Equivalents**

For the purposes of the Consolidated 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.

(p) **Other Financial Cash Assets**

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

(q) **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.

(r) **Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO).

Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Consolidated Statement of Financial Position. Cash flows relating to GST are included in the Consolidated Statement of Cash Flows on a gross basis.

(s) **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.

(t) **Provision for Dividend**

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

(u) **Rounding of Amounts**

Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Instrument, unless otherwise stated.

(v) **New Accounting Standards**

The Company early adopted accounting standard AASB 9 *Financial Instruments* in December 2009 with the standard to be applied to annual reporting periods commencing on or after 1 January 2018.

All other 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.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(w) **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

	2016 $'000	**2015** $'000
Received/receivable from:		
Long-term investments held at the end of the year	221,718	234,924
Long-term investments sold during the year	1,968	2,365
	223,686	**237,289**

3. ADMINISTRATION EXPENSES

	2016 $'000	2015 $'000
Employment benefits	4,921	4,397
Depreciation	163	51
Other	2,914	3,421
	7,998	**7,869**

4. INCOME TAX EXPENSE

	2016 $'000	2015 $'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	230,610	241,165
Prima facie tax expense calculated at 30% (2015: 30%)	69,183	72,349
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(52,498)	(52,472)
Non-taxable distributions	-	(5,579)
Other	(1,845)	(705)
Over provision in previous year	(516)	(532)
Income tax expense	**14,324**	**13,061**
(b) Income tax expense composition:		
Charge for tax payable relating to current year	15,850	13,579
(Decrease)/increase in deferred tax liabilities	(1,010)	14
Over provision in previous year	(516)	(532)
	14,324	**13,061**
(c) Amounts recognised directly in other comprehensive income: (Decrease)/increase in deferred tax liabilities	**(89,293)**	**26,271**

5. EARNINGS PER SHARE

	2016 number '000	2015 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	675,375	664,839
	$'000	$'000
Profit for the year	216,286	228,104
	cents	cents
Basic and diluted earnings per share	**32.0**	**34.3**

6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents includes cash on deposit with banks (floating interest rates between 1.75% and 2.35% at 30 June 2016; 2015: 2.00% and 2.45%) and fixed term deposits with banks (fixed interest rates to maturity between 2.51% and 2.93% at 30 June 2016; 2015: 2.30% and 2.70%), maturing within three months from date of deposit.

	2016 $'000	2015 $'000
Bank deposits	**93,144**	**77,644**
(b) Reconciliation of net cash provided by operating activities to profit for the year:		
Profit for the year	216,286	228,104
Dividends received as securities in dividend reinvestment plan	(23,320)	(4,861)
Demerger dividends and distributions	-	(18,596)
Depreciation	163	51
Charges to provisions	170	17
Other movements	16	232
Decrease in provision for income tax	(6,507)	(11,481)
Transfer from provision for deferred income tax	8,547	(7,168)
Increase in deferred tax assets	(942)	(262)
Changes in operating assets and liabilities:		
Increase in current investments	(205)	(1,660)
Increase in other debtors	(2,892)	(1,590)
Increase in other creditors	2,536	875
Net cash provided by operating activities	**193,852**	**183,661**
(c) Financing arrangement		
Total line of credit available:		
Loan facility – unsecured	100,000	100,000
Amount utilised	-	-
Undrawn facility	**100,000**	**100,000**

(d) Non-cash financing activities

Dividends paid totalling $38.8 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2015: $36.1 million).

7. RECEIVABLES

	2016 $'000	2015 $'000
Current		
Dividends and distributions receivable	40,581	37,421
Interest receivable	220	175
Outstanding settlements	-	264
Other	377	691
	41,178	**38,551**

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within two days of the transaction date. None of the receivables are past due or impaired.

	2016 $'000	2015 $'000
Non-Current		
Executive share plan loans	**119**	**138**

The Executive share plan loans are repaid in accordance with the terms of the superseded Argo Investments Executive Share Plan.

8. INVESTMENTS

	2016 $'000	2015 $'000
Current		
Listed securities at fair value(1)	**1,865**	**1,660**
Non-Current		
Listed securities at fair value(1)	4,707,567	4,886,463
Unlisted securities at fair value(2)	4,710	29,870
	4,712,277	**4,916,333**

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 ASX for identical assets in accordance with Level 1 of the fair value measurement hierarchy. Unlisted securities with a fair value of $26.0 million were transferred from Level 3 to Level 1 during the year, after the companies listed on the ASX.

(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 cost and 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:

	2016 $'000	2015 $'000
Carrying amount at beginning of year	29,870	3,540
Additions	750	26,000
Transfer to level 1 (listed securities) on listing	(26,000)	-
Fair value gains recognised in other comprehensive income	90	330
Carrying amount at end of year	**4,710**	**29,870**

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

There were 591 investment transactions during the financial year. The total brokerage paid on these transactions was $0.9 million.

9. PLANT AND EQUIPMENT

	2016 $'000	2015 $'000
Plant and equipment at cost	1,058	1,004
Accumulated depreciation	(732)	(681)
	326	**323**
Movements		
Carrying amount at beginning of year	323	345
Additions	166	29
Depreciation	(163)	(51)
Carrying amount at end of year	**326**	**323**

10. PAYABLES

	2016 $'000	2015 $'000
Outstanding settlements	1,069	1,000
Other	919	1,271
	1,988	**2,271**

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 $'000	2015 $'000
Exchange traded options at fair value	**4,354**	**1,466**

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

12. PROVISIONS

	2016 $'000	2015 $'000
Current		
Provision for employee entitlements	**467**	**428**
Non-Current		
Provision for employee entitlements	**154**	**110**

13. DEFERRED TAX LIABILITIES

	2016 $'000	2015 $'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	537,357	618,035
Income receivable which is not assessable for tax until receipt	1,270	1,254
Deferred tax liability on unrealised gains on trading investments	40	124
	538,667	619,413
Offset by deferred tax assets:		
Provisions and payables	(2,115)	(1,172)
Deferred tax on cost of share issues	(183)	(150)
	(2,298)	(1,322)
Net deferred tax liabilities	**536,369**	**618,091**
Movements		
Balance at beginning of year	618,091	599,192
(Credited)/debited to profit or loss	(1,010)	14
(Credited)/charged to other comprehensive income	(89,293)	26,271
Changes to the tax base of investments	8,581	(7,386)
Balance at end of year	**536,369**	**618,091**

The amount of net deferred tax assets expected to be settled in the next 12 months is $0.2 million (2015: deferred tax liability $0.7 million).

14. CONTRIBUTED EQUITY

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

	2016 No. of shares	**2015** No. of shares	**2016** $'000	**2015** $'000
Issued and fully paid ordinary shares:				
Opening balance	666,769,679	662,179,486	2,473,320	2,437,259
Dividend reinvestment plan[(a)]	5,185,485	4,590,193	38,819	36,115
Share purchase plan[(b)]	7,787,690	-	60,355	-
Cost of share issues net of tax	-	-	(281)	(54)
Closing balance	**679,742,854**	**666,769,679**	**2,572,213**	**2,473,320**

(a) On 2 September 2015, 2,490,187 shares were allotted at $7.85 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2015.

On 4 March 2016, 2,695,298 shares were allotted at $7.15 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2016.

(b) On 7 October 2015, 7,787,690 shares were allotted at $7.75 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

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

15. RESERVES

	2016 $'000	2015 $'000
Executive Performance Rights Reserve	1,355	1,339
Investment Revaluation Reserve	1,155,839	1,354,931
Capital Profits Reserve	208,843	240,242
	1,366,037	**1,596,512**
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	1,339	1,107
Accrued entitlement for unvested rights	659	296
Executive performance shares purchased	(643)	(64)
Balance at end of year	1,355	1,339
Investment Revaluation Reserve		
Balance at beginning of year	1,354,931	1,309,495
Revaluation of long-term investments	(299,781)	73,620
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	89,293	(26,271)
Realised losses/(gains) on sale of long-term investments transferred to capital profits reserve	14,951	(3,893)
Income tax (benefit)/expense thereon	(3,555)	1,980
Balance at end of year	1,155,839	1,354,931
Capital Profits Reserve		
Balance at beginning of year	240,242	238,329
Dividend paid	(20,003)	-
Transfer from investment revaluation reserve	(11,396)	1,913
Balance at end of year	208,843	240,242
Total Reserves	**1,366,037**	**1,596,512**

Long-term investments were sold in the normal course of the Company's operations as a listed investment company or as a result of takeovers. The fair value of the investments sold during this period was $115.1 million (2015: $129.3 million). The cumulative loss after tax on these disposals was $11.4 million (2015: profit $1.9 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 short-term incentive (STI) and long-term incentive (LTI) performance rights pursuant to the Argo Investments Limited Executive Performance Rights Plan. When rights are exercised, shares are purchased on market and issued to the executive.

STI performance rights

The values of the STI performance rights are calculated and allocated to each reporting period from the commencement of the performance periods to the vesting dates. The value of the STI performance rights for the current reporting period, which are yet to be issued to participants, has been estimated.

LTI performance rights

The values of the LTI performance rights are calculated at grant dates and allocated to each reporting period from the grant dates to the vesting dates.

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.

16. RETAINED PROFITS

	2016 $'000	**2015** $'000
Balance at beginning of year	341,572	302,519
Dividends paid	(184,903)	(189,051)
Profit for the year	216,286	228,104
Balance at end of year	**372,955**	**341,572**

17. 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 increasing 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 Consolidated Statement of Changes in Equity.

18. DIVIDENDS

	2016 $'000	2015 $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June 2015 of 15.5 cents fully franked at 30% tax rate paid 2 September 2015 (2015: 14.5 cents fully franked at 30% tax rate)	103,349	96,016
Interim dividend for the year ended 30 June 2016 of 15.0 cents fully franked at 30% tax rate paid 4 March 2016 (2015: 14.0 cents fully franked at 30% tax rate)	101,557	93,035
Total dividends paid	**204,906**	**189,051**

The final dividend paid contained a listed investment company (LIC) capital gain component of 3 cents per share (2015: nil).

	2016 $'000	2015 $'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 2016 of 15.5 cents fully franked at 30% tax rate payable 9 September 2016 (2015: 15.5 cents fully franked at 30% tax rate)	**105,360**	**103,349**

The final dividend declared will not contain a LIC capital gain component (2015: 3 cents per share).

19. FRANKING ACCOUNT

	2016 $'000	2015 $'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	85,427	91,073
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(45,154)	(44,293)
	40,273	**46,780**
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	**93,970**	**109,153**

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

20. LISTED INVESTMENT COMPANY (LIC) CAPITAL GAIN ACCOUNT

	2016 $'000	2015 $'000
Balance of the LIC capital gain account	5,401	21,825
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	-	(20,003)
	5,401	**1,822**
This equates to an attributable amount of	**7,716**	**2,603**

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.

21. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the investment industry predominately 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 Directors when making strategic, investment or resource allocation decisions.

The Company is domiciled in Australia and derives its revenue from the 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.

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

22. COMMITMENTS

	2016 $'000	2015 $'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	389	291
Later than one year but not later than five years	1,205	502
Later than five years	721	-
	2,315	**793**

The Company has entered into two property leases, one expiring on 12 December 2018 and the other expiring on 31 January 2024. 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.

23. RELATED PARTIES

	2016 $	2015 $
(a) **Key Management Personnel Compensation**		
Short-term	2,004,911	2,096,933
Post-employment (superannuation)	141,500	181,648
Termination benefits	-	150,000
Share based	357,335	84,308
	2,503,746	**2,512,889**

Detailed remuneration disclosures are provided in the Remuneration Report.

	2016 $	2015 $
(b) **Key Management Personnel Loans**		
Balance at beginning of year	138,357	527,286
Loan repayments	(19,662)	(388,929)
Balance at end of year	**118,695**	**138,357**
Notional interest not charged	2,501	3,390

The loan repayments are made in accordance with the terms of the Argo Investments Executive Share Plan.

(c) **Argo Global Listed Infrastructure Limited**

Argo Global Listed Infrastructure Limited (AGLI) is an Australian investment company which invests in international securities in the infrastructure sector and which listed on the ASX on 3 July 2015.

The Company purchased 12,500,100 shares in AGLI for a consideration of $25.0 million, and 12,500,000 options were also received for no consideration which are exercisable for $2.00 per option on or before 31 March 2017.

At balance date, the AGLI shares (ASX: ALI) and options (ASX: ALIO) had a fair value of $22.9 million ($1.835 per share) and $0.1 million ($0.012 per share) respectively.

The Company receives a fee for managing the operations of AGLI, via its wholly owned subsidiary, Argo Service Company Pty Ltd. Fees of $3.3 million (2015: nil) were received or receivable in the financial year ended 30 June 2016 with Cohen & Steers, the Portfolio Manager, receiving 50% of this fee to manage and invest the portfolio. Management fees of $0.28 million (2015: $nil) were receivable at balance date.

There are five Directors of AGLI, of which three are also Directors of the Company.

24. PARENT ENTITY DISCLOSURES

In accordance with the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the *Corporations Act 2001* the following summarised parent entity information is set out below.

As at, and throughout, the financial year ended 30 June 2016 the parent entity is Argo Investments Limited.

	2016 $'000	**2015** $'000
Profit of the parent entity		
Profit for the year	216,169	228,100
Total comprehensive income for the year	5,681	275,449
Financial position of the parent entity as at 30 June		
Current assets	140,720	117,325
Total assets	4,854,224	5,034,244
Current liabilities	6,387	4,591
Total liabilities	543,140	622,843
Net assets	4,311,084	4,411,401
Total equity of the parent entity comprising of:		
Contributed equity	2,572,213	2,473,320
Reserves	1,366,037	1,596,512
Retained profits	372,834	341,569
Total equity attributable to shareholders of the parent entity	4,311,084	4,411,401

Argo Investments Limited has an agreement in place with Argo Service Company Pty Ltd to provide up to $250,000 financing to cover any negative cash flow requirements arising from its operations. The facility was not utilised during the financial year to 30 June 2016.

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, 1,547 (2015: 1,524) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $12,957 (2015: $12,033) and had a market value of $11,401 (2015: $12,146) at $7.37 per share (2015: $7.97 per share) at balance date.

(b) Argo Investments Limited Executive Performance Rights Plan

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

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

The STI and LTI performance 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 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:

STI Performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
17/09/13	17/09/15	1/10/15	51,803	-	(44,238)	(7,565)[2]	-
20/11/14	20/11/16	4/12/16	41,073	-	-	-	41,073
26/10/15	26/10/17	9/11/17	-	79,831[1]	-	-	79,831
			92,876	**79,831**	**(44,238)**	**(7,565)**	**120,904**

(1) The fair value at grant date of the STI performance rights issued during the year was $7.08 (2015: $7.07) 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 following inputs were used to calculate the fair value of the STI performance rights issued:

(a) Share price at valuation date 26 October 2015: $7.83 (20 November 2014: $7.89); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2015: 5.5%).

(2) STI performance rights lapsed due to the resignation of an executive.

(3) STI performance rights expense of $465,967 (2015: $245,598) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

(4) The weighted average remaining life of the STI performance rights outstanding at the end of the year was 1.0 year (2015: 0.8 year).

During the year, 44,238 (2015: nil) shares were acquired by the Company on behalf of eligible employees for exercised STI performance rights at a cost of $342,753 and had a market value of $326,034 at $7.37 per share at balance date.

LTI performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
18/11/10	18/11/14	2/12/15	192,600	-	(22,840)	(169,760)[2]	-
17/11/11	17/11/15	1/12/16	235,500	-	(21,930)	(38,100)[3]	175,470
15/11/12	15/11/16	29/11/16	223,900	-	-	(25,900)[3]	198,000
22/11/13	22/11/17	6/12/17	171,800	-	-	(19,700)[3]	152,100
22/11/14	22/11/18	4/12/18	129,700	-	-	-	129,700
26/10/15	26/10/19	9/11/19	-	142,260[1]	-	-	142,260
			953,500	**142,260**	**(44,770)**	**(253,460)**	**797,530**

(1) The fair value at grant date of the LTI performance rights issued during the year was $6.41 (2015: $6.33) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The Monte Carlo simulation has been used to determine the probabilities of meeting the performance conditions and the expected level of vesting under each performance condition. The following inputs were used to calculate the fair value of the LTI performance rights issued:

(a) Share price at valuation date 26 October 2015: $7.83 (20 November 2014: $7.89); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.0% (2015: 5.5%).

(2) 48,190 LTI performance rights lapsed due to resignation of executives and 121,570 lapsed without vesting.

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

(4) LTI performance rights expense totalling $192,646 (2015: $51,120) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

(5) The weighted average remaining life of the LTI performance rights outstanding at the end of the year was 1.5 years (2015: 1.8 years).

During the year, 38,980 (2015: 8,113) shares were acquired by the Company on behalf of eligible employees for exercised LTI performance rights at a cost of $299,834 (2015: $63,979) and had a market value of $287,283 (2015: $64,661) at $7.37 per share (2015: $7.97 per share) at balance date.

26. AUDITOR'S REMUNERATION

	2016 $	2015 $
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	141,338	139,465
(b) Non-audit services		
Taxation and professional services	22,552	42,871
Total remuneration	**163,890**	**182,336**

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 disclosed in Note 6(a), the maximum exposure to credit risk is the carrying amount of bank deposits 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 11.

None of the assets exposed to credit risk are past due 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 unsecured line of credit loan facility was undrawn at 30 June 2016 (2015: nil).

Current financial liabilities are disclosed in Note 10.

Market Risk

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

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

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the long-term investment portfolio, would lead to a reduction in the Company's equity of $164.9 million (2015: $172.1 million) and $329.9 million (2015: $344.1 million) respectively, after tax. The investment revaluation reserve at 30 June 2016 has an after tax balance of $1,155.8 million (2015: $1,354.9 million). It would require a 35% (2015: 39%) 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:

	2016	**2015**
Energy	4%	5%
Materials	12%	13%
Industrials	8%	6%
Consumer Discretionary	7%	7%
Consumer Staples	8%	8%
Health Care	7%	6%
Banks	20%	22%
Cash and Short-term Deposits	2%	2%
Other Financials	10%	10%
Listed Investment Companies	6%	7%
Property Trusts	4%	3%
Telecommunication Services & I.T.	7%	7%
Utilities	5%	4%
	100%	100%

The following investment represents over 5% of total assets:

	2016	**2015**
Westpac Banking Corporation	6.7%	6.6%

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 $4.4 million (2015: $1.5 million) and is disclosed in Note 11. Investments with a market value of $47.3 million (2015: $52.2 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 not significantly exposed to currency risk, as the majority of investments are quoted in Australian dollars. One security is not quoted in Australian dollars and has a fair value that represents 1.3% (2015: 1.4%) of the fair value of long-term investments disclosed in Note 28.

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:

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

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

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.

	2016 No. of shares or units	2016 $'000	2015 No. of shares or units	2015 $'000
Adelaide Brighton Ltd	7,681,385	42,785	7,681,385	33,107
Affinity Education Group Ltd.	-	-	15,459,510	12,522
AGL Energy Ltd.	3,650,000	70,409	3,650,000	56,757
ALS Ltd.	5,104,023	24,959	4,122,480	24,117
Alumina Ltd.	12,429,285	16,096	11,779,840	18,023
amaysim Australia Ltd.	-	-	555,556	1,000
Amcor Ltd.	4,918,564	73,434	4,918,564	67,483
AMP Ltd.	12,381,674	63,889	12,381,674	74,538
Ansell Ltd.	786,972	14,299	786,972	18,958
APA Group	10,277,940	94,968	10,277,940	84,690
A.P. Eagers Ltd.	4,312,620	51,450	4,312,620	40,323
Argo Global Listed Infrastructure Ltd.	12,500,100	22,938	12,500,100	25,000
Argo Global Listed Infrastructure Ltd. options	12,500,000	150	12,500,000	-
Aristocrat Leisure Ltd.	2,485,130	34,295	2,485,130	19,011
Asaleo Care Ltd.	11,534,001	24,221	8,606,920	16,353
Asciano Ltd.	6,743,086	59,811	6,743,086	44,841
ASX Ltd.	109,101	4,992	109,101	4,353
Australia and New Zealand Banking Group Ltd.	9,762,275	235,466	9,506,235	306,101
Australian Careers Network Ltd.	4,717,596	-	4,717,596	8,327
Australian United Investment Company Ltd.	16,461,022	117,696	16,711,022	137,197
Automotive Holdings Group Ltd.	5,184,593	19,494	5,184,593	20,687
BHP Billiton Ltd.	8,428,904	157,199	8,265,004	223,568
Boral Ltd.	3,075,132	19,127	3,075,132	17,990
Brambles Ltd.	5,501,609	68,165	5,422,449	57,478
Brickworks Ltd.	584,009	8,386	584,009	8,059
Broadspectrum Ltd.	-	-	5,397,040	7,690
CBL Corporation Ltd.	5,592,663	13,926	-	-
Challenger Ltd.	4,190,311	36,162	3,590,311	24,127
CIMIC Group Ltd.	-	-	439,733	9,564
Coca-Cola Amatil Ltd.	2,700,733	22,227	2,700,733	24,712
Colorpak Ltd.	-	-	5,162,885	2,143

	2016 No. of shares or units	2016 $'000	2015 No. of shares or units	2015 $'000
Commonwealth Bank of Australia	3,203,731	238,262	2,952,895	251,380
Computershare Ltd.	4,901,166	44,944	4,901,166	57,393
Crown Resorts Ltd.	2,609,184	32,902	2,609,184	31,832
CSL Ltd.	1,051,952	118,008	1,051,952	90,962
Diversified United Investment Ltd.	10,069,575	32,928	10,169,575	35,695
Downer EDI Ltd.	2,392,527	9,092	2,392,527	11,436
DUET Group	25,458,221	63,646	16,688,075	38,549
DuluxGroup Ltd.	3,881,512	24,531	3,881,512	22,202
Estia Health Ltd.	4,316,479	19,899	-	-
Event Hospitality & Entertainment Ltd.	1,634,721	23,753	1,634,721	20,499
Fletcher Building Ltd.	1,350,701	11,022	1,350,701	9,739
Genworth Mortgage Insurance Australia Ltd.	2,208,901	6,074	-	-
GPT Group	3,480,667	18,830	3,480,667	14,897
GUD Holdings Ltd.	1,772,013	16,143	1,772,013	15,665
Harvey Norman Holdings Ltd.	4,213,182	19,423	4,213,182	19,001
Iluka Resources Ltd.	1,700,000	11,033	1,700,000	13,056
Intrepica Pty Ltd.	1,630,435	750	-	-
Incitec Pivot Ltd.	4,095,530	12,164	4,095,530	15,768
Insurance Australia Group Ltd.	6,981,075	38,047	6,981,075	38,954
InvoCare Ltd.	2,082,191	27,360	2,082,191	25,195
IRESS Ltd.	791,884	8,624	791,884	8,014
iSelect Ltd.	4,472,554	5,568	4,472,554	6,440
Lendlease Group	3,893,609	49,059	3,893,609	58,521
LEX Property Fund	3,000,000	3,960	3,000,000	3,870
Macquarie Group Ltd.	2,458,151	169,367	2,355,151	191,709
Macquarie Group Ltd. income securities	15,000	968	15,000	1,073
Managed Accounts Holdings Ltd.	12,500,000	5,625	12,500,000	2,188
Medibank Private	-	-	13,953,488	28,047
McGrath Ltd.	6,500,000	5,980	-	-
Milton Corporation Ltd.	28,483,552	121,910	32,583,552	146,626
Mirvac Group	6,000,551	12,121	6,000,551	11,101
MMA Offshore Ltd.	13,862,997	4,228	13,862,997	7,417
Monash IVF Group Ltd.	7,711,645	14,035	6,261,645	8,015
National Australia Bank Ltd.	6,055,138	153,982	6,055,138	201,697
Navitas Ltd.	3,623,160	19,891	3,623,160	15,543

	2016 No. of shares or units	2016 $'000	2015 No. of shares or units	2015 $'000
Newcrest Mining Ltd.	-	-	134,750	1,754
Orica Ltd.	2,557,983	31,540	2,557,983	54,434
Origin Energy Ltd.	10,959,203	63,015	7,339,947	87,859
OZ Minerals Ltd.	-	-	701,342	2,791
Pact Group Holdings Ltd.	3,237,038	19,519	3,237,038	15,149
Peet Ltd.	13,152,705	12,298	12,802,705	14,659
Peet Ltd. convertible notes	-	-	32,500	3,331
Perpetual Ltd.	238,905	9,824	238,905	11,553
Premier Investments Ltd.	1,250,000	17,825	1,250,000	15,938
Primary Health Care Ltd.	6,808,917	26,895	3,315,015	16,708
Programmed Maintenance Services Ltd.	1,572,197	2,759	1,572,197	4,528
QBE Insurance Group Ltd.	5,420,491	56,536	5,011,191	68,503
Ramsay Health Care Ltd.	1,375,437	98,701	1,375,437	84,548
Ramsay Health Care Ltd. reset conv. preference	25,000	2,575	25,000	2,563
Reece Ltd.	697,806	25,819	697,806	24,221
Regis Healthcare Ltd.	1,660,959	7,790	1,660,959	8,571
Reliance Worldwide Corporation Ltd.	400,000	1,236	-	-
Rio Tinto Ltd.	2,510,739	114,239	2,510,739	134,952
Rural Funds Group	800,009	1,264	-	-
Santos Ltd.	10,326,884	47,917	6,289,105	49,244
Scentre Group	8,526,662	41,951	8,526,662	31,975
Sims Metal Management Ltd.	415,772	3,251	415,772	4,332
Sonic Healthcare Ltd.	2,936,618	63,284	2,824,483	60,359
South32 Ltd.	8,265,004	12,728	8,265,004	14,794
Spark Infrastructure	4,868,363	11,879	4,244,214	8,297
Steadfast Group Ltd.	9,431,269	18,627	7,974,237	12,878
Stockland	2,817,934	13,272	2,817,934	11,554
Suncorp Group Ltd.	4,260,838	51,897	4,260,838	57,223
Surfstitch Group Ltd.	8,130,000	1,585	6,750,000	12,319
Sydney Airport	14,458,175	100,340	14,458,175	72,002
Tabcorp Holdings Ltd.	2,850,670	13,028	2,850,670	12,971
Tassal Group Ltd.	4,446,083	17,695	3,851,848	12,827
Tatts Group Ltd.	2,052,730	7,841	2,052,730	7,636
Technology One Ltd.	5,964,564	30,837	5,964,564	21,771

	2016 No. of shares or units	2016 $'000	2015 No. of shares or units	2015 $'000
Telstra Corporation Ltd.	43,004,800	239,107	43,004,800	264,049
Transurban Group	5,785,989	69,374	5,481,463	50,978
Twenty-First Century Fox, Inc. class B	1,681,687	61,550	1,681,687	70,369
UGL Ltd.	-	-	2,113,242	4,480
Vocus Communications Ltd.	1,509,770	12,863	-	-
Washington H. Soul Pattinson and Company Ltd.	2,182,606	37,104	2,182,606	29,334
Wesfarmers Ltd.	5,440,027	218,145	5,440,027	212,324
Westfield Corporation	3,724,835	39,670	3,724,835	33,971
Westpac Banking Corporation	11,116,768	326,833	10,351,594	332,804
Whitehaven Coal Ltd.	-	-	3,656,652	4,808
Woodside Petroleum Ltd.	1,700,873	45,651	1,700,873	58,221
Woolworths Ltd.	4,133,026	86,339	4,133,026	111,426
WorleyParsons Ltd.	972,336	7,001	972,336	10,122
Total long-term investments		**4,712,277**		**4,916,333**

Directors' Declaration

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

(a) the consolidated financial statements and notes set out on pages 33 to 65 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 consolidated entity's financial position as at 30 June 2016 and of its 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 Managing Director and the Chief Financial Officer for the financial year ended 30 June 2016.

Dated this 18th day of August 2016

Signed in accordance with a resolution of the Directors

G.I. Martin AM
Chairman

pwc

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 consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Argo Investments Limited (the consolidated entity).The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

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(a), 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. Those 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 consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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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 consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

(b) the financial report and notes also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 16 to 30 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

M T Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
18 August 2016

Shareholding details as at 16 August 2016

	Ordinary shareholders
Number of shareholders holding:	
1- 1,000 shares	20,539
1,001- 5,000 shares	30,152
5,001- 10,000 shares	13,803
10,001- 100,000 shares	15,510
100,001 or more shares	473
Total number of shareholders (entitled to one vote per share)	**80,477**
Number of shareholders holding less than a marketable parcel	1,691

20 largest shareholders of ordinary shares

	No. of shares	% of issued capital
RCY Pty. Limited	6,166,887	0.91
JIT Pty. Limited	4,950,972	0.73
IOOF Investment Management Limited (IPS Super a/c)	3,806,997	0.56
TRIGT Pty. Limited	2,852,478	0.42
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,722,336	0.40
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,696,563	0.40
McLennan Holdings Pty. Ltd.	2,120,026	0.31
Bougainville Copper Limited	1,937,571	0.29
HSBC Custody Nominees (Australia) Limited	1,851,620	0.27
Donald Cant Pty. Ltd.	1,850,238	0.27
Est. Stuart John McWilliam	1,684,918	0.25
Kalymna Pty. Ltd.	1,620,737	0.24
Redemptorists (Central Investment Fund a/c)	1,598,000	0.24
Salur Holdings Pty. Limited	1,519,713	0.22
Poplar Pty. Ltd.	1,489,889	0.22
Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c)	1,472,379	0.22
Jacaranda Pastoral Pty. Ltd.	1,366,178	0.20
JPMorgan Nominees Australia Limited	1,142,639	0.17
Australian Executor Trustees Limited	1,112,011	0.16
Ling Nominees Pty. Ltd. (Ling Family a/c)	1,090,849	0.16
	45,053,001	**6.64**

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

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