Product Disclosure Statements
Intermediate Portfolio

Hard copies of these documents are available from your adviser free of charge.

BlackRock Indexed Australian Equity Fund
Product Disclosure Statement

Dated: 1 July 2014

BlackRock Indexed Australian Equity Fund

ARSN 089 405 363

BlackRock Investment Management (Australia) Limited

ABN 13 006 165 975

Australian Financial Services Licence No 230523

BlackRock Indexed Australian Equity Fund

Important information

This Product Disclosure Statement (PDS) is a summary of significant information and contains a number of references to important information (each of which forms part of this PDS) and persons should consider that information before making a decision about the Fund.

The information provided in this PDS is general information only and does not take account of the person's personal financial situation or needs and the person should obtain financial advice tailored to the person's personal circumstances.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. This PDS is not an offer to any person or any place in which it is unlawful to make such an offer.

If any part of this PDS is established to be invalid or unenforceable under the law, it is excluded so that it does not in any way affect the validity or enforceability of the remaining parts.

The Responsible Entity can change any terms and conditions of the offer contained in this PDS at any time.

We reserve the right to outsource any or all investment, management and administration functions, including to related parties, without notice to investors.

The Index provider has given, and not withdrawn prior to the date of this PDS, its consent to the inclusion of the Index Disclaimer.

Incorporation by Reference

The Corporations Act 2001 (Cth) (the "Corporations Act") allows us to provide certain information to you separately to this PDS.

Where you see reference to "Incorporated by Reference" this means that additional information concerning the topic has been incorporated by reference and forms part of the PDS. This information can be found at www.blackrock.com.au/individual/funds-information/offer-documents. You should read this information before making an investment decision. This material may change between the time when you read this PDS and when you acquire the product.

This information is available to you free of charge upon request in paper format by contacting the BlackRock Client Services Centre on the telephone number shown on the right of this page.

Information subject to change

Certain information in this PDS, as well as the terms and features of the Fund, is subject to change. We will notify you of any material changes or other significant events that affect the information in this PDS in accordance with our obligations under the Corporations Act. Updated performance information, fund size, current unit prices and other general information relating to the Fund can be obtained:

- from our website at www.blackrock.com.au
- from your financial adviser
- by contacting our Client Services Centre on the telephone number listed below

A paper copy of updated Fund performance and size information, as well as information regarding the current investment mix of the Fund, is available free of charge upon request.

Where the Fund is subject to the continuous disclosure requirements of the Corporations Act, we will satisfy our obligations by disclosing material information regarding the Fund on our website at www.blackrock.com.au. A paper copy of this material will be available from BlackRock free of charge upon request.

Annual Report

A copy of the audited annual financial report of the Fund is generally available by the end of September from us or upon request from your IDPS, superannuation fund or master trust operator.

The audited annual financial report will be made available on our website at www.blackrock.com.au. You may also elect to receive a hard copy of the report by contacting our Client Services Team on the telephone number listed below.

The name and contact details of the Responsible Entity are:

BlackRock Investment Management (Australia) Limited
Level 26, 101 Collins Street,
Melbourne Victoria 3000

Telephone: 1300 366 100
Facsimile: 1300 366 107
Email: clientservices.aus@blackrock.com
Website: www.blackrock.com.au

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as "BlackRock", the "Responsible Entity", the "Manager", "we", "our" or "us") is the responsible entity and the issuer of units in the BlackRock Indexed Australian Equity Fund ("Fund").

We are a subsidiary of BlackRock, Inc.® (BlackRock, Inc.). BlackRock, Inc. is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide. BlackRock, Inc. through its subsidiaries (collectively the "BlackRock Group") offers products that span the risk spectrum to meet clients' needs, including active, enhanced and index strategies across markets and asset classes. Products offered are in a variety of structures including separate accounts, managed funds, iShares® (exchange-traded funds) and other pooled investment vehicles. BlackRock, Inc. also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®.

Headquartered in New York City, BlackRock, Inc. is a major presence in key global markets, including North and South America, Europe, Asia, Australia and the Middle East and Africa. For additional information, please visit our website at www.blackrock.com.au.

Neither BlackRock nor any of our associates guarantees the success of the Fund, the achievement of the investment objective, or the repayment of capital or particular rates of return on investment or capital.

2. How the BlackRock Indexed Australian Equity Fund works

The Fund is structured as a unitised registered managed investment scheme.

2.1 The interests that members acquire

When you invest in the Fund, you are allocated a number of units in the Fund. Each of these units represents an equal share in the net assets of the Fund. As a result, each unit has a dollar value or "unit price". The unit price will vary as the market value of assets in the Fund rises or falls.

2.2 Minimum investment amounts

When investing directly in the Fund you generally need a minimum initial amount of $500,000.

2.3 How members of the Fund can increase or decrease their investment

Members of the Fund can increase or decrease their investment by acquiring units (refer to section 8.2 of this PDS "How to invest in the BlackRock Indexed Australian Equity Fund") or redeeming (refer to section 2.4 of this PDS "Redeeming your investment") all or part of their investment.

2.4 Redeeming your investment

If you have invested through an Investor Directed Portfolio Service ("IDPS"), superannuation fund or master trust, you need to complete the documents which the operator of these services requires of you to withdraw from the Fund. You do not need to complete any of our forms.

If you have invested directly into the Fund, withdrawals can be made in writing (including by facsimile). We will then make a deposit into your bank account.

You will normally be able to withdraw money from the Fund on any Business Day (being a day other than a Saturday or Sunday on which banks are open for general banking business in Melbourne or Sydney). For a list of public holidays affecting the Fund, please go to our website at www.blackrock.com.au/individual/funds-information/client-order-process.

If you are investing directly into the Fund, redemption requests must be received by 1.00pm (Melbourne or Sydney time) on any Business Day. Redemption requests received before this time on a Business Day will generally be executed on the same day. Redemption requests received after this time will generally be treated as having been received the following Business Day.

While there is no minimum redemption amount, we generally require a minimum balance in your account of $500,000.

Redemptions are normally satisfied and paid within five Business Days of our having received the request, although we are allowed longer periods under the Fund's Constitution. If you have invested through an IDPS, superannuation fund or master trust, you need to remember, however, that the operator of such services will process your withdrawal.

In some circumstances, such as when there is a freeze on withdrawals, members may not be able to withdraw their funds within the usual period upon request.

2.5 Frequency of distributions and how they are calculated

Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, other income and realised gains.

If you hold units in the Fund at the close of business on the last day of a distribution period, you are entitled to participate in the distributable income of the Fund. Distributions are usually paid within 21 Business Days of the end of the distribution period. Distributions are generally determined at the end of March, June, September and December each year but if you have invested through an IDPS, superannuation fund or master trust, the operator of such services may pay distributions at times which are different to this.

Additional information has been Incorporated by Reference.

You should read the information about the acquisition and disposal of interests before making an investment decision. Go to section 2 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

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3. Benefits of investing in the BlackRock Indexed Australian Equity Fund

The significant benefits and features of investing in the Fund are:

Index tracking: The Fund is an index tracker and seeks to provide investors with similar returns before fees to those of its benchmark index.

Diversification: In contrast to a direct investment in a single company or bond, the Fund provides, as far as practicable and possible, exposure to all of the securities or instruments within its benchmark index.

Lower cost: As the Fund is passively managed and designed to track a particular index, the expenses of managing the Fund are generally lower compared to other forms of retail managed funds.

Additional information has been Incorporated by Reference.

You should read the information about the other features and benefits of the Fund before making an investment decision. Go to section 3 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Returns are not guaranteed. Future returns may differ from past returns and investors may lose some or all of their investment.

The level of risk for each person will vary depending on a range of factors including age, investment time frames, where other parts of the member's wealth is invested and the member's risk tolerance.

The significant investment risks of investing in the Fund include:

Individual investment risk: Individual investments we buy or sell, like shares, can and do fall in value for many reasons. The level of returns for individual investments will vary and the price can experience volatile movements. Dividend payments from shares may also vary over time.

Securities lending: Securities to which the Fund is exposed may be lent to financial institutions in exchange for collateral. Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the Fund may lose money and there may be a delay in recovering the loaned securities. The Fund could also lose money if the lent securities are not recovered and the value of the collateral falls. These events could also trigger adverse tax consequences to the Fund.

Derivative risk: The Fund may be exposed to financial derivatives including but not limited to futures, options, indexed securities, swaps and forward contracts. Exposure to investments in derivatives can cause the Fund to make gains or incur losses. Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement.

Tracking error risk: The Fund is an index-tracking fund and as such, there is a risk that the Fund's NAV may not correlate exactly with the Index. Factors such as the fees and expenses of the Fund, imperfect correlation between the Fund's security exposures and the securities constituting the Index, inability to rebalance the Fund's security exposures in response to changes in the constituents of the Index, rounding of prices, changes to the Index and regulatory policies may affect our ability to achieve close correlation with the Index of the Fund. The Fund's returns may therefore deviate from the Index.

Other additional risks that are more generally associated with investing in managed funds include:

Market risk: Economic, technological, political or legislative conditions, and even market sentiment, can (and do) change, and this can mean that changes in the value of investment markets can affect the value of the investments in a fund.

Regulatory and business risk: Changes in corporate, taxation or other relevant laws, regulations or rules may adversely impact your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

Operational risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Additional information has been Incorporated by Reference.

You should read the information about the significant risks of the Fund before making an investment decision. Go to section 4 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

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5. How we invest your money

Investors should consider the likely investment return, the risk, and their investment timeframe when choosing a fund in which to invest. This Fund only offers a single investment option.

The Fund aims to provide investors with the performance of the market, before fees, as measured by the S&P/ASX 300 Accumulation Index (the "Index").

Our investment style is based on our belief that people, leveraged by technology, are central to the consistent achievement of our clients' investment goals.

We believe that a focus on total performance management is the best way to achieve superior investment results. Through total performance management, we aim to understand; measure; forecast; and manage the three dimensions of investment performance – return, risk and cost.

We believe that full replication is a reliable approach to track the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

Capturing additional returns

To overcome the impact that transaction costs and cash drag can have on relative performance, we undertake value-added strategies such as:

- **Cash-flow management:** We use share price index ("SPI") futures contracts where it is cheaper than trading in physical securities, to minimise market impact and to take a patient and, therefore, less-costly approach to trading.
- **Managing index changes:** We use strategies to sell deleted stocks at higher prices than the final Index price and to buy incoming stocks at lower prices than which they are added to the Index.
- **Anticipating index changes:** Through our knowledge of the Australian Securities Exchange's index rules, we try to anticipate future index additions and deletions before they are announced.
- **Enrolling in dividend-reinvestment plans:** We enrol in dividend-reinvestment plans where we think it adds significant benefit to receive shares at discounts and to gain premiums relative to the benchmark.
- **Taking part in initial public offerings and placements:** Judging whether to take part in floats and placements is an important part of index management. We conduct thorough analysis on what price and when new listings and issues may enter the index before deciding to take controlled positions in floats or placements.

To achieve its investment objective the Fund invests all of its assets in units of the BlackRock Wholesale Indexed Australian Equity Fund (the "Underlying Fund"), another fund managed by us which has the same investment strategy as the Fund. The Underlying Fund invests in every Australian equity security that forms the Index.

The Fund's investment strategy aims to remain fully exposed to the Australian equity market, with cash exposure being maintained at a minimum, which will, wherever practicable, be equitised using ASX SPI 200 Index futures contracts.

Derivatives, such as futures, forwards and options can be used to manage risk and return. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Fund.

Whilst the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into by the Fund other than temporary overdrafts which may be used as a means of managing certain cash flows.

The Fund may be suitable for long-term investors seeking a broad exposure to the Australian equity market.

The minimum suggested timeframe for holding investments in the Fund is five years.

From an investor's perspective, the Fund is considered high risk. Generally, the risk level associated with the Fund is greater if the Fund is held for a period less than the minimum suggested time frame described above.

Additional information has been Incorporated by Reference.

You should read the information about how we invest your money, the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of investments relating to the Fund and how you can switch your investment before making an investment decision. Go to section 5 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

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6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au)** has a managed investment fee calculator to help you check out different fee options.

6.1 Fee table and example

The table on the left below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (GST) and takes into account expected reduced input tax credits in respect of the GST component of the fee.

Information in the fee table can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from your account or deducted from investment returns.

Type of fee or cost for investing in the Fund	Amount
Fees when your money moves in and out of the Fund[1]	
Establishment Fee.	Nil
Contribution Fee.	Nil
Withdrawal Fee.	Nil
Termination Fee.	Nil
Management Costs	
The fees and costs for managing your investment.	0.20% p.a.[2] Management Fee

1. Transaction Costs (including Buy-Sell Spreads) may apply when your money moves in or out of the Fund. Subject to law these may be varied at any time without prior notice.
2. The amount of this fee can be negotiated with certain "wholesale clients" or "sophisticated" or "professional" investors (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.

6.2 Can the fees and charges change?

All fees and charges can change. They may vary over time as a result of changes to the product, changing economic conditions and changes in regulations. We will provide investors 30 days notice of any proposed increase to our fees and charges.

The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure, we have no present intention to do so.

Example of annual fees and costs

The table on the right below gives an example of how the fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

There is a calculator provided by ASIC on its MoneySmart website (www.moneysmart.gov.au) which can be used to calculate the effect of fees and costs on account balances.

Additional fees may be paid to a financial advisor as negotiated between you and your adviser – refer to the Statement of Advice which will be provided to you by your financial adviser which sets out the details of the fees.

Additional information has been Incorporated by Reference.

You should read the information about fees and costs before making an investment decision. Go to section 6 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

Example of annual fees and costs for the Fund		
Balance of $50,000 with contribution of $5,000 during year		
Contribution Fee	Nil	For every additional $5,000 you put in you will be charged $0.
PLUS		
Management Costs	0.20%	And, for every $50,000 you have in the Fund you will be charged $100 each year.
EQUALS		
Cost of Fund		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged fees of $100.[1] **What it costs you will depend on the fees you negotiate.**

1. Additional expenses may apply, for instance, you may incur a Buy-Sell Spread when you move money in or out of the Fund.

Please note this is an example. In practice, the actual investment balance of an investor will vary and the actual fees we charge are based on the value of the Fund, which also fluctuates. The amounts assume a constant investment of $50,000 throughout the year and do not take into account any additional contributions made during the year. Management Fees will also be charged in relation to additional contributions.

* This material may change between the time when you read this PDS and the day when you acquire the product.

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice.

Registered managed investment schemes do not pay tax on behalf of members. However, BlackRock may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. You are assessed for tax on any income and capital gains generated by the registered investment scheme to which you are entitled.

Additional information has been Incorporated by Reference.

You should read the information about taxation before making an investment decision. Go to section 7 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com .au/individual/funds-information/offer-documents.*

8. How to apply

No additional information has been incorporated by reference.

8.1 U.S. Persons

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. It is not available in any other country. Units in the Fund have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any of the states of the United States. The Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940. Investment in units of the Fund by or on behalf of U.S. Persons is not permitted. Units in the Fund may not at any time be offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, a U.S. Person. Any issue, sale or transfer in violation of this restriction will not be binding upon the Fund and may constitute a violation of U.S. law.

8.2 How to invest in the BlackRock Indexed Australian Equity Fund

- If you are a direct investor – complete the Fund's Application Form, which accompanies this PDS or can be obtained by calling our Client Services Centre.

or

- If you are investing through an IDPS, superannuation fund or master trust, you must complete the documents which the operator of these services requires.

The deadline for receipt of an application request is 1.00pm (Melbourne or Sydney time) on any Business Day. Application requests received before this time on a Business Day will generally be executed on the same day. Application requests received after this time will generally be treated as having been received on the following Business Day.

8.3 Do you have "cooling off" rights?

The Fund generally has a minimum investment of $500,000, as such cooling off rights within the meaning of the Corporations Act will not usually be available to direct investors.

If you have invested through an IDPS, superannuation fund or master trust, your rights to cool off will be dealt with in the disclosure document of that service.

8.4 Margin lending

If you wish to apply using a margin lending arrangement, you must complete and sign the Application Form. You must also complete the section of the Application Form titled "Tax File Number or Exemption Notification" ensuring that the Tax File Number you provide is your own and not that of the margin lender. Please forward the completed Application Form to your margin lender for their approval. In particular, you will need to understand the terms of using the service, as set out in the section of the Application Form titled "Conditions Applicable to Investors Using Margin Lending". When your margin lender has approved your margin lending application and has signed the section of the Application Form titled "Conditions Applicable to Investors Using Margin Lending", the lender will then forward the completed Application Form and application monies to us for processing.

8.5 Enquiries and complaints

We have established procedures for dealing with enquiries and complaints. If you have invested indirectly through an IDPS, superannuation fund or master trust, you should contact the operator of that service.

If you have invested directly and you have an enquiry or complaint, you can contact our Client Services Centre by either:

- calling 1300 366 100;
- writing to our Enquiries and Complaints Officer at BlackRock, Level 26, 101 Collins Street Melbourne, Victoria, 3000;
- faxing your enquiry or complaint to 1300 366 107; or
- emailing clientservices.aus@blackrock.com.

If you make a complaint to us, we will acknowledge receipt of the complaint and take steps to address the complaint. We will also provide you with a final response within 45 days in accordance with our obligations.

If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to the Financial Ombudsman Service ("FOS") of which we are a member and which is an independent entity.

The FOS contact details:

Mail: GPO Box 3, Melbourne, Victoria, 3001
Telephone: 1300 780 808
Website: www.fos.org.au
Email: info@fos.org.au

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9. Other Information

9.1 Conflicts of Interest and Related Party Information

The Manager is a member of the BlackRock Group. The BlackRock Group participates in global financial markets in a number of different capacities. The Fund may invest or engage in transactions with entities for which the BlackRock Group may perform services. In addition, the Manager or persons associated with the Manager may invest in the Fund from time to time. All such transactions will be on an arm's length commercial basis.

In addition, certain members of the BlackRock Group may have actual and potential conflicts of interest regarding the allocation of investment opportunities amongst funds and products they manage. The BlackRock Group will seek to manage these conflicts in a fair and equitable manner having regard to the interests of their clients generally. As a responsible entity and the holder of an Australian Financial Services Licence, the Manager has policies and procedures in place to manage such conflicts of interest.

From time to time, the Manager may be restricted from purchasing or selling particular securities on behalf of investors because of regulatory requirements or internal policies applicable to the BlackRock Group. This may result in circumstances where, for example, a BlackRock fund is unable to exactly replicate the weightings in a particular index.

In circumstances where ownership thresholds or limitations must be observed, BlackRock will seek to equitably allocate limited investment opportunities amongst the relevant BlackRock products, taking into consideration benchmark weight and investment strategy.

9.2 Securities Lending

Currently the underlying securities of the Fund are available to participate in a securities lending program from time to time should opportunities arise. The securities lending program is managed by the Fund's custodian. For Australian securities loans, borrowers provide collateral. The required collateral exceeds the loan value each day.

9.3 Index Disclaimer

THIS FUND IS NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY STANDARD & POOR'S FINANCIAL SERVICES LLC ("S&P") OR THE AUSTRALIAN STOCK EXCHANGE LIMITED AND ITS AFFILIATES ("ASX"). NEITHER S&P AND ASX MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE OWNERS OF THE FUND OR ANY MEMBER OF THE PUBLIC REGARDING THE ADVISABILITY OF INVESTING IN SECURITIES GENERALLY OR IN THE FUND PARTICULARLY, OR THE ABILITY OF THE S&P/ASX 300 ACCUMULATION INDEX (THE "INDEX") TO TRACK GENERAL MARKET PERFORMANCE. THE INDEX IS DETERMINED, COMPOSED AND CALCULATED BY S&P OR ITS THIRD PARTY LICENSORS WITHOUT REGARD TO BLACKROCK OR THE FUND. S&P AND ASX HAVE NO OBLIGATION TO TAKE THE NEEDS OF BLACKROCK OR THE OWNERS OF THE FUND INTO CONSIDERATION IN DETERMINING, COMPOSING OR CALCULATING THE INDEX. NEITHER S&P AND ASX ARE RESPONSIBLE FOR AND HAS NOT PARTICIPATED IN THE DETERMINATION OF THE PRICES AND AMOUNT OF THE FUND OR THE TIMING OF THE ISSUANCE OR SALE OF THE FUND OR IN THE DETERMINATION OR CALCULATION OF THE EQUATION BY WHICH THE FUND IS TO BE CONVERTED INTO CASH. S&P AND ASX HAS NO OBLIGATION OR LIABILITY IN CONNECTION WITH THE ADMINISTRATION, MARKETING OR TRADING OF THE FUND. "STANDARD & POOR'S®", "S&P®", ARE REGISTERED TRADEMARKS OF THE MCGRAW-HILL COMPANIES, INC. ("MCGRAW- HILL") AND ASX® IS A REGISTERED TRADEMARK OF THE AUSTRALIAN STOCK EXCHANGE LIMITED. THE FUND IS NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY S&P, MCGRAW-HILL OR ASX, AND S&P, MCGRAW-HILL OR ASX MAKE NO REPRESENTATION, WARRANTY, OR CONDITION REGARDING THE ADVISABILITY OR BUYING, SELLING, OR HOLDING INTEREST IN THE FUND.

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BlackRock Indexed Australian Listed Property Fund Product Disclosure Statement

BLACKROCK®

Dated: 1 July 2014

BlackRock Indexed Australian Listed Property Fund

ARSN 097 295 264

BlackRock Investment Management (Australia) Limited

ABN 13 006 165 975

Australian Financial Services Licence No 230523

BlackRock Indexed Australian Listed Property Fund

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BlackRock Investment Management (Australia) Limited
Level 26, 101 Collins Street,
Melbourne Victoria 3000

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1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as "BlackRock", the "Responsible Entity", the "Manager", "we", "our" or "us") is the responsible entity and the issuer of units in the BlackRock Indexed Australian Listed Property Fund ("Fund").

We are a subsidiary of BlackRock, Inc.® (BlackRock, Inc.). BlackRock, Inc. is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide. BlackRock, Inc. through its subsidiaries (collectively the "BlackRock Group") offers products that span the risk spectrum to meet clients' needs, including active, enhanced and index strategies across markets and asset classes. Products offered are in a variety of structures including separate accounts, managed funds, iShares® (exchange-traded funds) and other pooled investment vehicles. BlackRock, Inc. also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®.

Headquartered in New York City, BlackRock, Inc. is a major presence in key global markets, including North and South America, Europe, Asia, Australia and the Middle East and Africa. For additional information, please visit our website at www.blackrock.com.au.

Neither BlackRock nor any of our associates guarantees the success of the Fund, the achievement of the investment objective, or the repayment of capital or particular rates of return on investment or capital.

2. How the BlackRock Indexed Australian Listed Property Fund works

The Fund is structured as a unitised registered managed investment scheme.

2.1 The interests that members acquire

When you invest in the Fund, you are allocated a number of units in the Fund. Each of these units represents an equal share in the net assets of the Fund. As a result, each unit has a dollar value or "unit price". The unit price will vary as the market value of assets in the Fund rises or falls.

2.2 Minimum investment amounts

When investing directly in the Fund you generally need a minimum initial amount of $500,000.

2.3 How members of the Fund can increase or decrease their investment

Members of the Fund can increase or decrease their investment by acquiring units (refer to section 8.2 of this PDS "How to invest in the BlackRock Indexed Australian Listed Property Fund") or redeeming (refer to section 2.4 of this PDS "Redeeming your investment") all or part of their investment.

2.4 Redeeming your investment

If you have invested through an Investor Directed Portfolio Service ("IDPS"), superannuation fund or master trust, you need to complete the documents which the operator of these services requires of you to withdraw from the Fund. You do not need to complete any of our forms.

If you have invested directly into the Fund, withdrawals can be made in writing (including by facsimile). We will then make a deposit into your bank account.

You will normally be able to withdraw money from the Fund on any Business Day (being a day other than a Saturday or Sunday on which banks are open for general banking business in Melbourne or Sydney). For a list of public holidays affecting the Fund, please go to our website at www.blackrock.com.au/individual/funds-information/client-order-process.

If you are investing directly into the Fund, redemption requests must be received by 1.00pm (Melbourne or Sydney time) on any Business Day. Redemption requests received before this time on a Business Day will generally be executed on the same day. Redemption requests received after this time will generally be treated as having been received the following Business Day.

While there is no minimum redemption amount, we generally require a minimum balance in your account of $500,000.

Redemptions are normally satisfied and paid within five Business Days of our having received the request, although we are allowed longer periods under the Fund's Constitution. If you have invested through an IDPS, superannuation fund or master trust, you need to remember, however, that the operator of such services will process your withdrawal.

In some circumstances, such as when there is a freeze on withdrawals, members may not be able to withdraw their funds within the usual period upon request.

2.5 Frequency of distributions and how they are calculated

Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, other income and realised gains.

If you hold units in the Fund at the close of business on the last day of a distribution period, you are entitled to participate in the distributable income of the Fund. Distributions are usually paid within 21 Business Days of the end of the distribution period. Distributions are generally determined at the end of March, June, September and December each year but if you have invested through an IDPS, superannuation fund or master trust, the operator of such services may pay distributions at times which are different to this.

Additional information has been Incorporated by Reference.

You should read the information about the acquisition and disposal of interests before making an investment decision. Go to section 2 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

* This material may change between the time when you read this PDS and the day when you acquire the product.

3. Benefits of investing in the BlackRock Indexed Australian Listed Property Fund

The significant benefits and features of investing in the Fund are:

Index tracking: The Fund is an index tracker and seeks to provide investors with similar returns before fees to those of its benchmark index.

Diversification: In contrast to a direct investment in a single company or bond, the Fund provides, as far as practicable and possible, exposure to all of the securities or instruments within its benchmark index.

Lower cost: As the Fund is passively managed and designed to track a particular index, the expenses of managing the Fund are generally lower compared to other forms of retail managed funds.

Additional information has been Incorporated by Reference.

You should read the information about the other features and benefits of the Fund before making an investment decision. Go to section 3 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Returns are not guaranteed. Future returns may differ from past returns and investors may lose some or all of their investment.

The level of risk for each person will vary depending on a range of factors including age, investment time frames, where other parts of the member's wealth is invested and the member's risk tolerance.

The significant investment risks of investing in the Fund include:

Tracking error risk: The Fund is an index-tracking fund and as such, there is a risk that the Fund's NAV may not correlate exactly with the Index. Factors such as the fees and expenses of the Fund, imperfect correlation between the Fund's security exposures and the securities constituting the Index, inability to rebalance the Fund's security exposures in response to changes in the constituents of the Index, rounding of prices, changes to the Index and regulatory policies may affect our ability to achieve close correlation with the Index of the Fund. The Fund's returns may therefore deviate from the Index.

Market risk: Economic, technological, political or legislative conditions, and even market sentiment, can (and do) change, and this can mean that changes in the value of investment markets can affect the value of the investments in a fund.

Individual investment risk: Individual investments we buy or sell, like shares, can and do fall in value for many reasons. The level of returns for individual investments will vary and the price can experience volatile movements. Dividend payments from shares may also vary over time.

Derivative risk: The Fund may be exposed to financial derivatives including but not limited to futures, options, indexed securities, swaps and forward contracts. Exposure to investments in derivatives can cause the Fund to make gains or incur losses. Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement.

Property risk: Property investments are potentially higher risk than fixed income securities, but generally lower than shares. The risk level varies between development property (higher risk) and existing property (lower risk). Property also tends to have a unique cycle, which is different to shares and other asset classes.

Particular external factors impacting property include liquidity, interest rates, diversity of direct property holdings, the quality of properties, proximity to competing properties, current and expected income and other economic conditions that may affect supply and demand.

Property exposure in the Fund may be obtained via holdings in Listed Property Securities (or via derivative contracts based on these securities). In addition to the above risks, these vehicles may be subject to refinancing risk associated with any borrowings made in order to acquire properties.

Listed Property Securities are valued daily according to their last quoted market price.

Regulatory and business risk: Changes in corporate, taxation or other relevant laws, regulations or rules may adversely impact your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

Operational risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Additional information has been Incorporated by Reference.

You should read the information about the significant risks of the Fund before making an investment decision. Go to section 4 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

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5. How we invest your money

Investors should consider the likely investment return, the risk, and their investment timeframe when choosing a fund in which to invest. This Fund only offers a single investment option.

The Fund aims to provide investors with the performance of the market, before fees, as measured by the S&P/ASX 300 A-REIT Accumulation Index (the "Index").

Our investment style is based on our belief that people, leveraged by technology, are central to the consistent achievement of our clients' investment goals.

We believe that a focus on total performance management is the best way to achieve superior investment results. Through total performance management, we aim to understand; measure; forecast; and manage the three dimensions of investment performance – return, risk and cost.

We believe that full replication is a reliable approach to track the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

Our full-replication approach aims to purchase every security in the Index, while considering transaction costs.

Capturing additional returns

To overcome the impact that transaction costs and cash drag can have on relative performance, we undertake value-added strategies such as:

- **Cash-flow management:** We use the SPI Futures contract where it is cheaper than trading in physical securities, to minimise market impact and to take a patient and, therefore, less-costly approach to trading.
- **Managing index changes:** We use strategies to sell deleted stocks at higher prices than the final index price and to buy incoming stocks at lower prices than which they are added to the Benchmark Index.
- **Anticipating index changes:** Through our knowledge of the Australian Securities Exchange's index rules, we try to anticipate future Benchmark Index additions and deletions before they are announced.
- **Enrolling in dividend-reinvestment plans:** We enrol in dividend-reinvestment plans where we think it adds significant benefit to receive shares at discounts and to gain premiums relative to the Benchmark Index.
- **Taking part in initial public offerings and placements:** Judging whether to take part in floats and placements is an important part of index management. We conduct thorough analysis on what price and when new listings and issues may enter the Benchmark Index before deciding to take controlled positions in floats and placements.

To achieve its investment objective the Fund invests all of its assets in units of the BlackRock Wholesale Indexed Australian Listed Property Fund (the "Underlying Fund"), another fund managed by us which has the same investment strategy as the Fund. The Underlying Fund invests in every Australian REIT that forms the Index.

The Fund's investment strategy aims to remain fully exposed to the Australian REITs market, with cash exposure being maintained to a minimum, which will, wherever practicable, be equitised using index futures contracts as deemed appropriate.

Derivatives, such as futures, forwards and options can be used to manage risk and return. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Fund.

Whilst the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into by the Fund other than temporary overdrafts which may be used as a means of managing certain cash flows.

The Fund may be suitable for long-term investors seeking a broad exposure to the Australian REITs.

The minimum suggested timeframe for holding investments in the Fund is five years.

From an investor's perspective, the Fund is considered high risk. Generally, the risk level associated with the Fund is greater if the Fund is held for a period less than the minimum suggested time frame described above.

Additional information has been Incorporated by Reference.

You should read the information about how we invest your money, the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of investments relating to the Fund and how you can switch your investment before making an investment decision. Go to section 5 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

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6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au)** has a managed investment fee calculator to help you check out different fee options.

6.1 Fee table and example

The table on the left below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (GST) and takes into account expected reduced input tax credits in respect of the GST component of the fee.

Information in the fee table can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from your account or deducted from investment returns.

Type of fee or cost for investing in the Fund	Amount
Fees when your money moves in and out of the Fund[1]	
Establishment Fee.	Nil
Contribution Fee.	Nil
Withdrawal Fee.	Nil
Termination Fee.	Nil
Management Costs	
The fees and costs for managing your investment.	0.20% p.a.[2] Management Fee

1. Transaction Costs (including Buy-Sell Spreads) may apply when your money moves in or out of the Fund. Subject to law these may be varied at any time without prior notice.
2. The amount of this fee can be negotiated with certain "wholesale clients" or "sophisticated" or "professional" investors (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.

6.2 Can the fees and charges change?

All fees and charges can change. They may vary over time as a result of changes to the product, changing economic conditions and changes in regulations. We will provide investors 30 days notice of any proposed increase to our fees and charges.

The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure, we have no present intention to do so.

Example of annual fees and costs

The table on the right below gives an example of how the fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

There is a calculator provided by ASIC on its MoneySmart website (www.moneysmart.gov.au) which can be used to calculate the effect of fees and costs on account balances.

Additional fees may be paid to a financial advisor as negotiated between you and your adviser – refer to the Statement of Advice which will be provided to you by your financial adviser which sets out the details of the fees.

Additional information has been Incorporated by Reference.

You should read the information about fees and costs before making an investment decision. Go to section 6 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

Example of annual fees and costs for the Fund		
Balance of $50,000 with contribution of $5,000 during year		
Contribution Fee	Nil	For every additional $5,000 you put in you will be charged $0.
PLUS		
Management Costs	0.20%	And, for every $50,000 you have in the Fund you will be charged $100 each year.
EQUALS		
Cost of Fund		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged fees of $100.[1] **What it costs you will depend on the fees you negotiate.**

1. Additional expenses may apply, for instance, you may incur a Buy-Sell Spread when you move money in or out of the Fund.

Please note this is an example. In practice, the actual investment balance of an investor will vary and the actual fees we charge are based on the value of the Fund, which also fluctuates. The amounts assume a constant investment of $50,000 throughout the year and do not take into account any additional contributions made during the year. Management Fees will also be charged in relation to additional contributions.

* This material may change between the time when you read this PDS and the day when you acquire the product.

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice.

Registered managed investment schemes do not pay tax on behalf of members. However, BlackRock may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. You are assessed for tax on any income and capital gains generated by the registered investment scheme to which you are entitled.

Additional information has been Incorporated by Reference.

You should read the information about taxation before making an investment decision. Go to section 7 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com .au/individual/funds-information/offer-documents.*

8. How to apply

No additional information has been incorporated by reference.

8.1 U.S. Persons

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. It is not available in any other country. Units in the Fund have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any of the states of the United States. The Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940. Investment in units of the Fund by or on behalf of U.S. Persons is not permitted. Units in the Fund may not at any time be offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, a U.S. Person. Any issue, sale or transfer in violation of this restriction will not be binding upon the Fund and may constitute a violation of U.S. law.

8.2 How to invest in the BlackRock Indexed Australian Listed Property Fund

- If you are a direct investor – complete the Fund's Application Form, which accompanies this PDS or can be obtained by calling our Client Services Centre.

or

- If you are investing through an IDPS, superannuation fund or master trust, you must complete the documents which the operator of these services requires.

The deadline for receipt of an application request is 1.00pm (Melbourne or Sydney time) on any Business Day. Application requests received before this time on a Business Day will generally be executed on the same day. Application requests received after this time will generally be treated as having been received on the following Business Day.

8.3 Do you have "cooling off" rights?

The Fund generally has a minimum investment of $500,000, as such cooling off rights within the meaning of the Corporations Act will not usually be available to direct investors.

If you have invested through an IDPS, superannuation fund or master trust, your rights to cool off will be dealt with in the disclosure document of that service.

8.4 Margin lending

If you wish to apply using a margin lending arrangement, you must complete and sign the Application Form. You must also complete the section of the Application Form titled "Tax File Number or Exemption Notification" ensuring that the Tax File Number you provide is your own and not that of the margin lender. Please forward the completed Application Form to your margin lender for their approval. In particular, you will need to understand the terms of using the service, as set out in the section of the Application Form titled "Conditions Applicable to Investors Using Margin Lending". When your margin lender has approved your margin lending application and has signed the section of the Application Form titled "Conditions Applicable to Investors Using Margin Lending", the lender will then forward the completed Application Form and application monies to us for processing.

8.5 Enquiries and complaints

We have established procedures for dealing with enquiries and complaints. If you have invested indirectly through an IDPS, superannuation fund or master trust, you should contact the operator of that service.

If you have invested directly and you have an enquiry or complaint, you can contact our Client Services Centre by either:

- calling 1300 366 100;
- writing to our Enquiries and Complaints Officer at BlackRock, Level 26, 101 Collins Street Melbourne, Victoria, 3000;
- faxing your enquiry or complaint to 1300 366 107; or
- emailing clientservices.aus@blackrock.com.

If you make a complaint to us, we will acknowledge receipt of the complaint and take steps to address the complaint. We will also provide you with a final response within 45 days in accordance with our obligations.

If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to the Financial Ombudsman Service ("FOS") of which we are a member and which is an independent entity.

The FOS contact details:

Mail: GPO Box 3, Melbourne, Victoria, 3001
Telephone: 1300 780 808
Website: www.fos.org.au
Email: info@fos.org.au

* This material may change between the time when you read this PDS and the day when you acquire the product.

9. Other Information

9.1 Conflicts of Interest and Related Party Information

The Manager is a member of the BlackRock Group. The BlackRock Group participates in global financial markets in a number of different capacities. The Fund may invest or engage in transactions with entities for which the BlackRock Group may perform services. In addition, the Manager or persons associated with the Manager may invest in the Fund from time to time. All such transactions will be on an arm's length commercial basis.

In addition, certain members of the BlackRock Group may have actual and potential conflicts of interest regarding the allocation of investment opportunities amongst funds and products they manage. The BlackRock Group will seek to manage these conflicts in a fair and equitable manner having regard to the interests of their clients generally. As a responsible entity and the holder of an Australian Financial Services Licence, the Manager has policies and procedures in place to manage such conflicts of interest.

From time to time, the Manager may be restricted from purchasing or selling particular securities on behalf of investors because of regulatory requirements or internal policies applicable to the BlackRock Group. This may result in circumstances where, for example, a BlackRock fund is unable to exactly replicate the weightings in a particular index.

In circumstances where ownership thresholds or limitations must be observed, BlackRock will seek to equitably allocate limited investment opportunities amongst the relevant BlackRock products, taking into consideration benchmark weight and investment strategy.

9.2 Index Disclaimer

THIS FUND IS NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY STANDARD & POOR'S FINANCIAL SERVICES LLC ("S&P") OR THE AUSTRALIAN STOCK EXCHANGE LIMITED AND ITS AFFILIATES ("ASX"). NEITHER S&P AND ASX MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE OWNERS OF THE FUND OR ANY MEMBER OF THE PUBLIC REGARDING THE ADVISABILITY OF INVESTING IN SECURITIES GENERALLY OR IN THE FUND PARTICULARLY, OR THE ABILITY OF THE S&P/ASX 300 A-REIT ACCUMULATION INDEX (THE "INDEX") TO TRACK GENERAL MARKET PERFORMANCE. THE INDEX IS DETERMINED, COMPOSED AND CALCULATED BY S&P OR ITS THIRD PARTY LICENSORS WITHOUT REGARD TO BLACKROCK OR THE FUND. S&P AND ASX HAVE NO OBLIGATION TO TAKE THE NEEDS OF BLACKROCK OR THE OWNERS OF THE FUND INTO CONSIDERATION IN DETERMINING, COMPOSING OR CALCULATING THE INDEX. NEITHER S&P AND ASX ARE RESPONSIBLE FOR AND HAS NOT PARTICIPATED IN THE DETERMINATION OF THE PRICES AND AMOUNT OF THE FUND OR THE TIMING OF THE ISSUANCE OR SALE OF THE FUND OR IN THE DETERMINATION OR CALCULATION OF THE EQUATION BY WHICH THE FUND IS TO BE CONVERTED INTO CASH. S&P AND ASX HAS NO OBLIGATION OR LIABILITY IN CONNECTION WITH THE ADMINISTRATION, MARKETING OR TRADING OF THE FUND. "STANDARD & POOR'S®", "S&P®", ARE REGISTERED TRADEMARKS OF THE MCGRAW-HILL COMPANIES, INC. ("MCGRAW- HILL") AND ASX® IS A REGISTERED TRADEMARK OF THE AUSTRALIAN STOCK EXCHANGE LIMITED. THE FUND IS NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY S&P, MCGRAW-HILL OR ASX, AND S&P, MCGRAW-HILL OR ASX MAKE NO REPRESENTATION, WARRANTY, OR CONDITION REGARDING THE ADVISABILITY OR BUYING, SELLING, OR HOLDING INTEREST IN THE FUND.

BlackRock Indexed International Equity Fund Product Disclosure Statement

BLACKROCK®

Dated: 1 July 2014

BlackRock Indexed International Equity Fund

ARSN 097 295 353

BlackRock Investment Management (Australia) Limited

ABN 13 006 165 975

Australian Financial Services Licence No 230523

BlackRock Indexed International Equity Fund

Important information

This Product Disclosure Statement (PDS) is a summary of significant information and contains a number of references to important information (each of which forms part of this PDS) and persons should consider that information before making a decision about the Fund.

The information provided in this PDS is general information only and does not take account of the person's personal financial situation or needs and the person should obtain financial advice tailored to the person's personal circumstances.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. This PDS is not an offer to any person or any place in which it is unlawful to make such an offer.

If any part of this PDS is established to be invalid or unenforceable under the law, it is excluded so that it does not in any way affect the validity or enforceability of the remaining parts.

The Responsible Entity can change any terms and conditions of the offer contained in this PDS at any time.

We reserve the right to outsource any or all investment, management and administration functions, including to related parties, without notice to investors.

The Index provider has given, and not withdrawn prior to the date of this PDS, its consent to the inclusion of the Index Disclaimer.

Incorporation by Reference

The Corporations Act 2001 (Cth) (the "Corporations Act") allows us to provide certain information to you separately to this PDS.

Where you see reference to "Incorporated by Reference" this means that additional information concerning the topic has been incorporated by reference and forms part of the PDS. This information can be found at www.blackrock.com.au/individual/funds-information/offer-documents. You should read this information before making an investment decision. This material may change between the time when you read this PDS and when you acquire the product.

This information is available to you free of charge upon request in paper format by contacting the BlackRock Client Services Centre on the telephone number shown on the right of this page.

Information subject to change

Certain information in this PDS, as well as the terms and features of the Fund, is subject to change. We will notify you of any material changes or other significant events that affect the information in this PDS in accordance with our obligations under the Corporations Act. Updated performance information, fund size, current unit prices and other general information relating to the Fund can be obtained:

- from our website at www.blackrock.com.au
- from your financial adviser
- by contacting our Client Services Centre on the telephone number listed below

A paper copy of updated Fund performance and size information, as well as information regarding the current investment mix of the Fund, is available free of charge upon request.

Where the Fund is subject to the continuous disclosure requirements of the Corporations Act, we will satisfy our obligations by disclosing material information regarding the Fund on our website at www.blackrock.com.au. A paper copy of this material will be available from BlackRock free of charge upon request.

Annual Report

A copy of the audited annual financial report of the Fund is generally available by the end of September from us or upon request from your IDPS, superannuation fund or master trust operator.

The audited annual financial report will be made available on our website at www.blackrock.com.au. You may also elect to receive a hard copy of the report by contacting our Client Services Team on the telephone number listed below.

The name and contact details of the Responsible Entity are:

BlackRock Investment Management (Australia) Limited
Level 26, 101 Collins Street,
Melbourne Victoria 3000

Telephone: 1300 366 100
Facsimile: 1300 366 107
Email: clientservices.aus@blackrock.com
Website: www.blackrock.com.au

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as "BlackRock", the "Responsible Entity", the "Manager", "we", "our" or "us") is the responsible entity and the issuer of units in the BlackRock Indexed International Equity Fund ("Fund").

We are a subsidiary of BlackRock, Inc.® (BlackRock, Inc.). BlackRock, Inc. is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide. BlackRock, Inc. through its subsidiaries (collectively the "BlackRock Group") offers products that span the risk spectrum to meet clients' needs, including active, enhanced and index strategies across markets and asset classes. Products offered are in a variety of structures including separate accounts, managed funds, iShares® (exchange-traded funds) and other pooled investment vehicles. BlackRock, Inc. also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®.

Headquartered in New York City, BlackRock, Inc. is a major presence in key global markets, including North and South America, Europe, Asia, Australia and the Middle East and Africa. For additional information, please visit our website at www.blackrock.com.au.

Neither BlackRock nor any of our associates guarantees the success of the Fund, the achievement of the investment objective, or the repayment of capital or particular rates of return on investment or capital.

2. How the BlackRock Indexed International Equity Fund works

The Fund is structured as a unitised registered managed investment scheme.

2.1 The interests that members acquire

When you invest in the Fund, you are allocated a number of units in the Fund. Each of these units represents an equal share in the net assets of the Fund. As a result, each unit has a dollar value or "unit price". The unit price will vary as the market value of assets in the Fund rises or falls.

2.2 Minimum investment amounts

When investing directly in the Fund you generally need a minimum initial amount of $500,000.

2.3 How members of the Fund can increase or decrease their investment

Members of the Fund can increase or decrease their investment by acquiring units (refer to section 8.2 of this PDS "How to invest in the BlackRock Indexed International Equity Fund") or redeeming (refer to section 2.4 of this PDS "Redeeming your investment") all or part of their investment.

2.4 Redeeming your investment

If you have invested through an Investor Directed Portfolio Service ("IDPS"), superannuation fund or master trust, you need to complete the documents which the operator of these services requires of you to withdraw from the Fund. You do not need to complete any of our forms.

If you have invested directly into the Fund, withdrawals can be made in writing (including by facsimile). We will then make a deposit into your bank account.

You will normally be able to withdraw money from the Fund on any Business Day (being a day other than a Saturday or Sunday on which banks are open for general banking business in Melbourne or Sydney (Australia) and New York (USA)). For a list of public holidays affecting the Fund, please go to our website at www.blackrock.com.au/individual/funds-information/client-order-process.

If you are investing directly into the Fund, redemption requests must be received by 3.00pm (Melbourne or Sydney time) on the Business Day prior to execution. Redemption requests received before this time on a Business Day will generally be executed on the next Business Day. Redemption requests received after this time will generally be treated as having been received the following Business Day.

While there is no minimum redemption amount, we generally require a minimum balance in your account of $500,000.

Redemptions are normally satisfied and paid within six Business Days of our having received the request, although we are allowed longer periods under the Fund's Constitution. If you have invested through an IDPS, superannuation fund or master trust, you need to remember, however, that the operator of such services will process your withdrawal.

In some circumstances, such as when there is a freeze on withdrawals, members may not be able to withdraw their funds within the usual period upon request.

2.5 Frequency of distributions and how they are calculated

Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, other income and realised gains.

If you hold units in the Fund at the close of business on the last day of a distribution period, you are entitled to participate in the distributable income of the Fund. Distributions are usually paid within 21 Business Days of the end of the distribution period. Distributions are generally determined at the end of June each year but if you have invested through an IDPS, superannuation fund or master trust, the operator of such services may pay distributions at times which are different to this.

Additional information has been Incorporated by Reference.

You should read the information about the acquisition and disposal of interests before making an investment decision. Go to section 2 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

* This material may change between the time when you read this PDS and the day when you acquire the product.

3. Benefits of investing in the BlackRock Indexed International Equity Fund

The significant benefits and features of investing in the Fund are:

Index tracking: The Fund is an index tracker and seeks to provide investors with similar returns before fees to those of its benchmark index.

Diversification: In contrast to a direct investment in a single company or bond, the Fund provides, as far as practicable and possible, exposure to all of the securities or instruments within its benchmark index.

Lower cost: As the Fund is passively managed and designed to track a particular index, the expenses of managing the Fund are generally lower compared to other forms of retail managed funds.

Additional information has been Incorporated by Reference.

You should read the information about the other features and benefits of the Fund before making an investment decision. Go to section 3 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Returns are not guaranteed. Future returns may differ from past returns and investors may lose some or all of their investment.

The level of risk for each person will vary depending on a range of factors including age, investment time frames, where other parts of the member's wealth is invested and the member's risk tolerance.

The significant investment risks of investing in the Fund include:

Liquidity risk: The Fund may be exposed to securities which are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. We aim to reduce this risk by understanding the liquidity characteristics of securities the Fund is exposed to and planning our trading so as to minimise the adverse consequences of low liquidity.

Individual investment risk: Individual investments we buy or sell, like shares, can and do fall in value for many reasons. The level of returns for individual investments will vary and the price can experience volatile movements. Dividend payments from shares may also vary over time.

Derivative risk: The Fund may be exposed to financial derivatives including but not limited to futures, options, indexed securities, swaps and forward contracts. Exposure to investments in derivatives can cause the Fund to make gains or incur losses. Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement.

Investing in foreign markets: The Fund may be exposed to securities or derivative instruments issued in foreign markets and as such faces risks associated with:

- differences between countries in relation to accounting, financial reporting, legal, regulatory, pricing, liquidity, and settlement and clearance procedures;
- currency risk, the risk that foreign currencies change in value relative to the Australian dollar, which may affect the Fund's investment returns. These movements may either add to or subtract from performance. The currency exposures of the Fund are generally unhedged; and
- investing in emerging markets, such markets may have lower trading volumes, less liquidity and potentially greater political instability.

* This material may change between the time when you read this PDS and the day when you acquire the product.

Securities lending: Securities to which the Fund is exposed may be lent to financial institutions in exchange for collateral. Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the Fund may lose money and there may be a delay in recovering the loaned securities. The Fund could also lose money if the lent securities are not recovered and the value of the collateral falls. These events could also trigger adverse tax consequences to the Fund.

Tracking error risk: The Fund is an index-tracking fund and as such, there is a risk that the Fund's NAV may not correlate exactly with the Index. Factors such as the fees and expenses of the Fund, imperfect correlation between the Fund's security exposures and the securities constituting the Index, inability to rebalance the Fund's security exposures in response to changes in the constituents of the Index, rounding of prices, changes to the Index and regulatory policies may affect our ability to achieve close correlation with the Index of the Fund. The Fund's returns may therefore deviate from the Index.

Regulatory and business risk: Changes in corporate, taxation or other relevant laws, regulations or rules may adversely impact your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

Market risk: Economic, technological, political or legislative conditions, and even market sentiment, can (and do) change, and this can mean that changes in the value of investment markets can affect the value of the investments in a fund.

Operational risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Additional information has been Incorporated by Reference.

You should read the information about the significant risks of the Fund before making an investment decision. Go to section 4 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

5. How we invest your money

Investors should consider the likely investment return, the risk, and their investment timeframe when choosing a fund in which to invest. This Fund only offers a single investment option.

The Fund aims to provide investors with the performance of the market, before fees, as measured by the MSCI World ex Australia Index^{SM} (unhedged in AUD with net dividends reinvested) (the "Index").

Our investment style is based on our belief that people, leveraged by technology, are central to the consistent achievement of our clients' investment goals.

We believe that a focus on total performance management is the best way to achieve superior investment results. Through total performance management, we aim to understand; measure; forecast; and manage the three dimensions of investment performance – return, risk and cost.

We believe that full replication is a reliable approach to track the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

Our full-replication approach aims to purchase every security in the Index, while considering transaction costs.

To achieve its investment objective the Fund invests all of its assets in units of the BlackRock Wholesale International Equity Fund (the "Underlying Fund"), another fund managed by us that has the same investment strategy as the Fund. The Underlying Fund invests in the developed market equities that form the Index.

The Fund's investment strategy aims to remain fully exposed to the developed equity market, with cash exposure being maintained to a minimum, which will, wherever practicable, be equitised using index futures contracts.

Derivatives, such as futures, forwards and options can be used to manage risk and return. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Fund.

Whilst the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into by the Fund other than temporary overdrafts, which may be used as a means of managing certain cash flows.

The Fund may be suitable for long-term investors seeking a broad exposure to the world's developed share markets.

The minimum suggested timeframe for holding investments in the Fund is five years.

From an investor's perspective, the Fund is considered high risk. Generally, the risk level associated with the Fund is greater if the Fund is held for a period less than the minimum suggested time frame described above.

Additional information has been Incorporated by Reference.

You should read the information about how we invest your money, the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of investments relating to the Fund and how you can switch your investment before making an investment decision. Go to section 5 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

* This material may change between the time when you read this PDS and the day when you acquire the product.

6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au)** has a managed investment fee calculator to help you check out different fee options.

6.1 Fee table and example

The table on the left below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (GST) and takes into account expected reduced input tax credits in respect of the GST component of the fee.

Information in the fee table can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from your account or deducted from investment returns.

Type of fee or cost for investing in the Fund	Amount
Fees when your money moves in and out of the Fund[1]	
Establishment Fee.	Nil
Contribution Fee.	Nil
Withdrawal Fee.	Nil
Termination Fee.	Nil
Management Costs	
The fees and costs for managing your investment.	0.20% p.a.[2] Management Fee

1. Transaction Costs (including Buy-Sell Spreads) may apply when your money moves in or out of the Fund. Subject to law these may be varied at any time without prior notice.
2. The amount of this fee can be negotiated with certain "wholesale clients" or "sophisticated" or "professional" investors (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.

6.2 Can the fees and charges change?

All fees and charges can change. They may vary over time as a result of changes to the product, changing economic conditions and changes in regulations. We will provide investors 30 days notice of any proposed increase to our fees and charges.

The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure, we have no present intention to do so.

Example of annual fees and costs

The table on the right below gives an example of how the fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

There is a calculator provided by ASIC on its MoneySmart website (www.moneysmart.gov.au) which can be used to calculate the effect of fees and costs on account balances.

Additional fees may be paid to a financial advisor as negotiated between you and your adviser – refer to the Statement of Advice which will be provided to you by your financial adviser which sets out the details of the fees.

Additional information has been Incorporated by Reference.

You should read the information about fees and costs before making an investment decision. Go to section 6 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

Example of annual fees and costs for the Fund		
Balance of $50,000 with contribution of $5,000 during year		
Contribution Fee	Nil	For every additional $5,000 you put in you will be charged $0.
PLUS		
Management Costs	0.20%	And, for every $50,000 you have in the Fund you will be charged $100 each year.
EQUALS		
Cost of Fund		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged fees of $100.[1] **What it costs you will depend on the fees you negotiate.**

1. Additional expenses may apply, for instance, you may incur a Buy-Sell Spread when you move money in or out of the Fund.

Please note this is an example. In practice, the actual investment balance of an investor will vary and the actual fees we charge are based on the value of the Fund, which also fluctuates. The amounts assume a constant investment of $50,000 throughout the year and do not take into account any additional contributions made during the year. Management Fees will also be charged in relation to additional contributions.

* This material may change between the time when you read this PDS and the day when you acquire the product.

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice.

Registered managed investment schemes do not pay tax on behalf of members. However, BlackRock may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. You are assessed for tax on any income and capital gains generated by the registered investment scheme to which you are entitled.

Additional information has been Incorporated by Reference.

You should read the information about taxation before making an investment decision. Go to section 7 of the document titled "BlackRock Incorporation by Reference", which is available from our website at www.blackrock.com .au/individual/funds-information/offer-documents.*

8. How to apply

No additional information has been incorporated by reference.

8.1 U.S. Persons

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. It is not available in any other country. Units in the Fund have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any of the states of the United States. The Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940. Investment in units of the Fund by or on behalf of U.S. Persons is not permitted. Units in the Fund may not at any time be offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, a U.S. Person. Any issue, sale or transfer in violation of this restriction will not be binding upon the Fund and may constitute a violation of U.S. law.

8.2 How to invest in the BlackRock Indexed International Equity Fund

- If you are a direct investor – complete the Fund's Application Form, which accompanies this PDS or can be obtained by calling our Client Services Centre.

or

- If you are investing through an IDPS, superannuation fund or master trust, you must complete the documents which the operator of these services requires.

The deadline for receipt of an application request is 3.00pm (Melbourne or Sydney time) on the Business Day prior to execution. Application requests received before this time on a Business Day will generally be executed on the next Business Day. Application requests received after this time will generally be treated as having been received on the following Business Day.

8.3 Do you have "cooling off" rights?

The Fund generally has a minimum investment of $500,000, as such cooling off rights within the meaning of the Corporations Act will not usually be available to direct investors.

If you have invested through an IDPS, superannuation fund or master trust, your rights to cool off will be dealt with in the disclosure document of that service.

8.4 Margin lending

If you wish to apply using a margin lending arrangement, you must complete and sign the Application Form. You must also complete the section of the Application Form titled "Tax File Number or Exemption Notification" ensuring that the Tax File Number you provide is your own and not that of the margin lender. Please forward the completed Application Form to your margin lender for their approval. In particular, you will need to understand the terms of using the service, as set out in the section of the Application Form titled "Conditions Applicable to Investors Using Margin Lending". When your margin lender has approved your margin lending application and has signed the section of the Application Form titled "Conditions Applicable to Investors Using Margin Lending", the lender will then forward the completed Application Form and application monies to us for processing.

8.5 Enquiries and complaints

We have established procedures for dealing with enquiries and complaints. If you have invested indirectly through an IDPS, superannuation fund or master trust, you should contact the operator of that service.

If you have invested directly and you have an enquiry or complaint, you can contact our Client Services Centre by either:

- calling 1300 366 100;
- writing to our Enquiries and Complaints Officer at BlackRock, Level 26, 101 Collins Street Melbourne, Victoria, 3000;
- faxing your enquiry or complaint to 1300 366 107; or
- emailing clientservices.aus@blackrock.com.

If you make a complaint to us, we will acknowledge receipt of the complaint and take steps to address the complaint. We will also provide you with a final response within 45 days in accordance with our obligations.

If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to the Financial Ombudsman Service ("FOS") of which we are a member and which is an independent entity.

The FOS contact details:

Mail: GPO Box 3, Melbourne, Victoria, 3001
Telephone: 1300 780 808
Website: www.fos.org.au
Email: info@fos.org.au

* This material may change between the time when you read this PDS and the day when you acquire the product.

9. Other Information

9.1 Conflicts of Interest and Related Party Information

The Manager is a member of the BlackRock Group. The BlackRock Group participates in global financial markets in a number of different capacities. The Fund may invest or engage in transactions with entities for which the BlackRock Group may perform services. In addition, the Manager or persons associated with the Manager may invest in the Fund from time to time. All such transactions will be on an arm's length commercial basis.

In addition, certain members of the BlackRock Group may have actual and potential conflicts of interest regarding the allocation of investment opportunities amongst funds and products they manage. The BlackRock Group will seek to manage these conflicts in a fair and equitable manner having regard to the interests of their clients generally. As a responsible entity and the holder of an Australian Financial Services Licence, the Manager has policies and procedures in place to manage such conflicts of interest.

From time to time, the Manager may be restricted from purchasing or selling particular securities on behalf of investors because of regulatory requirements or internal policies applicable to the BlackRock Group. This may result in circumstances where, for example, a BlackRock fund is unable to exactly replicate the weightings in a particular index.

In circumstances where ownership thresholds or limitations must be observed, BlackRock will seek to equitably allocate limited investment opportunities amongst the relevant BlackRock products, taking into consideration benchmark weight and investment strategy.

9.2 Securities Lending

Currently the underlying securities of the Fund are available to participate in a securities lending program managed by the Fund's Custodian. The Custodian acts as agent for BlackRock and manages the program including arranging loans, negotiating terms and managing collateral where appropriate. For Australian securities loans borrowers provide collateral. The required collateral exceeds the loan value each day. The Custodian continuously monitors borrower credit quality, places loan limits on each borrower and provides indemnification in the event of borrower default.

9.3 Index Disclaimer

The fund described herein is indexed to an MSCI index.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

iShares Australian Equity ETFs
Product Disclosure Statement

Dated: 28 April 2016

iShares S&P/ASX 20 ETF
ASX: ILC / ARSN: 146 083 641

iShares Core S&P/ASX 200 ETF (previously named iShares S&P/ASX 200 ETF)
ASX: IOZ / ARSN: 146 083 141

iShares S&P/ASX Dividend Opportunities ETF
ASX: IHD / ARSN: 146 080 926

iShares S&P/ASX Small Ordinaries ETF
ASX: ISO / ARSN: 146 080 739

BlackRock Investment Management (Australia) Limited
ABN 13 006 165 975
Australian Financial Services Licence No 230523

iShares Australian Equity ETFs

IMPORTANT INFORMATION:

Neither the performance of the Funds offered in this Product Disclosure Statement nor the repayment of capital or any income from the Funds are guaranteed by BlackRock Investment Management (Australia) Limited, BlackRock, Inc.® or any BlackRock, Inc.® subsidiary or affiliated entity (collectively the **BlackRock Group**). Investment products are subject to investment risk, and possible delays in repayment and loss of income and principal invested. This Product Disclosure Statement can only be used by investors receiving it (electronically or otherwise) in Australia.

1. Before you start

1.1 The issuer of this product disclosure statement

Investment in the:

- iShares S&P/ASX 20 ETF;
- iShares Core S&P/ASX 200 ETF (previously named iShares S&P/ASX 200 ETF);
- iShares S&P/ASX Dividend Opportunities ETF; and
- iShares S&P/ASX Small Ordinaries ETF,

(referred to in this Product Disclosure Statement (**PDS**) as the **Fund** in the singular or the **Funds** collectively) are offered and managed by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL No. 230523 (referred to in this PDS as **BlackRock**, the **Responsible Entity**, the **Issuer**, the **Manager, we, our** or **us**). BlackRock is the manager of each Fund and acts as the responsible entity under the Corporations Act 2001 (Cth) (**Corporations Act**).

BlackRock is a wholly-owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by any member of the BlackRock Group, including BlackRock Inc.

We are the issuer of this PDS and of Units in the Funds. Neither BlackRock nor any member of the BlackRock Group guarantees the success of each Fund, the achievement of each Fund's investment objective, or the repayment of capital or particular rates of return on investment or capital.

An investor in a Fund could lose all or a substantial part of their investment in that Fund. In particular, the performance of a Fund will depend on the performance and market value of the assets held by that Fund as a result of tracking its index.

We reserve the right to outsource any or all investment, management and administration functions, including to related parties, without notice to Unitholders.

1.2 About this product disclosure statement

This PDS describes the main features of each Fund and is dated 28 April 2016.

A copy of this PDS has been lodged with the Australian Securities and Investments Commission (**ASIC**) and ASX Limited (**ASX**). Neither ASIC nor the ASX take any responsibility for the contents of this PDS.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. It is not available in any other country. Units in each Fund have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any of the states of the United States of America (**U.S.**). Each Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940. Investment in Units of each Fund by or on behalf of U.S. persons is not permitted. Units in a Fund may not at any time be offered, sold, transferred or delivered within the U.S. or to, or for the account or benefit of, a U.S. person. Any issue, sale or transfer in violation of this restriction will not be binding upon a Fund and may constitute a violation of U.S. law.

In preparing this PDS, we did not take into account your particular investment objectives, financial situation or needs. As the needs and aspirations of investors differ, you should consider whether investing in a Fund is appropriate for you in light of your particular needs, objectives and financial circumstances. You may also wish to obtain independent advice.

If any part of this PDS is established to be invalid or unenforceable under the law, it is excluded so that it does not in any way affect the validity or enforceability of the remaining parts.

The offer or invitation to subscribe for Units in a Fund under this PDS is subject to the terms and conditions described in this PDS. We reserve the right to accept or decline Unit creation requests in full or in part and reserve the right to change these terms and conditions.

If you have received this PDS electronically, we can provide you with a paper copy free of charge upon request by contacting the iShares Call Centre (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

1.3 Changes to this product disclosure statement and access to additional information

Information contained in this PDS is current as at the date of this PDS. Certain information in this PDS, as well as the terms and features of each Fund, is subject to change from time to time. We will notify you of any material changes or other significant events that affect the information in this PDS (and may issue a supplementary or replacement PDS) in accordance with our obligations under the Corporations Act.

Updated information that is not materially adverse can be obtained from our website at www.blackrock.com.au. A paper copy of any updated information is available free of charge upon request.

Where a Fund is subject to the continuous disclosure requirements of the Corporations Act, we will satisfy our obligations by disclosing material information regarding the Fund on our website at www.blackrock.com.au. A paper copy of this material will be available free of charge upon request. This information will also be released to the ASX via the ASX Markets Announcements Platform (asxonline.com.au).

1.4 Need help?

If you have questions about or need help investing, we recommend you speak to a licensed financial adviser. ASIC can help you check if a financial adviser is licensed. They have a website at www.asic.gov.au as well as a help line you can call on 1300 300 630.

Should you require general assistance with respect to an iShares product, please call the iShares Call Centre (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

Further information on the different iShares ETFs quoted on the ASX is available at www.blackrock.com.au or from your financial adviser.

1.5 Offer eligibility

The offer in this PDS is only available to Authorised Participants who have, where required, entered into a relevant Authorised Participant Agreement (**AP Agreement**).

The minimum investment for Units in each Fund is set out in the table below, with each such minimum investment representing a **Creation Unit**. Each Fund will only create Units that have been aggregated into blocks of one Creation Unit or multiples thereof.

Minimum investment amounts (Creation Units)	
Fund name	**Creation Unit**
iShares S&P/ASX 20 ETF	75,000
iShares Core S&P/ASX 200 ETF	75,000
iShares S&P/ASX Dividend Opportunities ETF	100,000
iShares S&P/ASX Small Ordinaries ETF	300,000

Units of the Funds have been quoted on the ASX since 9 December 2010. Investors who are not Authorised Participants cannot invest through this PDS but may do so through the ASX. Please consult your stockbroker or financial adviser.

Investors who are not Authorised Participants may use this PDS for informational purposes only and may obtain further information in relation to each Fund by contacting the iShares Call Centre (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

2. About BlackRock and iShares

2.1 About BlackRock

BlackRock Inc is a global leader in investment management, risk management and advisory services for institutional and retail clients.

At 31 December 2015, BlackRock Inc's assets under management (**AUM**) was US$4.645 trillion. BlackRock Inc helps clients around the world meet their goals and overcome challenges with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock Inc also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. As of 31 December 2015, the firm had approximately 13,000 employees in more than 30 countries and is a major presence in key global markets, including North and South America, Europe, Asia, Australia, the Middle East and Africa.

For additional information, please visit our website at www.blackrock.com.au.

2.2 About iShares

iShares is a global leader in exchange-traded funds (**ETF**s), with more than a decade of expertise and commitment to individual and institutional investors of all sizes.

With over 700 funds globally across multiple asset classes and strategies and more than US$1 trillion in assets under management as of 31 December 2015, iShares helps clients around the world build the core of their portfolios, meet specific investment goals and implement market views.

iShares ETFs are powered by the expert portfolio and risk management of BlackRock Inc, trusted to manage more money than any other investment firm (based on US$4.645 trillion in AUM as of 31 December 2015).

The information in section 3 of this PDS relates solely to the iShares S&P/ASX 20 ETF (referred to in this section 3 of the PDS as the Fund).

3.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses, composed of the 20 largest Australian securities listed on the ASX.

3.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX 20 Accumulation Index (referred to in this section 3 of the PDS as the **Index**) by investing in equity securities that consist of the component securities of the Index.

We believe that a full replication investment strategy is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

3.3 What does the Fund invest in?

The Fund invests primarily in the Australian equity securities that form the Index.

The Fund may also hold small amounts of cash (or cash equivalents, that may include units in other BlackRock managed funds) for cash flow management purposes and may also invest in index futures contracts for cash equitisation purposes.

3.4 About the Index

The Index includes actively traded and highly liquid securities that are among the 20 largest domestic securities listed on the ASX. The Index is the narrowest market capitalisation-based index in the S&P/ASX Index series and as at the date of this PDS, accounted for approximately 46% of the market capitalisation of ASX listed equities.

The Index is designed as a highly liquid and tradable index whose total market capitalisation is large enough to approximate the market segment it is capturing, while keeping the number of stocks at a minimum. This creates a cost-effective, easily replicable trading instrument that provides an appropriate barometer of the market's performance.

The fixed number of securities also ensures minimum turnover as changes are made due to corporate activity or a reduction in a security's size or liquidity that makes it ineligible for inclusion in the Index.

The S&P/ASX Index series is calculated using a base-weighted aggregate methodology. This means that the level of an index reflects the total market value of all the component stocks relative to a particular base period.

All issues in the Index are assigned a "float factor" called an Investable Weight Factor (**IWF**). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after IWF adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

On any given day, the value of the Index is the quotient of the total available market capitalisation of index constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the Index. The divisor is adjusted such that the value of the Index at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

The Index rebalances on a quarterly basis in March, June, September and December. The Index may undergo periodic unscheduled rebalances at other times.

4. About the iShares Core S&P/ASX 200 ETF

The information in section 4 of this PDS relates solely to the iShares Core S&P/ASX 200 ETF (referred to in this section 4 of the PDS as the Fund).

4.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses, composed of the 200 largest Australian securities listed on the ASX.

4.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX 200 Accumulation Index (referred to in this section 4 of the PDS as the **Index**) by investing in equity securities that consist of the component securities of the Index.

We believe that a full replication investment strategy is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

4.3 What does the Fund invest in?

The Fund invests primarily in the Australian equity securities that form the Index.

The Fund may also hold small amounts of cash (or cash equivalents, that may include units in other BlackRock managed funds) for cash flow management purposes and may also invest in index futures contracts for cash equitisation purposes.

4.4 About the Index

The Index measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalisation and covers approximately 80% of market capitalisation of the Australian equity market. Representative, liquid and tradable, the Index is widely considered Australia's preeminent benchmark index.

The S&P/ASX Index series is calculated using a base-weighted aggregate methodology. This means that the level of an index reflects the total market value of all the component stocks relative to a particular base period.

All issues in the Index are assigned a "float factor" called an Investable Weight Factor (**IWF**). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after IWF adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

On any given day, the value of the Index is the quotient of the total available market capitalisation of index constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the Index. The divisor is adjusted such that the value of the Index at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

The Index rebalances on a quarterly basis in March, June, September and December. The Index may undergo periodic unscheduled rebalances at other times.

The information in section 5 of this PDS relates solely to the iShares S&P/ASX Dividend Opportunities ETF (referred to in this section 5 of the PDS as the Fund).

5.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses, composed of high yield Australian common stocks listed on the ASX.

5.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX Dividend Opportunities Accumulation Index (referred to in this section 5 of the PDS as the **Index**) by investing in equity securities that consist of the component securities of the Index.

We believe that a full replication investment strategy is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

5.3 What does the Fund invest in?

The Fund invests primarily in the Australian equity securities that form the Index.

The Fund may also hold small amounts of cash (or cash equivalents, that may include units in other BlackRock managed funds) for cash flow management purposes and may also invest in index futures contracts for cash equitisation purposes.

5.4 About the Index

The Index is designed to serve as a benchmark for income (**yield**) seeking investors investing in the Australian equity market. The Index seeks to provide exposure to high yielding common stocks from Australia while meeting diversification, stability and tradability requirements. The Index comprises 50 tradable ASX listed common stocks that offer high dividend yields.

The Index construction methodology employs a yield driven weighting scheme while providing diversification across individual stocks and sectors. S&P calculates the Index on both a price and total return basis.

The initial universe of securities is drawn from the S&P/ASX 300 Index. The universe is then narrowed down to an "investible universe" based on the following criteria:

- **Market capitalisation:** stocks must have a free-float market capitalisation of above $AUD500 million as of the rebalancing reference date;
- **Average daily volume:** stocks must have a minimum six month average daily value traded of $AUD2 million as of the rebalancing reference date;
- **Exchange listing:** stocks must be listed on the ASX; and
- **REITS:** stocks that are classified in the A-REIT sector are excluded from the universe.

Stability criteria are also employed. The investable universe is screened for two stability factors to form the "selection universe" from which Index constituents are ultimately selected:

- **Dividend stability:** stocks must have stable or positive dividend growth over the last three years. For existing Index constituents negative dividend growth is permitted as long as any such negative growth does not exceed 5% over the last three years; and
- **Momentum**: stocks must have the highest Momentum Scores, ranked in the top 90% of the investable universe. The "Momentum Score" is defined as the stock's 12-month price change, excluding the most recent month, divided by the standard deviation of the stock's daily price returns for the same period.

With respect to constituent selection, all stocks in the selection universe are first sorted on the basis of annual dividend yield as of the rebalancing reference date. The 50 highest yielding stocks are selected to form the Index, subject to a 20 stock buffer requirement for current Index constituents. If a current constituent is among the top 70 in the sorting, it remains in the Index. If not, the stock is replaced by the next largest stock that is not already an Index constituent. Index constituents are weighted in proportion to the stocks' total dividend (dividend yield multiplied by market capitalisation) subject to the following criteria:

- no single sector can have a weight of more than 30% of the Index or more than S&P/ASX 300 Index sector weight minus 10%, whichever is higher, as of each semi-annual rebalancing; and
- no single stock can have a weight of more than 10% of the Index as of each semi-annual rebalancing.

The S&P/ASX Index series is calculated using a base-weighted aggregate methodology. This means that the level of an index reflects the total market value of all the component stocks relative to a particular base period.

All issues in the Index are assigned a "float factor" called an Investable Weight Factor (**IWF**). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after IWF adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

On any given day, the value of the Index is the quotient of the total available market capitalisation of index constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the Index. The divisor is adjusted such that the value of the Index at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

The Index rebalances on a semi-annual basis in January and July. The Index may undergo periodic unscheduled rebalances at other times.

6. About the iShares S&P/ASX Small Ordinaries ETF

The information in section 6 of this PDS relates solely to the iShares S&P/ASX Small Ordinaries ETF (referred to in this section 6 of the PDS as the Fund).

6.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses, composed of small capitalisation Australian securities listed on the ASX.

6.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX Small Ordinaries Accumulation Index (referred to in this section 6 of the PDS as the **Index**) by investing in equity securities that as far as possible and practicable consist of the component securities of the Index.

We will generally implement a full replication investment strategy to track the performance of the Index as risk relative to the Index is minimised. Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

However, where full replication is not possible, due to liquidity and transaction cost considerations, an optimisation investment strategy may be used.

Optimisation is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalisation and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures, similar to those of the Index. Therefore, the Fund may or may not hold all of the securities in the Index and the weighting of the securities held by the Fund may differ to the weighting of securities in the Index.

6.3 What does the Fund invest in?

The Fund invests primarily in the Australian equity securities that form the Index.

The Fund may hold some securities which are not constituents of the Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the Index. However, from time to time the Fund may hold all constituents of the Index.

The Fund may also hold a small allocation of cash (or cash equivalents) for cash flow management purposes and may also invest in index futures contracts for cash equitisation purposes.

6.4 About the Index

The Index is used as an institutional benchmark for small capitalisation Australian equity portfolios. The Index is comprised of companies included in the S&P/ASX 300 Index, but not in the S&P/ASX 100 Index, and as at the date of this PDS, accounted for approximately 7% of the market capitalisation of ASX listed equities.

The S&P/ASX Index series is calculated using a base-weighted aggregate methodology. This means that the level of an index reflects the total market value of all the component stocks relative to a particular base period.

All issues in the Index are assigned a “float factor” called an Investable Weight Factor (**IWF**). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after IWF adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

On any given day, the value of the Index is the quotient of the total available market capitalisation of index constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents’ share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor’s time series is, in effect, a chronological summary of all changes affecting the base capital of the Index. The divisor is adjusted such that the value of the Index at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

The Index rebalances on a quarterly basis in March, June, September and December. As the components of the Index are derived from the components of the S&P/ASX 300 Index and S&P/ASX 100 Index, the Index is also subject to the rebalancing behaviour of these two indices. The Index may undergo periodic unscheduled rebalances at other times.

7. Additional Information about the Funds

7.1 Use of derivatives

The Funds may use derivatives, such as futures, forwards, options and swap contracts, to manage risk and return. When derivative positions are established they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Funds.

Each Fund's exposure to over the counter (**OTC**) derivatives (excluding any collateral held in respect of any such OTC derivative) is not expected, in aggregate, to exceed 5% of the net asset value (**NAV**) of the Fund.

7.2 Borrowing

While each Fund's Constitution allows the Responsible Entity to borrow on behalf of the Fund, it is our intention that no borrowing arrangements will be entered into by the Funds other than temporary overdrafts, which may be used as a means of managing certain cash flows.

7.3 Additional information about the Index

S&P Dow Jones Indices LLC (**S&P**) is the provider of the Index for each Fund. S&P is not a related body corporate of BlackRock.

Further details regarding the Index of each Fund are available on the index provider's website at spdji.com.

Information relating to the past performance of each Index can be found on our website at www.blackrock.com.au. It is important to note that past performance is not a reliable indicator of future performance.

BlackRock has no present intention to change the Index adopted by each Fund. Notice of any such change will be provided to Unitholders in accordance with our obligations under the Fund's Constitution and all applicable law.

7.4 Rebalancing the Funds

Each Fund will typically rebalance its portfolio in line with the scheduled rebalance of its Index. The Funds may, however, undergo periodic unscheduled rebalances.

7.5 Fund performance and size

Updated performance information is available from our website at www.blackrock.com.au.

Past performance is not a reliable indicator of future performance.

7.6 Labour standards, environmental, social or ethical considerations

As each Fund aims to track the performance of its Index, investment decisions are independent of labour standards or environmental, social or ethical considerations.

7.7 Announcements to ASX

All announcements (including continuous disclosure notices and distribution information) will be made to the ASX via the ASX Market Announcements Platform (asxonline.com.au).

7.8 Securities lending

The Funds do not currently participate in a securities lending program for the lending of securities held within each Fund's portfolio. Should a Fund commence securities lending we will notify Unitholders of this change.

7.9 Additional information

The following information can be obtained from our website at www.blackrock.com.au:

- each Fund's last calculated NAV;
- where possible, and subject to availability, each Fund's estimated intra-day NAV current to a time which is no more than 15 minutes before the time the estimate was last available. The estimated intra-day NAV is an indicative figure only and may be subject to error.
- each Fund's last calculated NAV per Unit (**NAV Price**). It should be noted that the NAV Price is that which is applied to a Unit creation or redemption request received prior to the close of trading on any Business Day. Refer to section 11.5 of this PDS, titled "Processing of Unit creations and redemptions", for further information on the calculation of the NAV Price and to the Operating Procedures for details of each Fund's Business Day;
- a copy of the latest PDS;
- daily underlying holdings of each Fund, including the name and percentage composition of each asset by value relative to NAV as at the close of the previous trading day;
- copies of each Fund's Annual and Semi Annual Financial Report (the financial year end for each Fund is 30 June); and
- details of each Fund's distributions (if declared).

7.10 Benefits of iShares

iShares ETFs are managed funds listed or quoted on exchanges (including ASX) providing you with the opportunity to gain exposure to a diversified portfolio of assets in a single transaction.

The benefits of investing in iShares ETFs include:

- **Diversification:** In contrast to a direct investment in a single company or bond, an iShares ETF provides, as far as possible and practicable, exposure to all of the securities or instruments within the index that the particular iShares ETF seeks to track.
- **Liquidity and transparency:** Each iShares ETF seeks investment results that correspond generally to the performance (before fees and expenses) of a particular index. As a traded security, an iShares ETF enables you to enter and exit your holding on the ASX. You can easily track performance and trade during ASX trading hours (subject to ASX rules).
- **Managing risk:** Investing in an iShares ETF can assist you in establishing a portfolio appropriate to your investment needs and risk profile.
- **Lower cost:** As each iShares ETF is passively managed and designed to track the performance of a particular index, the expenses of managing an iShares ETF are generally lower compared to other forms of retail managed funds. However, brokerage or adviser fees may still apply when buying or selling units of an iShares ETF.
- **Receipt of income:** You will generally receive income from your investment in the form of distributions. Distributions may include dividends, coupons and other income. There may be years in which no distributions are made.
- **Accessibility:** iShares ETFs can offer a cost-effective way to gain exposure to a diversified portfolio of securities. They can be less costly than purchasing a large number of individual securities as there are less trading costs and they offer lower thresholds than an investor might otherwise be able to afford.

8. The AQUA Rules

Each Fund is quoted on the ASX under the AQUA Rules. The AQUA Rules have been designed to offer greater flexibility and are specifically designed for managed funds, ETFs and structured products.

As most investors are more familiar with the ASX Listing Rules, it is important to note the main differences between the AQUA Rules and the ASX Listing Rules, which are set out below.

ASX Listing Rules	ASX AQUA Rules
Control	
A person: ► controls the value of its own securities and the business it runs, ► the value of those securities is directly influenced by the equity issuer's performance and conduct. e.g. the management and board generally control the fate of the business and, therefore, have direct influence over the share price.	A person: ► does not control the value of the assets underlying its products, but ► offers products that give investors exposure to the underlying assets – such as shares, indices, currencies or commodities. The value (price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself. e.g. A managed fund issuer does not control the value of the shares it invests in.
Continuous disclosure	
Products under the ASX Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.	Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act. There is, however, still a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide ASX with information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. In addition, issuers of products quoted under the AQUA Rules must disclose information about: ► the Net Tangible Assets or the NAV of the funds; ► dividends, distributions and other disbursements; and ► any other information that is required to be disclosed to ASIC under section 675 of the Corporations Act must be disclosed to ASX via the ASX Company Announcement Platform at the same time it is disclosed to ASIC.
Periodic disclosure	
Products under the ASX Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the ASX Listing Rules.	Products quoted under the AQUA Rules are not required to disclose half yearly and annual financial information or annual reports under the AQUA Rules. However, because the Fund is a registered managed investment scheme, we are still required to prepare financial reports under Chapter 2M of the Corporations Act. These reports will be made available on our website at www.blackrock.com.au.

ASX Listing Rules	ASX AQUA Rules
Corporate control	
Requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issuers, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and schemes. The responsible entity of a listed scheme may be replaced by a resolution of members holding a majority of the votes cast on the resolution.	Certain requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issuers, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. Issuers of products quoted under the AQUA Rules are subject to general requirement to provide the ASX with any information concerning itself that may lead to the establishment of a false market or materially affect the price of its products. The responsible entity of an unlisted scheme being admitted to Trading Status on ASX or quoted under the AQUA Rules may only be replaced by a resolution of members holding a majority of votes that are eligible to be cast on the resolution.
Related party transactions	
Chapter 10 of the ASX Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	Chapter 10 of the ASX Listing Rules does not apply to AQUA products. Unlisted schemes being admitted to Trading Status on ASX or quoted under the AQUA Rules remain subject to the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
Auditor rotation	
There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.	Issuers of products under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act. The responsible entity of an unlisted scheme being admitted to Trading Status on ASX or quoted under the AQUA Rules will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the Corporations Act.
Disclosure	
Entities admitted under the ASX Listing Rules are subject to the requirements of the Corporations Act in relation to the issue of a PDS.	Products quoted under the AQUA Rules will also be subject to these requirements of the Corporations Act.

Source: ASX Rules Framework

9.1 What are the significant risks?

Before you make an investment decision it is important to identify your investment objectives and the level of risk that you are prepared to accept. This may be influenced by:

- the timeframe over which you are expecting a return on your investment and your need for regular income versus long-term capital growth;
- your level of comfort with volatility in returns; or
- the general and specific risks associated with investing in particular funds.

9.2 General risks

All investments have an inherent level of risk. Generally, there is a trade-off between higher expected returns for higher expected risk – represented by the variability of fund returns.

The value of your investment will fluctuate with the value of the underlying investments in a Fund. Investment risk may also result in loss of income or capital invested and possible delays in repayment. You could receive back less than you initially invested and there is no guarantee that you will receive any income.

9.3 Risks of investing in ETFs and managed funds

The risks of investing in index tracking ETFs and more generally managed investment schemes may include, but are not limited to:

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund (for example, BlackRock as responsible entity of the Funds) in relation to the sale and purchase of assets or securities. Such institutions may also be issuers of the securities in which a fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of a fund. The BlackRock Group uses reasonable efforts to mitigate such risks. However, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant BlackRock fund.

Dealing risk. There may be instances where the Units of each Fund will not be widely held. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. While this risk cannot be entirely removed in order to address such dealing risk, each Fund has been appointed one or more market maker.

Index related risk. In order to meet its investment objective, an ETF will seek to achieve a return that reflects the return of its index, as published by the index provider. While index providers do provide a description of what each index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, nor any guarantee that the published index will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where an index is less commonly used. During a period where an index contains incorrect constituents, an ETF benchmarked to that index would have market exposure to such constituents. As such, errors may potentially result in a negative or positive performance impact to the ETF and to its unitholders.

Apart from scheduled rebalances, index providers may carry out additional ad hoc rebalances to their benchmark indices in order, for example, to correct an error in the selection of index constituents. Where the index is rebalanced and the ETF in turn rebalances its portfolio to bring it in line with the index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne by the ETF and, by extension, the ETF's unitholders.

Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of an ETF.

Market risk. Economic, technological, political or legislative conditions and even market sentiment can (and do) change and this can affect the value of the investments in a fund. The net asset value of a fund will change with changes in the market value of the securities to which it is exposed. The price of units and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that a fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of a fund is based on the capital appreciation and income of the securities it is exposed to, less expenses incurred. A fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, a fund (such as the Funds) designed to track the performance of an index may experience volatility and decline in a manner that broadly corresponds with that index. Past performance is not indicative of future performance.

Market trading risk. The units of ETFs (such as the Funds) may trade on securities exchanges in the secondary market, like the ASX. Risks associated with such trading activity may include the following:

- *Secondary market trading risk.* While the unit creation/redemption feature of an ETF is designed to make it likely that units of the ETF will trade close to their NAV in the secondary market, at times when the ETF does not accept orders to create or redeem units (such as when a Fund suspends trading in accordance with the terms of its Constitution) or if there are disruptions to unit creation or redemption processes, units of the ETF may trade in the secondary market with more significant premiums or discounts than might otherwise be experienced.
- *Settlement risk.* The Funds may be exposed to settlement risk, as the Funds are reliant on the operation of CHESS, including for Unit creations and redemptions. The Funds are exposed to the extent that there is a risk that Authorised Participants may fail to fulfil their settlement obligations. The risk is partly mitigated as participants in CHESS are subject to rules of participation, which include sanctions if there is a failure to meet their obligations. Where trading in relation to a security is suspended, there may be a delay in settlement in relation to that security.
- *Secondary market suspension.* Investors will not be able to acquire or dispose of Units on the ASX during any period that the ASX suspends trading in the Units. The ASX may suspend the trading of Units whenever the ASX determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Units will also be suspended in the event that the trading of Units on the ASX is suspended.
- *Revocation of ASX approval of quotation risk.* The ASX imposes certain requirements for the continued quotation of securities, including units of ETFs. There can be no assurance that the Funds will continue to meet the requirements necessary to maintain quotation of Units on the ASX or that the ASX will not change the quotation requirements. The Funds may be terminated if the ASX revokes listing approval.
- *No trading market in ETF units.* There can be no assurance that an active trading market will exist for units of an ETF on the securities exchanges the ETF is traded. Further, there can be no assurance that units of an ETF will experience trading or pricing patterns similar to those of ETFs which are issued by investment companies in other jurisdictions or those traded on the ASX that seek to track a different index. Investors should note that liquidity in the secondary market for ETF units may be adversely affected if there is no market maker or authorised participant for the ETF. Although units of an ETF may be quoted on a securities exchange and there may be one or more appointed market makers, there may be no liquid trading market for the ETF units or such appointed market maker(s) may cease to fulfil that role. It is the Responsible Entity's intention that there will always be at least one market maker for the Units of the Funds.

Operational risk. The Funds may be exposed to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology, or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Regulatory and business risk: Changes in corporate, taxation or other relevant laws, regulations or rules may adversely affect your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

Tracking error risk. The NAV of an ETF may not correlate exactly with the index it is designed to match. Factors such as the fees and expenses of an ETF, imperfect correlation between portfolio security holdings and the securities constituting the index, inability to rebalance portfolio security holdings in response to changes in the constituents of the index, rounding of prices, changes to the index and regulatory policies may affect the ability of the manager of an ETF to achieve close correlation with the index. The ETF's returns may therefore deviate from the index it is designed to match. ETFs (such as the iShares S&P/ASX Small Ordinaries ETF) that employ an optimisation strategy may incur tracking error risk to a greater extent than an ETF that seeks to fully replicate an index.

9.4 What about the specific risk of the Funds?

Specific risks of investing in the Funds may include, but are not limited to:

Derivative risk. The use of derivatives expose a fund to different risks as opposed to investing directly in the component securities of an index. For example, derivatives can cause a fund to make greater gains or incur greater losses than the gains and losses of the underlying security in relation to which the derivative derives its value.

Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement (including failing to meet collateral requirements under the arrangement). Additionally, OTC markets are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that a fund has unrealised gains in such instruments or has deposited collateral with its counterparty, that fund is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations. Derivative transactions may also expose a fund to a risk of potential illiquidity if the derivative instrument is difficult to purchase or sell.

The BlackRock Group attempts to minimise these risks by engaging in derivative transactions only with financial institutions that have substantial capital or that have provided a third-party guarantee or other credit enhancement.

Liquidity risk. The Funds may be exposed to securities that are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. We aim to reduce this risk by understanding the liquidity characteristics of securities each Fund is exposed to and planning our trading so as to minimise the adverse consequences of low liquidity.

9.5 Risk management

The Funds benefit from the BlackRock Group’s global expertise and risk management practices, with investment strategies employed across the BlackRock Group being continuously monitored and assessed.

Risk management is integral to the BlackRock Group's culture and has been integrated into management and investment practices wherever possible. The BlackRock Group recognises that risk management is an integral part of sound management practice and is therefore committed to continually investing incrementally in its risk management capabilities commensurate with the increasing complexity, range and scale of its business activities.

Asset exposures are constantly monitored to ensure all BlackRock Group funds remain within permitted investment parameters. Operating and investment processes are continuously reviewed through a combination of internal and external audit, regular compliance monitoring, management self-assessment procedures and risk management oversight.

Management of key controls and performance measurement is accomplished through routine reporting on investment activities. The BlackRock Group’s automated systems produce reports that enable the ongoing monitoring of trading and investment activity against assigned limits, including individual trader and counterparty limits. Transactions that may result in exceptions to the established limits must have appropriate approval in accordance with internally documented policies.

Departmental oversight

The BlackRock Group has operational functions that help in the implementation of its risk management framework, including:

- **Risk and Quantitative Analysis:** Monitors the continuing development of process controls and functional segregation in conjunction with relevant business units to ensure that these remain robust and appropriate to the needs of the business. The Risk and Quantitative Analysis Team also measures and monitors all BlackRock Group funds.
- **Legal and Compliance:** Responsible for the identification, communication and control of applicable legislation and restrictions. Compliance staff also conduct periodic compliance reviews of key processes and work closely with management to develop suitable controls.
- **Internal Audit:** Responsible for the review of internal processes and controls.
- **Counterparty & Concentration Risk Group:** Responsible for managing counterparty risk across the BlackRock Group. The Counterparty and Concentration Risk Group monitors and assesses counterparty exposures arising from a wide range of financial instruments.

10. Fees and other costs

10.1 Consumer advisory warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au)** has a managed investment fee calculator to help you check out different fee options.

10.2 Fees and other costs

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount		How and when paid
Fees when your money moves in or out of a Fund.			
Establishment Fee. The fee to open your investment.	Nil for all Funds		Not applicable.
Contribution Fee. The fee on each amount contributed to your investment.	If you are **BUYING ON EXCHANGE**	If you are an Authorised Participant creating Units	This fee is applicable only to Authorised Participants, as only Authorised Participants are able to create Units. If you are an Authorised Participant the fixed fee to create Units is payable at the time of Unit creation.
iShares S&P/ASX 20 ETF	Nil for all Funds	$205	
iShares Core S&P/ASX 200 ETF		$2,050	
iShares S&P/ASX Dividend Opportunities ETF		$510	
iShares S&P/ASX Small Ordinaries ETF		$2,020	
Withdrawal Fee. The fee on each amount you take out of your investment.	If you are **SELLING ON EXCHANGE**	If you are an Authorised Participant redeeming Units	This fee is applicable only to Authorised Participants, as only Authorised Participants are able to redeem Units. If you are an Authorised Participant the fixed fee to redeem Units is payable at the time of Unit redemption.
iShares S&P/ASX 20 ETF	Nil for all Funds	$205	
iShares Core S&P/ASX 200 ETF		$2,050	
iShares S&P/ASX Dividend Opportunities ETF		$510	
iShares S&P/ASX Small Ordinaries ETF		$2,020	
Exit Fee. The fee to close your investment.	Nil for all Funds		Not applicable.
Management costs.			
Management Fee. The fees and costs for managing your investment.			The management fee is calculated on the NAV of a Fund on a daily basis. This cost is deducted from the assets of each Fund and is generally paid to us monthly in arrears. The deduction of the management fee is reflected in the NAV Price of each Fund.
iShares S&P/ASX 20 ETF	0.24% p.a.		
iShares Core S&P/ASX 200 ETF	0.15% p.a.		
iShares S&P/ASX Dividend Opportunities ETF	0.30% p.a.		
iShares S&P/ASX Small Ordinaries ETF	0.55% p.a.		
Service fees.			
Switching Fee. The fee for changing investment options.	Nil for all Funds		No specific switching fee is applicable.

* All fees are in Australian dollars and, unless otherwise indicated, are inclusive of Goods and Services Tax (**GST**) and takes into account expected reduced input tax credits in respect of the GST component of the fee.

10.3 Additional explanation of fees and other costs

Management costs

The management costs include:

- management fee (for managing a Fund's investments); and
- expense recovery costs (other than abnormal costs and transaction costs).

Management costs are not deducted directly from your Fund account. Instead they are deducted from the assets of a Fund and are generally paid to the Responsible Entity monthly in arrears.

Investment management services may be provided to the Responsible Entity by other members of the BlackRock Group, for which management fees are charged. Where such fees are paid for the provision of investment management services, they are payable by BlackRock and are not at an additional cost to you.

Expense recovery costs

We are entitled to be reimbursed for certain expenses in managing and administering the Funds. These expenses cover most of the out-of-pocket expenses the Responsible Entity is entitled to recover from each Fund including custody safekeeping fees, index licence fees and other investment related expenses. Unless we indicate otherwise, all Fund expenses, other than abnormal costs (see below) and transaction costs (see below) will be paid for by the Responsible Entity and no additional expenses will be recovered.

Abnormal costs

Abnormal costs are expenses not generally incurred during the day to day operations of a Fund and are not necessarily incurred in any given year. They are due to abnormal events such as the cost of running a Unitholder meeting or legal costs incurred by changes to a Fund's Constitution or defending legal proceedings. We will continue to seek reimbursement from each Fund in relation to these types of expenses should they arise.

Contribution/withdrawal fee for Authorised Participants

A contribution/withdrawal fee is payable with every creation/redemption of Units. This fee represents the estimated custody and administration costs associated with the purchase or sale of securities following a creation or redemption of Units by an Authorised Participant. The same fee is applied to both Unit creations and redemptions and is a separate flat dollar fee regardless of the size of the transaction.

The contribution/withdrawal fee is payable by the Authorised Participant to a Fund and is not paid to BlackRock. In the case of a creation of Units the contribution fee is payable in addition to the issue price and in the case of a redemption of Units the withdrawal fee will be deducted from the redemption proceeds.

Transaction costs

A Fund may incur transaction costs (such as brokerage, settlement costs, clearing costs (including custody movement charges) and stamp duty) when transacting to meet investment objectives. The amount of transaction costs incurred when transacting to meet investment objectives is dependent on a number of different variables, including the level of trading undertaken by a Fund. As such, we are unable to provide a meaningful estimate or example of these costs.

Transaction costs are an additional cost to the investor but are generally reflected in the NAV Price and not charged separately to the investor.

Brokerage costs

Where an Authorised Participant requests the creation or redemption of Units by way of a Non-Standard Creation Basket, Non-Standard Redemption Basket or cash only creation/redemption (**Non-Standard Transactions**), any actual brokerage incurred (and GST payable, after taking into account expected reduced input tax credits) in acquiring or realising securities (as applicable) may be borne by that Authorised Participant, refer to section 11.7 of this PDS, titled "Non-Standard Transaction requests", for further information.

Can the fees and charges change?

All fees and charges can change. They may vary over time as a result of changes to a Fund, changing economic conditions and changes in regulations, and may change without Unitholder consent.

We will provide investors 30 days prior notice of any proposed increase to our fees and charges. Under special circumstances, we may elect to vary the frequency of our fee collection.

The current fees applicable to your investment are set out under section 10.2 of this PDS, titled "Fees & other costs", and although we have the power to change our fee structure, we have no present intention to do so.

Ongoing service commission

No commission is currently payable by us to advisers in relation to each Fund.

Stockbroker fees for non-Authorised Participant investors

Investors other than Authorised Participants will incur customary brokerage fees and commissions associated with buying and selling Units on the ASX. These fees should be discussed with your stockbroker prior to investing.

Alternative forms of remuneration

We may provide alternative forms of remuneration, which include professional development, sponsorship and entertainment to licensed financial advisers, dealer groups and master trust or IDPS operators. Where such benefits are provided, they are payable by BlackRock and are not an additional cost to you.

We maintain a public register of alternative forms of remuneration in accordance with FSC/FPA Industry Code of Practice on Alternative Forms of Remuneration. Please contact BlackRock if you wish to inspect this register (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

BlackRock will only make these payments to the extent that they are permitted by law.

Fee for wholesale investors

We may individually negotiate fees with investors classed as "wholesale clients", as defined by the Corporations Act. We may also negotiate special arrangements concerning fees (including fee reductions or waivers) with other investors in certain circumstances determined by us, as permitted by law. Please contact us for further details.

Third party arrangements

The provider of each Index may receive fees and other amounts in return for granting us a licence to use the Index. These fees will be paid for by the Responsible Entity and will not be charged to each Fund.

Arrangements with members of the BlackRock Group

The Responsible Entity may enter into transactions with members of the BlackRock Group. All transactions are conducted on arm's length terms.

Brokerage services may be provided by members of the BlackRock Group, for which fees are charged. Such brokerage services will only be used where the fees are equal to, or more favourable than, the prevailing market pricing for such services.

Investment management services may be provided to the Responsible Entity by overseas members of the BlackRock Group, for which fees are charged. The Responsible Entity pays for these fees from its resources, they are not charged to each Fund. Further, overseas members of the BlackRock Group may provide services to the Responsible Entity partially through a Sydney branch, which is permitted to conduct regulated financial services business in Australia pursuant to an exemption from the requirement to hold an AFSL issued by ASIC, subject to certain conditions of that exemption.

10.4 Example of annual fees and costs for the Funds

The table below gives an example of how fees and costs in each Fund can affect your investment over a one year period. You should use this table to compare these products with other managed investment products.

Example of annual fees and costs for the Funds

Balance of $50,000 with a contribution of $5,000 during year

Contribution Fees	If you are **BUYING ON EXCHANGE**	If you are an Authorised Participant creating Units	For every additional $5,000 you put in, you will be charged: If you are **BUYING ON EXCHANGE**	For every additional $5,000 you put in, you will be charged: If you are an Authorised Participant creating Units
iShares S&P/ASX 20 ETF	Nil for all Funds	$205	Nil for all Funds	$205
iShares Core S&P/ASX 200 ETF		$2,050		$2,050
iShares S&P/ASX Dividend Opportunities ETF		$510		$510
iShares S&P/ASX Small Ordinaries ETF		$2,020		$2,020

PLUS

Management Costs		And, for every $50,000 you have in a Fund you will be charged:
iShares S&P/ASX 20 ETF	0.24% p.a.	$120 each year
iShares Core S&P/ASX 200 ETF	0.15% p.a.	$75 each year
iShares S&P/ASX Dividend Opportunities ETF	0.30% p.a.	$150 each year
iShares S&P/ASX Small Ordinaries ETF	0.55% p.a.	$275 each year

EQUALS

Cost of Fund	If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged fees of:	
	If you are **BUYING ON EXCHANGE**	If you are an Authorised Participant creating Units
iShares S&P/ASX 20 ETF	$120	$325
iShares Core S&P/ASX 200 ETF	$75	$2,125
iShares S&P/ASX Dividend Opportunities ETF	$150	$660
iShares S&P/ASX Small Ordinaries ETF	$275	$2,295
	What it costs you will depend on whether you are an Authorised Participant and the fees you negotiate.	

Please note this is an example. In practice, the actual investment balance of an investor will vary and the actual fees we charge are based on the value of the Fund, which also fluctuates. The amounts assume a constant investment of $50,000 throughout the year and do not take into account any additional contributions made during the year. Management costs will also be charged in relation to additional contributions. Customary brokerage fees and commissions associated with buying and selling Units on exchange are also not taken into account.

11.1 Authorised participants

Requests for the creation or redemption of Units in each Fund may only be submitted by Authorised Participants.

Before we can process an initial Unit creation request, Authorised Participants are required to provide us with a signed AP Agreement. Authorised Participants are required to comply with any additional requirements as set out in the AP Agreement.

As part of the initial Unit creation process, Authorised Participants will be provided with a copy of the Operating Procedures. Authorised Participants should read the Operating Procedures before making an investment decision. The Operating Procedures contain the following important information, which is only relevant to Authorised Participants:

- the Cut-off Time for Unit creation and redemption requests;
- details of the Business Days each Fund is open for Unit creation and redemption requests;
- settlement timeframes for Unit creation and redemption requests; and
- after an Authorised Participant's initial investment in a Fund, details on how subsequent Unit creation and redemption requests can be made.

The Operating Procedures may be updated at any time. Should the Operating Procedures be updated we will notify all Authorised Participants of the update and will make available a copy of the updated document. Authorised Participants may also request a copy of the current Operating Procedures by contacting the iShares Australia Capital Markets Desk (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

11.2 Minimum Unit creation and redemption size

Except in respect of a distribution reinvestment, the minimum number of Units required for any Unit creation or redemption request is set out in the below table, with each minimum number of units being one Creation Unit or one Redemption Unit. Each Fund will only create or redeem Units that have been aggregated into blocks of one Creation Unit or one Redemption Unit or multiples thereof.

Minimum Creation and Redemption Units	
Fund name	Creation / Redemption Unit
iShares S&P/ASX 20 ETF	75,000
iShares Core S&P/ASX 200 ETF	75,000
iShares S&P/ASX Small Ordinaries ETF	300,000
iShares S&P/ASX Dividend Opportunities ETF	100,000

11.3 Unit creation requests

To make an initial investment in a Fund, Authorised Participants may request the creation of whole multiples of a Creation Unit on any Business Day by:

- completing the Fund's Application Form accompanying this PDS and returning it to us by mail or facsimile (using the contact information as shown on the Application Form) or by complying with such other Unit creation request method that the Responsible Entity may determine from time to time;
- returning the Unit creation request to us by the required Cut-off Time; and
- transferring to the Fund in which the Authorised Participant wishes to create Units:
  - a Creation Basket with, if applicable, a cash amount representing any residual cash amount;
  - if approved by us, a Non-Standard Creation Basket, with cash in lieu of omitted securities and, if applicable, a cash amount representing any residual cash; or
  - if approved by us, cash, for a cash only Unit creation.

Refer to the Operating Procedures for details of each Fund's Business Day and Cut-off Time.

In return we will issue the Authorised Participant with the required number of Units of the applicable Fund, the transfer of which will be made through CHESS.

A contribution fee will be payable by Authorised Participants in relation to Unit creation requests (refer to section 10 of this PDS, titled "Fees and other costs", for further information).

Refer to section 11.7 of this PDS, titled "Non-Standard Transaction requests", for further information on Non-Standard Creation Basket and cash only Unit creation requests.

The use of facsimile instructions is subject to the terms and conditions set out in section 14.10 of this PDS, titled "Receipt of instructions".

Authorised Participants may also need to complete an Investor Identification Form for the purposes of Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (**AML Legislation**).

Additional investments can be made at any time in writing (including via facsimile), via iShares Online or by complying with such other Unit creation request method that the Responsible Entity may determine from time to time. Authorised Participants who have agreed to submit Unit creation requests using iShares Online may do so in accordance with the iShares Online Terms and Conditions. We will provide a copy of the iShares Online Terms and Conditions to Authorised Participants.

Additional investments are made on the basis of a current PDS. A copy of the current PDS for the Funds and any information updating it is available free of charge upon request by contacting the iShares Call Centre (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

Units issued pursuant to a Unit creation request will be quoted under the AQUA Rules on the ASX with effect from the settlement of the issue of the relevant Units through CHESS. On a monthly basis we will announce to the ASX via the ASX Markets Announcements Platform each Fund's total Units on issue. As the settlement of the issue of the relevant Units will be made through CHESS we will not be required to hold application money prior to the issue of the Units.

Other investors looking to acquire Units in each Fund may buy Units on the ASX.

11.4 Unit redemption requests

An Authorised Participant may request the redemption of whole multiples of a Redemption Unit on any Business Day by:

- providing to us a Unit redemption request in writing, to be sent by mail or facsimile (using the iShares Australia Capital Markets Desk contact information as shown in section 15 of this PDS, titled "Corporate directory"), via iShares Online or by complying with such other Unit redemption request method that the Responsible Entity may determine from time to time. Authorised Participants who have agreed to submit Unit redemption requests using iShares Online may do so in accordance with the iShares Online Terms and Conditions. We will provide a copy of the iShares Online Terms and Conditions to Authorised Participants;
- returning the Unit redemption request to us by the required Cut-off Time; and
- transferring to the Fund in which the Authorised Participant wishes to redeem Units, the relevant number of whole Redemption Units through CHESS.

Refer to the Operating Procedures for details of each Fund's Business Day and Cut-off Time.

In return the Fund in which the Authorised Participant wishes to redeem Units will transfer to the Authorised Participant:

- a Redemption Basket with, if applicable, a cash amount representing any residual cash amount;
- if approved by us, a Non-Standard Redemption Basket, with cash in lieu of omitted securities and, if applicable, a cash amount representing any residual cash; or
- if approved by us, cash, for a cash only Unit redemption.

A withdrawal fee will be payable by Authorised Participants in relation to Unit redemption requests (refer to section 10 of this PDS, titled "Fees and other costs", for further information).

Refer to section 11.7 of this PDS, titled "Non-Standard Transaction requests", for further information on Non-Standard Redemption Basket and cash only Unit redemption requests.

In certain circumstances we may be required or permitted by a Fund's Constitution to deduct other amounts (e.g. withholding tax) from redemption proceeds that would otherwise be payable to a Unitholder, refer to section 12.3 of this PDS, titled "Distribution on redemption", for further information.

Other investors looking to dispose of Units in a Fund may sell Units on the ASX.

The redemption procedures described above assume that each Fund remains liquid (as defined in the Corporations Act). We expect that each Fund will remain liquid. If a Fund becomes illiquid withdrawals may only be made in accordance with the Corporations Act. We will advise Unitholders if a Fund becomes illiquid and the terms of any withdrawal offer.

11.5 Processing of Unit creations and redemptions

Generally, Unit creation or redemption requests are processed each Business Day. Unit creation or redemption requests received after the required Cut-off Time or on a non-Business Day will generally be treated as having been received the following Business Day.

Refer to section 11.6 of this PDS, titled "Calculation of NAV Prices", for information regarding the calculation of NAV Prices used for Unit creations and redemptions.

In addition to the Unit creation and redemption request requirements set out in this PDS, Authorised Participants are also required to comply with other process requirements and deadlines associated with Unit creation and redemption requests, as described in the Operating Procedures. Standard settlement timeframes of Unit creation and redemption requests are also set out in the Operating Procedures.

Please note that in certain circumstances we may be entitled to suspend or postpone Unit creation and redemption requests (including Non-Standard Transaction requests). This will generally occur before or after the end of a Fund distribution period, but may also occur if trading or settlement on the ASX is closed, suspended or restricted. There may be other circumstances where we need to suspend or postpone Unit creation and redemption requests, such as where a Fund cannot properly ascertain the value of an asset or an event occurs that results in us not being able to reasonably acquire or dispose of assets held by a Fund. Any Unit creation or redemption request received during a period of suspension will be processed on the next available Business Day after the suspension has ended.

Refer to section 11.7 of this PDS, titled "Non-Standard Transaction requests", for further information on the processing of Non-Standard Transaction requests and to the Operating Procedures for details of each Fund's Business Day and Cut-off Time.

11.6 Calculation of NAV Prices

When you invest in a Fund you are allocated a number of Units in that Fund. Each of these Units represents an equal interest in the net assets of the Fund. As a result, each Unit has a value or "unit price", also referred to as the NAV Price. The NAV Price is based on the NAV of a Fund divided by the number of Units on issue in that Fund.

The NAV and NAV Price are generally calculated as at the close of trading on each Business Day, usually one Business Day in arrears. The NAV is determined by deducting the liabilities of a Fund from the assets of that Fund. Assets and liabilities of each Fund are generally valued at their market value in accordance with each Fund's Constitution.

Unit creation and redemption requests received before the required Cut-off Time on a Business Day will generally be processed at the NAV Price calculated as at the close of trading on that Business Day.

We have the discretion, however, to price a Fund more or less frequently when unusual circumstances prevail (for example, where there has been unusual volatility in the market) in order to protect the interests of all Unitholders in that Fund. BlackRock has a formal "Unit Pricing Discretions Policy", which is available free of charge upon request by contacting BlackRock (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

Details of each Fund's daily NAV and NAV Price, as at the close of the previous Business Day, are available from our website at www.blackrock.com.au.

Refer to section 11.7 of this PDS, titled "Non-Standard Transaction requests", for further information on the calculation of NAV Prices for Non-Standard Transaction requests and to the Operating Procedures for details of each Fund's Business Day and Cut-off Time.

11.7 Non-Standard Transaction requests

Authorised Participants may request the creation or redemption of Units on any Business Day by way of Non-Standard Creation Basket, Non-Standard Redemption Basket or cash only creation/redemption (**Non-Standard Transactions**).

Authorised Participants are responsible for notifying us of any Non-Standard Transaction request before the required Cut-off Time. Authorised Participants are, however, advised to notify us of any such requests as soon as possible.

We must approve any Non-Standard Transaction request before you take any action to transfer to us the securities forming a Non-Standard Creation Basket, cash or Units of a Fund (as applicable).

Refer to the Operating Procedures for further information on how to provide us with notification of a Non-Standard Transaction request and for further details of each Fund's Business Day and Cut-off Time.

Non-Standard Creation Basket and Non-Standard Redemption Basket requests will require the Authorised Participant or the Fund (as applicable) to deliver additional cash in lieu of the omitted securities. Cash only Unit creation/redemption requests will require the Authorised Participant or the Fund (as applicable) to deliver cash in lieu of a Creation/Redemption Basket (as applicable).

Where an Authorised Participant submits a Non-Standard Transaction Unit creation request and the actual cost to the applicable Fund of acquiring the securities required to complete a Creation Basket differs from the value of those securities as at the relevant valuation time, the Authorised Participant will:

- where the actual cost to the applicable Fund of acquiring the securities is less than the value of those securities at the relevant valuation time, receive an amount from the applicable Fund equal to the difference; and
- where the actual cost to the applicable Fund of acquiring the securities is more than the value of those securities at the relevant valuation time, be required to pay an amount to the applicable Fund equal to the difference.

Where an Authorised Participant submits a Non-Standard Transaction Unit redemption request and the actual proceeds received by the applicable Fund for disposing of the relevant securities of a Redemption Basket to meet the Non-Standard Transaction Unit redemption request differ from the value of those securities as at the relevant valuation time, the Authorised Participant will:

- where the actual proceeds received by the applicable Fund for disposing of the securities is more than the value of those securities at the relevant valuation time, receive an amount from the applicable Fund equal to the difference; and
- where the actual proceeds received by the applicable Fund for disposing of the securities is less than the value of those securities at the relevant valuation time, be required to pay an amount to the applicable Fund equal to the difference.

In determining the actual cost and actual proceeds of acquiring and disposing of securities (as applicable), the actual brokerage incurred (and GST payable, after taking into account expected reduced input tax credits) is also taken into account.

Standard settlement timeframes of Non-Standard Transaction Unit creation and redemption requests are set out in the Operating Procedures.

11.8 Indemnity

Authorised Participants acknowledge that, upon receipt of a Non-Standard Transaction Unit creation request, BlackRock may enter into transactions for a Fund, in anticipation of cash being received from the Authorised Participant. Authorised Participants agree to indemnify BlackRock against any losses and expenses incurred by us if cash is not received as cleared money by the applicable Fund in the normal course.

11.9 Anti-money laundering and counter-terrorism financing

We are required to comply with the AML Legislation. The AML Legislation requires us to (amongst other requirements) verify the identity of investors making applications into funds offered by us.

We cannot accept a Unit creation request until satisfied that the identity of the Authorised Participant has been verified in accordance with the AML Legislation. The processing of a Unit creation request may be delayed until the requested information is received in a satisfactory form and the identity of the Authorised Participant is verified.

By completing the Fund's Application Form requested by BlackRock during the application process or by complying with such other Unit creation request method that the Responsible Entity may determine from time to time, Authorised Participants agree that:

- they do not make a Unit creation request under an assumed name;
- any money used to invest in a Fund is not derived from or related to any criminal activities;
- any proceeds of an investment in a Fund will not be used in relation to any criminal activities;
- upon request, the Authorised Participant will provide to us any additional information we reasonably require for the purpose of the AML Legislation; and
- we may obtain information about an Authorised Participant from third parties if we believe this is necessary to comply with the AML Legislation.

In order to comply with the AML Legislation, BlackRock may be required to take action, including:

- delaying or refusing the processing of a Unit creation or redemption request; or
- disclosing information that we hold about an Authorised Participant to our related bodies corporate or relevant regulators of the AML Legislation; or
- request from an Authorised Participant additional identification or verification documentation to verify the Authorised Participant's identity or comply with the AML Legislation. Where documentation provided is not in English, an English translation must be provided by a translator who is accredited by the National Accreditation Authority for Translators and Interpreters Ltd at the level of Professional Translator or above.

Investor identification requirements

To comply with the requirements of the AML Legislation, BlackRock may require an Authorised Participant to complete an Investor Identification Form. In order to establish your identity, BlackRock may require an Authorised Participant to submit supporting identification/verification documentation. Where such identification/verification documentation is required, an originally certified copy must be provided.

Appointed representatives

BlackRock is required to verify the identity of legal representatives and agents appointed to act on behalf of an Authorised Participant. We cannot proceed to act on the instructions of a nominated legal representative or agent until we verify the identity of that representative or agent.

Appointed legal representatives include, but are not limited to, executors of estates, attorneys (appointed under power of attorney) and nominated representatives.

12. Distributions

12.1 Receipt of income

Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, coupons, other income and realised gains. Distributions are not guaranteed.

If you hold Units in a Fund as at the close of business on the last day of that Fund's distribution period, you are entitled to participate in the distributable income of that Fund.

The Funds (except for the iShares S&P/ASX Small Ordinaries ETF) generally distribute quarterly, with distributions being determined as at the end of March, June, September and December each year. The iShares S&P/ASX Small Ordinaries ETF generally distributes semi-annually at the end of June and December each year. The Funds may distribute on such other day as determined by BlackRock.

Distributions (if any) may vary over time depending on a Fund's realised losses, gains (if any), income and expenses in a particular period. There may be periods in which no distributions are made. There may be periods for which distributions are higher than expected. Distributions are not guaranteed.

Following the determination of a distribution, the NAV Price of a Fund will fall to reflect the reduced value of that Fund following the payment of the distribution to Unitholders. In other words, it is priced to exclude the distribution entitlement.

Distributions will be paid to the Registrar for payment to Unitholders and until the payment is made will be held by the Registrar in a bank account. Payment of distributions will generally be made by direct credit into a nominated Australian bank account. Unitholders will receive a payment advice detailing the components of any distribution paid by a Fund.

If applicable, distribution of Australian sourced income to non-resident Unitholders may be subject to withholding tax.

Information in relation to the distributions of each Fund will be disclosed to the ASX via the ASX Market Announcements Platform and made available on our website at www.blackrock.com.au.

12.2 Distribution reinvestment plan

A Distribution Reinvestment Plan (**DRP**) is available to eligible Unitholders so that income distributions are automatically reinvested as additional Units in the Fund that issued the distribution. Partial and full reinvestment of distributions is available.

Unless you elect to participate in the DRP, distributions will be automatically paid in cash. Unitholders can participate in the DRP by registering directly with the Registrar. Refer to section 14.9 of this PDS, titled "Registrar", for further information on the Registrar.

Participation in the DRP is subject to the terms outlined in the DRP Rules, which are available on our website at www.blackrock.com.au.

12.3 Distribution on redemption

Proceeds resulting from Authorised Participant Unit redemption requests may include a distribution of gains and/or income in a Fund. Where this is the case and once the relevant information is available, we will notify redeeming Authorised Participants of the estimated amount of distribution included in the redemption proceeds. Refer to section 13.9 of this PDS, titled "Authorised Participant Unit redemption requests", for further information.

For non-resident Authorised Participants, the Manager may withhold an amount of tax applicable to such Authorised Participant's distribution. This will reduce the redemption proceeds payable or paid to the Authorised Participant.

12.4 Tax statement

Unitholders entitled to income in a Fund will receive an annual tax statement outlining their entitlements and the composition of taxable income in that Fund. We will issue this as soon as practicable after the end of the income year.

13.1 Overview

The Australian tax commentary below is provided for Unitholders who are resident Australian taxpayers (but not temporary residents).

The commentary assumes that Unitholders will be either:

- Authorised Participants, who will acquire and dispose of Units by creating and redeeming Units directly with a Fund or by buying and selling Units on ASX; or
- non-Authorised Participants Unitholders, who will acquire and dispose of Units by buying and selling Units on ASX.

It is assumed that Authorised Participants hold their Units in a Fund as trading stock as part of a securities trading business, and that all other investors hold their Units on capital account.

Investing and dealing with investments often has tax implications which can be complex and which are invariably particular to each Unitholder's circumstances. It is important that Unitholders seek professional advice before making an investment decision.

The taxation information contained in this document reflects the income tax legislation in force, and the interpretation of the Australian Taxation Office and the courts, as at the date of issue of this document. Taxation laws are subject to continual change and there are reviews in progress that may affect the taxation of trusts and Unitholders.

13.2 Taxation of a Fund

We do not expect the Responsible Entity to be subject to Australian income tax, as it is intended that Unitholders will be presently entitled to all of the income of each Fund in each financial year.

13.3 Taxation of a resident Unitholder

You will be assessed on your share of the taxable income of the Fund in which you are invested to which you are presently entitled, regardless of whether you receive the distribution in cash or it is reinvested. You will be assessed in the year to which your entitlement relates.

For example, an income distribution for the period ending 30 June 2016 is included in the assessable income for 2015/2016, even if the cash is received in July 2016.

If you are not an Authorised Participant who holds Units as trading stock, you may have to pay tax on all or part of your capital gain (the increase in the value of your investment) when you dispose of your Units. If you hold Units as trading stock and you redeem or otherwise dispose of Units, you may need to include any profit as part of your assessable income for tax purposes.

13.4 Taxable income of a Fund

The taxable income to which you are entitled may include various amounts, as described below. If a Fund incurs a net loss for a year the loss cannot be distributed but may be carried forward and utilised in subsequent years subject to satisfaction of various tests.

Types of income

Depending on the types of investments made, a Fund can derive income in the form of dividends, interest, gains on the disposal of investments and other types of income.

Generally, such income derived by a Fund is taxable, but tax credits (e.g. franking credits and foreign income tax offsets) may be available to Unitholders to offset part or all of any resulting tax liability.

Capital gains tax

In broad terms, under the CGT provisions, net capital gains arising on the disposal of a Fund's investments will be included in that Fund's taxable income.

A Fund will generally calculate taxable capital gains based on half the nominal gain made on the disposal of an asset, if that asset was held for 12 months or more. Capital gains distributed may include some gains where eligible Unitholders are able to claim concessional treatment.

Taxation of financial arrangements

Financial arrangements directly held by a Fund (for example debt securities) may be subject to the Taxation of Financial Arrangements rules in the Tax Law (**TOFA**). Under the TOFA rules, gains and losses on financial arrangements are generally assessed for tax purposes on an accruals basis (where the gains/losses are sufficiently certain) or realisation basis, unless a specific TOFA elective methodology is adopted.

13.5 Taxation of non-resident Unitholders

If a non-resident Unitholder is entitled to taxable income of a Fund, the Unitholder may be subject to Australian tax at the rates applicable to non-residents. If you are a non-resident, you may be entitled to a credit for Australian income tax paid by the Manager in respect of your tax liability. Distributions to you of amounts attributed to Australian franked dividends will not be subject to withholding tax. Any distribution of unfranked dividends, interest or amounts in the nature of interest, however, may be subject to withholding tax. This is irrespective of whether distributions are paid in cash or reinvested as additional units.

You may have to pay tax on all or part of your capital gain (reflecting the increase in the value of your investment) when your Units are disposed of. Non-resident and temporary resident individual Unitholders may also not be eligible to utilise the CGT discount on capital gains. We recommend that you seek professional advice and also visit the Australian Taxation Office website (www.ato.gov.au) for further information. In addition, the distributable income of a Fund may include non-assessable amounts to Unitholders. Receipt of certain non-assessable amounts may have capital gains tax consequences.

13.6 Tax file number (TFN), exemption and Australian business number (ABN)

Australian Unitholders may quote their Tax File Number (**TFN**) to us or claim an exemption at any time. However, you are not obliged to quote your TFN or claim an exemption. Strict guidelines govern the use and storage of TFNs. If you do not quote your TFN or claim an exemption, then your income distributions will have tax withheld at the top marginal rate plus Medicare levy. Some investors that invest in a Fund in the course of carrying on an enterprise of investing may also be entitled to quote their Australian Business Number as an alternative to their TFN.

13.7 Goods and services tax (GST)

The creation and redemption of Units are not subject to GST. Fees incurred (e.g. management fees) will attract GST at the prevailing rate. Where under the GST legislation a Fund is entitled to credits for GST paid to another entity, the cost of paying GST from that Fund will be reduced proportionately.

13.8 Taxation reform

The Australian Government has announced that it intends to implement a new Attribution Managed Investment Trust (**AMIT**) tax regime, which is a proposed new tax system for managed investment trusts and legislative changes are expected. Reforms to the taxation of trusts are generally ongoing. Investors should seek their own advice and monitor the progress of announcements and proposed legislative changes on the potential impact. The Responsible Entity will closely monitor the impact of the proposed AMIT rules on the Funds.

13.9 Authorised Participant Unit redemption requests

This section contains general comments for Authorised Participants requesting the redemption of Units. As the taxation implications are specific to each investor, we strongly recommend that Authorised Participants seek their own independent professional advice.

Redemptions

Authorised Participants who request the redemption of Units will be entitled to receive a withdrawal amount, which may include a distribution of income from the Fund from which the Authorised Participant is redeeming.

The distribution of income from a Fund may include an entitlement to gains and/or income realised by the disposal of securities as a result of the redemption. The distribution may also include income earned and gains realised by a Fund up to and including the date of redemption.

For non-resident Authorised Participants, the Manager may withhold an amount of tax applicable to such Authorised Participant's distribution. This will reduce the redemption proceeds payable or paid to the Authorised Participant.

Authorised Participants redeeming Units should be assessed on any profits arising on the redemption, or may be entitled to a deduction for any loss arising from the redemption of Units.

13.10 Acquisition and disposal of Units on ASX

This section contains general comments for non-Authorised Participant Unitholders, who will buy and sell Units on ASX and who hold these Units on capital account. As the taxation implications are specific to each investor, we strongly recommend that non-Authorised Participant Unitholders seek their own independent professional advice.

Acquisitions

For Units bought on ASX, the amount paid for the shares (plus incidental acquisition costs) will be included in the tax cost base of the Units. Receipt of tax deferred amounts from a Fund may reduce the cost base of that Fund's Units for CGT purposes. If the cost base is reduced to below zero, an immediate capital gain may be realised.

Disposals

The sale of Units on ASX, will give rise to a CGT event, which may result in a capital gain or loss to the Unitholder. Capital losses can be offset against capital gains. A net capital loss can be carried forward and applied against future capital gains (if any).

Unitholders who are individuals, trustees (conditions apply) and complying superannuation entities may be eligible to claim concessional treatment based on the net capital gain made on the disposal of a Unit that was held for 12 months or more.

13.11 United States Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (**FATCA**) is a U.S. tax law aimed at financial institutions and other financial intermediaries to prevent tax evasion by U.S. citizens and U.S. tax residents through use of non- U.S. investments or accounts. The FATCA provisions were included in the U.S. HIRE Act which was signed into U.S. law on 18 March 2010. Australia has entered into an intergovernmental agreement (**IGA**) with the U.S. to implement FATCA in Australia, via the Australian Taxation Administration Act 1953 (Cth), which is to be administered by the Australian Taxation Office (**ATO**). Under the IGA, Reporting Australian Financial Institutions will have identification and reporting obligations with regard to FATCA. The Funds are expected to be a Reporting Australian Financial Institution under the IGA. The Funds intend to fully comply with their FATCA obligations as determined by the FATCA regulation, the IGA and any associated guidance from the ATO. These obligations include, but are not limited to, each Fund identifying and documenting the FATCA status of its investors. The Funds must also report certain information on applicable investors to the ATO which will in turn report this information to the U.S. Internal Revenue Service.

In order for the Funds to comply with their FATCA obligations, the Funds will be required to request certain information from their investors. Please consult your tax advisor should you wish to understand the implications of FATCA on your particular circumstances. We are not liable for any loss an investor may suffer as a result of the Funds' compliance with FATCA.

14. Additional information

14.1 No cooling off rights

Authorised Participants are "wholesale clients" as defined in the Corporations Act and are therefore not entitled to cooling off rights in relations to Unit creation requests. Please contact BlackRock if you have any queries in relation to cooling off rights.

14.2 Reporting requirements

A copy of the audited annual financial report of each Fund is generally available by the end of September from us. Each Fund's report will be issued in accordance with the Australian Accounting Standards, the Corporations Act and all other applicable professional reporting requirements.

Each Fund will be a disclosing entity and subject to the regular financial reporting and continuous disclosure requirements of the Corporations Act. We will satisfy our obligations by publishing the following material on our website at www.blackrock.com.au:

- a copy of a Fund's annual financial report most recently lodged with ASIC;
- any half-yearly financial report lodged with ASIC in respect of a Fund after the lodgement of the annual financial report; and
- any continuous disclosure notices given in respect of a Fund.

A paper copy of this material will be available from BlackRock free of charge upon request. Copies of documents lodged with ASIC in relation to each Fund may be obtained from, or inspected at, an ASIC office.

14.3 Legal

We are the Responsible Entity for the Funds and as such, we are licensed by ASIC, which is responsible for regulating the operation of managed investment schemes like the Funds.

Our responsibilities and obligations as Responsible Entity of each Fund are governed by each Fund's Constitution as well as the Corporations Act and general trust law.

Each Fund's Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both you and us. A copy of each Fund's Constitution is available free of charge from BlackRock (refer to section 15 of this PDS, titled "Corporate directory" for contact details).

Some of the main provisions that relate to Unitholder rights under the Constitution include:

- Unitholder rights to share in the income of a Fund, and how we calculate it;
- Unitholder rights to withdraw from a Fund and what Unitholders are entitled to receive when they withdraw or if a Fund is wound up;
- the nature of the Units and classes of Units (if applicable);
- Unitholder rights to attend and vote at meetings – these mainly reflect the requirements of the Corporations Act which also deals with Unitholder rights to requisition or call a meeting; and
- resolutions passed by a requisite majority at a meeting of Unitholders are binding on all Unitholders.

The Constitution of each Fund provides that the liability of each Unitholder is limited to its investment in a Fund. A Unitholder is not required to indemnify us or our creditors in respect of a Fund. However, no complete assurance can be given in this regard as the ultimate liability of a Unitholder has not been finally determined by the courts.

There are also provisions governing our powers and duties, some of which are discussed elsewhere in this PDS.

Other provisions include:

- when we can terminate a Fund or class of Units (if applicable) or reclassify Units (if applicable) and what happens if we do. Generally, we can only terminate a Fund in accordance with the Corporations Act and only if we provide Unitholders with the required notice, and if we do, Unitholders share pro rata in the net proceeds from us selling a Fund's investments;
- when we can amend a Fund's Constitution. Generally, we can only amend a Constitution where we reasonably believe that the changes will not adversely affect a Unitholder's rights as an investor. Otherwise a Fund Constitution can only be amended if approved by special resolution at a meeting of investors;
- our right to refuse to accept Unit creation requests or record any transfer of Units without giving any reason;
- our right to determine minimum Unit creation, redemption and holding amounts and powers in support of these minimums;
- our right to deduct amounts Unitholders owe us from withdrawal proceeds; and
- our broad powers to invest, borrow and generally manage a Fund. We do not currently intend to borrow funds to acquire assets for each Fund, although this is permitted under each Fund's Constitution. We may only borrow if we consider it to be in the best interests of Unitholders.

The Constitution also deals with our liabilities in relation to a Fund and when they can be reimbursed to us out of a Fund's assets, for example, subject to the Corporations Act:

- we are not liable for acting in reliance and in good faith on professional advice;
- we are not liable to Unitholders for any loss unless we fail to comply with our duties, fail to act in good faith or if we act negligently; and
- we can be reimbursed for all liabilities we incur in connection with the proper performance of our duties in respect of a Fund.

Amendment of a Fund's Constitution is subject to both the Corporations Act and the terms of the Constitution itself.

14.4 Compliance plan

In accordance with the requirements of the Corporations Act and ASIC policy, each Fund has a Compliance Plan.

The Compliance Plan sets out the measures we will take to ensure we comply with the Corporations Act and the Constitution of a Fund. To oversee compliance with the Compliance Plan, we have established a Compliance Committee.

The Compliance Committee is required to report breaches of a Fund Constitution and the Corporations Act to the directors of BlackRock, and in some circumstances, to ASIC.

A copy of each Fund's Compliance Plan is available free of charge by contacting BlackRock (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

14.5 Auditor

We have an obligation under the Corporations Act to appoint an auditor for each Fund and each Fund's Compliance Plan.

14.6 Market maker

Under the AQUA Rules, we have certain obligations in respect of each Fund to ensure the development of an orderly and liquid market in a Fund. Designated market makers are the dealers or brokers permitted by the ASX to act as such by making a market for the Units in the secondary market on the ASX.

Various other market makers may also be active in maintaining liquidity in a Fund by acting as buyer and seller in the secondary market.

Market makers enter into agreements with the ASX and ETF issuers to act as a market maker and must have the necessary skill and expertise to perform a market making function. BlackRock has appointed a designated market maker for the Funds who has the experience to meet the requirements of the AQUA Rules and who already acts as a market maker for ASX quoted ETFs. Generally, the appointed designated market maker will also have experience of trading ETFs on other global exchanges. BlackRock may change its appointed designated market maker from time to time.

Each day a Fund's Unit Creation/Redemption Basket is published. Market makers apply a buy and sell spread to a Fund's NAV Price and publish these prices on the exchange, and to the extent required by the market making agreements entered into with the ASX and BlackRock and as trading orders are submitted, continuously update the prices throughout the trading day. Market makers are well positioned to assess the likely value of the interests and to provide prices throughout the day by, including but not limited to, subscribing to data services that provide intra-day offer prices for the underlying securities in a Fund's Index, deriving price information by analysing flows, and interacting with brokers and other market participants.

Units may be purchased from and sold through market makers. However, there is no guarantee or assurance as to the price at which a market will be made.

14.7 Conflicts of interest and related party information

The Manager is a member of the BlackRock Group. The BlackRock Group participates in global financial markets in a number of different capacities. The Funds may invest or engage in transactions with entities for which the BlackRock Group may perform services. In particular, BlackRock Asset Management North Asia Limited will carry out portfolio management responsibilities for the Funds. We have appointed the related parties on an arm's length commercial basis. We have also made these appointments after considering the requirements of our conflicts of interest policy and our obligation to manage conflicts of interest under the Corporations Act. In addition, the Manager or persons associated with the Manager may invest in the Funds from time to time. All such transactions will be on an arm's length commercial basis.

Certain members of the BlackRock Group may have actual and potential conflicts of interest regarding the allocation of investment opportunities amongst funds and products they manage. The BlackRock Group will seek to manage these conflicts in a fair and equitable manner having regard to the interests of their clients generally. As a responsible entity and the holder of an Australian Financial Services Licence, the Manager has policies and procedures in place to manage such conflicts of interest.

From time to time, the Manager may be restricted from purchasing or selling particular securities on behalf of investors because of regulatory requirements or internal policies applicable to the BlackRock Group. This may result in circumstances where, for example, a BlackRock fund is unable to exactly replicate the weightings in a particular index.

In circumstances where ownership thresholds or limitations must be observed, BlackRock will seek to equitably allocate limited investment opportunities amongst the relevant BlackRock products, taking into consideration benchmark weight and investment strategy.

BlackRock's offices overseas may provide services to the Responsible Entity partially through a Sydney branch, which is permitted to conduct regulated financial services business in Australia pursuant to an exemption from the requirement to hold an AFSL issue by ASIC, subject to certain conditions of that exemption.

14.8 Registrar

We have appointed Computershare Investors Services Pty Limited (**Computershare**) as the registrar for the Funds. Computershare is responsible for the maintenance of Unitholder records such as quantity of securities held, tax file number and details of participation in the DRP.

Computershare has given and, as at the date hereof, has not withdrawn its written consent to be named as the Registrar in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of this PDS other than being named as the Registrar for the Funds. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS. Refer to section 15 of this PDS, titled "Corporate directory", for Computershare's contact details.

14.9 Custody

J.P. Morgan Chase Bank, N.A. Sydney Branch has been appointed as custodian for the Funds. The role of a custodian is limited to holding assets of the Funds on behalf of BlackRock and acting in accordance with express instructions from BlackRock (except in limited circumstances where the custodian is obliged to act without express instructions per the terms of the agreement).

BlackRock remains liable to Unitholders for acts and omissions of the custodian. A custodian has no supervisory obligation to ensure that BlackRock complies with its obligations as Responsible Entity of the Funds.

The custodian may change from time to time but must satisfy any relevant regulatory requirements as mentioned above. If you require details of our custodian at any time, you should contact BlackRock (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

14.10 Receipt of instructions

Please be aware that fraudulent or other unauthorised instructions can be made by persons with access to a Unitholder's account name and a copy of their authorised signatures. Accordingly, Unitholders agree to release and indemnify us against all claims and demands arising as a result of our acting on what appeared to us to be proper instructions.

14.11 Proxy voting

BlackRock's investment stewardship programme is focused on protecting and enhancing the economic value of companies in which it invests on behalf of clients. We do this through engagement with boards and management of investee companies and voting at shareholder meetings. Our overarching approach to investment stewardship is set out in our Corporate Governance and Engagement Principles. Voting is carried out in accordance with our market-specific voting guidelines. These documents are available on our website at www.blackrock.com/corporate/en-us/about-us/investment-stewardship.

14.12 Privacy policy

We collect your personal information for the primary purpose of establishing and administering your investments with us, communicating with you and providing you with access to protected areas of our websites. We also collect some personal information to meet our obligations, under the AML Legislation and the Corporations Act. We use and disclose personal information to administer your investment, conduct product and market research, and deal with your concerns. We collect personal information through our interactions with you, as well as in some instances from your financial adviser or other authorised representative, your organisation, public sources and information brokers. BlackRock may take steps to verify information collected.

We are unable to process your application and provide you with the requested investment without your personal information. We ask that you advise us of any changes to the personal information you have provided. If you provide us with personal information about any other individuals (e.g. directors) you must ensure that they are aware of this privacy section.

A Privacy Policy setting out further details of our handling of personal information is available upon request or from our website at www.blackrock.com.au. The Privacy Policy contains information about how you can access and seek correction of your personal information, about how you can complain or enquire about breaches of your privacy and about how we will deal with your complaint or enquiry.

We may disclose your information to our related bodies corporate and to our service providers who assist us with, among other things, data storage and archiving, auditing, accounting, customer contact, legal, business consulting, banking, payment, data processing, data analysis, information broking, research, website and technology services. Your personal information may be disclosed to Australian and overseas regulatory authorities on reasonable request by those authorities. We may also disclose your information to external parties on your behalf, such as your financial adviser, unless you have instructed otherwise.

BlackRock operates as a global organisation and to this end, functions generally operate from dedicated centres which also provide shared services around the globe. Typically, personal information collected in relation to an investment in our funds may be disclosed to our related body corporate located offshore currently in Singapore. Personal information (generally other than personal information held in relation to individual investors) may be held within applications on our portfolio management system or client relationship management system which are potentially accessible by our related body corporates in any country in which the BlackRock Group has an office. A list of those countries is available through a link found in our Privacy Policy. Key data is held at locations in Australia, the U.S. and the United Kingdom either at a BlackRock related party site or third party site.

We take reasonable steps to ensure that any recipients of your personal information do not breach the privacy obligations relating to your personal information.

We, BlackRock Inc and its related bodies corporate may use your information on occasion, to inform you by telephone, electronic messages (like email), online and other means, about other services or products offered by us or them. We may do this on an ongoing basis, but you may opt out at any time.

If you wish to opt out, update or request access to your information, obtain a copy of our Privacy Policy or raise any queries or concerns regarding privacy, you may contact our Privacy Officer by contacting our Client Services Centre (refer to section 15 of this PDS, titled "Corporate directory", for contact details).

14.13 Complaints

We have established procedures for dealing with enquiries and complaints. If you are a Unitholder and have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre (refer to section 15 of this PDS, titled "Corporate directory", for contact details). If you make a complaint to us the compliant will be acknowledged and steps will be taken to investigate your concerns. A final response will be provided within 45 days in accordance with our obligations.

BlackRock is a member of the Financial Ombudsman Service (**FOS**), an independent complaint resolution body. If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to FOS.

FOS can be contacted by either:

- Telephone: 1300 780 808;
- Mail: GPO Box 3, Melbourne, Victoria, 3001;
- Email: info@fos.org.au; or
- Website: www.fos.org.au.

For the hearing and speech impaired, FOS can be contacted by either:

- National Relay Service: www.relayservice.com.au;
- TTY/Voice Calls: 133 677 (local); or
- Speak & Listen: 1300 555 727 (local).

14.14 ASIC relief

Equal treatment relief

ASIC has granted relief under section 601QA of the Corporations Act from the equal treatment requirement in section 601FC(1)(d), to the extent necessary to permit the redemption requirements and procedures for Units and the provision of certain Fund portfolio information to Authorised Participants as described in this PDS.

For the purposes of this relief it is important to note that only Authorised Participants (i) are able to redeem Units in the Fund; and (ii) will receive certain information in relation to scheme property of the Fund, together with the market makers for the Fund.

PDS and Issue of securities requirements

ASIC has granted relief under section 1020F(1)(c) of the Corporations Act from sections 1013H and 1016D, to reflect the continuous offering of Units in the Funds. For the purposes of this relief Units issued pursuant to an application will be quoted under the AQUA Rules on the ASX with effect from the settlement of the issue of the relevant Units through CHESS and on a monthly basis we will announce to the ASX via the ASX Market Announcements Platform each Fund's total Units on issue within five business days of the month end. As the settlement of the issue of the relevant Units will be made through CHESS, we will not be required to hold application money prior to the issue of Units.

Redemption Facility – Relevant Interest in Fund Assets

ASIC has granted relief under section 655A(1) and 673(1) of the Corporations Act by modifying section 609 of the Corporations Act to ensure that the ability to lodge a redemption request under the redemption facility offered by each Fund does not by itself give Unitholders a relevant interest in the securities held by a Fund. The instrument clarifies that those relevant interests do not need to be taken into account by Unitholders in relation to their obligations under the takeover and substantial holder notices regimes in the Corporations Act. The relief will not apply once the relevant Units are redeemed.

Ongoing disclosure relief

ASIC has granted relief under section 1020F(1)(a) of the Corporations Act from the ongoing disclosure requirements in section 1017B on condition that BlackRock complies with the continuous disclosure requirements of the Corporations Act as if each Fund were an unlisted disclosing entity.

Periodic statements

BlackRock relies upon the relief granted by ASIC in ASIC Class Order [CO13/1200]. Under this relief if BlackRock is not aware of the price at which a Unitholder bought or sold Units on the ASX, periodic statements are not required to include details of the transaction price, nor the return on investment during the reporting period, provided that BlackRock is not able to calculate the return on investment and the periodic statement explains why this information is not included and describes how it can be obtained or calculated.

14.15 Index provider disclaimer

The Funds are not sponsored, endorsed, sold or promoted by Standard & Poor's and its affiliates (**S&P**) or by ASX Operations Pty Limited and its affiliates (**ASX**). S&P and ASX make no representation, condition or warranty, express or implied, to the owners of the Funds or any member of the public regarding the advisability of investing in securities generally or in the Funds particularly or the ability of the relevant Index to track the performance of certain financial markets and/or sections thereof and/or of groups of assets or asset classes. S&P's and ASX's only relationship to BlackRock Institutional Trust Company, N.A is the licensing of certain trademarks and trade names and of the Index which is determined, composed and calculated by S&P without regard to BlackRock Institutional Trust Company, N.A, BlackRock Investment Management (Australia) Limited or the Funds. S&P and ASX have no obligation to take the needs of BlackRock Institutional Trust Company, N.A, BlackRock Investment Management (Australia) Limited or the owners of the Funds into consideration in determining, composing or calculating the Index. S&P and ASX are not responsible for and have not participated in the determination of the prices and amount of the Funds or the timing of the issuance or sale of the Funds or in the determination or calculation of the equation by which the Funds' units are to be converted into cash. S&P and ASX have no obligation or liability in connection with the administration, marketing, or trading of the Funds.

S&P and ASX do not guarantee the accuracy and/or the completeness of the relevant Index or any data included therein and S&P and ASX shall have no liability for any errors, omissions, or interruptions therein. S&P and ASX make no warranty, condition or representation, express or implied, as to results to be obtained by BlackRock Institutional Trust Company, N.A, BlackRock Investment Management (Australia) Limited, owners of the Funds, or any other person or entity from the use of the relevant Index or any data included therein. S&P and ASX make no express or implied warranties, representations or conditions, and expressly disclaim all warranties or conditions of merchantability or fitness for a particular purpose or use and any other express or implied warranty or condition with respect to the relevant Index or any data included therein. Without limiting any of the foregoing, in no event shall S&P and ASX have any liability for any special, punitive, indirect, or consequential damages (including lost profits) resulting from the use of the relevant Index or any data included therein, even if notified of the possibility of such damages.

15. Corporate directory

iSHARES CALL CENTRE

Telephone: 1300 474 273 between 9:00 am and 5:00 pm Monday to Friday AEST
Email: ishares.australia@blackrock.com

BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED

Level 26
101 Collins Street
Melbourne VIC 3000

Telephone: 1300 366 100
Facsimile: 1300 366 107
Email: clientservices.aus@blackrock.com

iSHARES AUSTRALIA CAPITAL MARKETS DESK

BlackRock Investment Management (Australia) Limited
Level 37, Chifley Tower
2 Chifley Place
Sydney NSW 2000

Telephone: (02) 9272 2345
Facsimile: (02) 9278 5573
Email: isharesaustralia.capitalmarkets@blackrock.com

FUND REGISTRAR

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Telephone: 1300 474 273 between 8:30 am and 7:00 pm Monday to Friday AEST
Facsimile: (02) 8235 8209

16. Glossary

AFSL	means Australian Financial Services Licence.
AMIT	means Attribution Managed Investment Trust.
AML Legislation	means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006.
AP Agreement	means an agreement between BlackRock and an Authorised Participant governing the creation and redemption of units in iShares ETFs.
Application Form	means the form accompanying this PDS that may be used in the submission of Unit creation/redemption requests by Authorised Participants.
AQUA Rules	means the ASX Operating Rules that apply to AQUA products and AQUA trading.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited.
ATO	means the Australian Tax Office.
AUM	means assets under management.
Authorised Participant	means a person who is a wholesale client as described in section 761G of the Corporations Act and who has entered into a relevant Authorised Participant Agreement.
BlackRock Group	means BlackRock Inc and its subsidiary and affiliated entities collectively.
BlackRock Inc	means BlackRock, Inc.®.
BlackRock, Responsible Entity, Issuer, Manager, we, our or us	means BlackRock Investment Management (Australia) Limited ABN 13 006 165 975 (Australian financial service licence number 230523).
Business Day	means that days on which a Fund is open for Unit creation and redemption requests, as defined in the Operating Procedures.
CGT	means capital gains tax.
CHESS	means the Clearing House Electronic Subregister System operated by ASX Settlement and another ASX subsidiary.
Compliance Committee	means the BlackRock compliance committee established to oversee each Fund's compliance with the Compliance Plan.
Compliance Plan	means the compliance plan of each Fund.
Computershare	means Computershare Investors Services Pty Limited ACN 078 279 277.
Constitution	means the constitution of each Fund.
Corporations Act	means the Corporations Act 2001 (Cth).
Creation Basket	means a portfolio of securities, as determined by BlackRock, which can be transferred to BlackRock in exchange for the creation of Units in a Fund.
Creation Unit	means the minimum number of Units in each Fund required for a Unit creation request, as set out under sections 1.5 and 11.2 of this PDS, titled "Offer eligibility" and "Minimum Unit creation and redemption size" respectively.
Cut-off Time	means the deadline by which BlackRock must receive Unit creation or redemption requests, as defined in the Operating Procedures.
DRP Rules	means the terms and conditions of the DRP Plan.
DRP	means the distribution reinvestment plan for the Funds, as described in section 12.2 of this PDS, titled "Distribution reinvestment plan".
ETF	means exchange traded fund.
FATCA	means the Foreign Account Tax Compliance Act.
FOS	means the Financial Ombudsman Service.
Fund, Funds	means, as applicable, iShares Core S&P/ASX 200 ETF (ASX: IOZ / ARSN: 146 083 141) iShares S&P/ASX 20 ETF (ASX: ILC / ARSN: 146 083 641), iShares S&P/ASX Small Ordinaries ETF (ASX: ISO / ARSN: 146 080 739) and/or iShares S&P/ASX Dividend Opportunities ETF (ASX:IHD / ARSN: 146 080 926).

GST	means Goods and Services Tax.
IGA	means the intergovernmental agreement between the U.S. and Australia to implement FATCA in Australia
Index	means, as applicable, S&P/ASX 200 Accumulation Index, S&P/ASX 20 Accumulation Index, S&P/ASX Small Ordinaries Accumulation Index or S&P/ASX Dividend Opportunities Accumulation Index.
NAV	means net asset value.
NAV Price	means the NAV of a Fund divided by the number of Units on issue in that Fund.
Non-Standard Creation Basket	means any Unit creation basket of securities that includes cash in lieu of omitted securities and, if applicable, a cash amount representing any residual cash.
Non-Standard Redemption Basket	means any Unit redemption basket of securities that includes cash in lieu of omitted securities and, if applicable, a cash amount representing any residual cash.
Operating Procedures	means the iShares Authorised Participant Operating Procedures, as amended from time to time.
OTC	means over the counter.
PDS	means this product disclosure statement dated 28 April 2016 and any supplementary or replacement product disclosure statement in relation to this document.
Redemption Basket	means a portfolio of securities, as determined by BlackRock, which will be transferred to an Authorised Participant in exchange for the redemption of Units in a Fund.
Redemption Unit	means the minimum number of Units in each Fund required for a Unit redemption request, as set out under section 11.2 of this PDS, titled “Minimum Unit creation and redemption size”.
Registrar	means a Fund’s registrar as appointed by BlackRock, being Computershare.
S&P	means S&P Dow Jones Indices LLC, a part of McGraw Hill Financial, Inc.
Tax Law	means the Income Tax Assessment Act 1936 (Cth), Income Tax Assessment Act 1997 (Cth), the Taxation Administration Act 1953 (Cth) and any relevant regulations, rulings or judicial or administrative pronouncements.
TFN	means Tax File Number.
TOFA	means Taxation of Financial Agreements.
Unit	means an undivided share in the beneficial interest in the assets of a Fund as described in this PDS.
Unitholders	means a person holding Units in a Fund.
U.S.	means United States of America.

Prospectus | 30 April 2015

Vanguard® US Total Market Shares Index ETF
ASX Code: VTS

Vanguard Investments Australia Ltd. (ABN 72 072 881 086 / AFSL 227 263)

Contents

Important notice

Trading Participants

Please note that the offer in this Prospectus is for stockbrokers acting as principal, that is persons who have been authorised as ‘trading participants’ under the Australian Securities Exchange (ASX) Operating Rules (Eligible Investor). For that reason, certain sections of this Prospectus (particularly those relating to purchases and redemptions of the Vanguard Total Stock Market ETF (US ETF)) are of direct relevance to such persons only.

All other investors

Other investors cannot invest through this Prospectus directly, but can transact in the Vanguard US Total Market Shares Index ETF through a stockbroker or financial adviser. Other investors can use this Prospectus for informational purposes only. For further details on Vanguard Exchange Traded Funds (ETFs) please contact a stockbroker or financial adviser or visit www.vanguard.com.au.

This Prospectus does not constitute an offer or invitation in any jurisdiction other than in Australia. For the avoidance of doubt, Vanguard US Total Market Shares Index ETF securities are not intended to be sold to US Persons as defined under Regulation S of the US federal securities laws.

Vanguard ETF Trading and Support Team
8:30 am to 5:30 pm (Melbourne time)
Monday to Friday
Telephone: 1300 655 888
Facsimile: 1300 765 712
E-mail: etf@vanguard.com.au

ASX enquiries
Telephone 131 279 (within Australia)
Telephone +61 2 9338 0000 (outside Australia)

Registered office
Level 34, Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Postal address
GPO Box 3006
Melbourne Vic 3001

Website
www.vanguard.com.au

Features at a glance

Full name	Vanguard US Total Market Shares Index ETF
ASX code	VTS
SEDOL	B42HLM5
ISIN	AU000000VTS1
Management Costs[1]	0.05% p.a.
Structure	CDI : CHESS Depositary Interest
Objective	Track the performance of the benchmark Index
Index	CRSP US Total Market Index
Listing location	AQUA market of the ASX
Commencement date	8 May 2009
Prospectus date	30 April 2015
Expiry date	30 May 2016
AQUA product issuer	Vanguard Investments Australia Ltd
Fund manager	The Vanguard Group, Inc.
Share registry	Computershare Investor Services Pty Limited
Holder of underlying ETFs	CHESS Depositary Nominees Pty Limited
Risks	Market, index sampling, currency, trading and liquidity, regulatory and tax.
Transactions (primary market)	Via an Authorised Participant in the US
Creation unit[2]	Please refer to the latest Statement of Additional Information (SAI)
Transaction fee[3]	Please refer to the latest SAI
Transactions (secondary market)[4]	Available on the ASX; required to have a brokerage account.
Distribution	Quarterly: March, June, September and December
Distribution payable	Australian dollars, within 20 business days following the record date
Distribution reinvestment plan	Not available
Taxation	Capital gains or ordinary income, foreign sourced income and US withholding and US estate tax may be applicable depending on the circumstance of the investor.
Regulated Investment Company status	The Vanguard Total Stock Market Index Fund qualifies as at the date of this Prospectus

Documents incorporated by reference	US Prospectus and SAI (and documents that update the US Prospectus and SAI, as lodged with ASIC from time to time).
Key contact	Vanguard ETF Trading and Support Team on 1300 655 888

1 Refer to the section 'Fees and expenses' on page 6.
2 US ETF Securities are issued and redeemed in large blocks known as creations units to Authorised Participants only. Refer to the section '3. How to transact with Vanguard' on page 10.
3 This amount is only paid by Authorised Participants purchasing or redeeming ETF units. Individual investors do not pay this amount for sales or purchases through their broker.
4 Investors buying or selling CDIs on the ASX may incur brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell CDIs on the ASX).

Disclaimers

An investment in the Vanguard US Total Market Shares Index ETF is subject to risk, (refer to the section '2. Risks' on page 9), which may include possible delays in repayment and loss of income and capital invested.

None of VGI, including Vanguard or their related entities, directors or officers, gives any guarantee or assurance as to the performance of, or the repayment of capital or income reinvested, in the Vanguard US Total Market Shares Index ETF described in this Prospectus. VGI, its related entities and associates may invest in, lend to or provide other services to the Vanguard US Total Market Shares Index ETF.

This Prospectus is prepared for general information only. It is not intended to be a recommendation by Vanguard, any of Vanguard's associates or any other person to invest in the Vanguard US Total Market Shares Index ETF. In preparing this Prospectus, Vanguard did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors need to consider (with or without the advice or assistance of an adviser) whether an investment in the Vanguard US Total Market Shares Index ETF is appropriate to their needs, objectives and circumstances.

Vanguard has sufficient working capital to enable it to operate the Vanguard US Total Market Shares Index ETF as outlined in this Prospectus.

About this Prospectus

This Prospectus is for the Vanguard US Total Market Shares Index ETF and is dated 30 April 2015.

Vanguard Investments Australia Ltd ABN 72 072 881 086 AFSL 227263 (Vanguard) is the issuer of this Prospectus on behalf of the Vanguard Total Stock Market Index Fund (US Fund), a series of Vanguard Index Funds (a Delaware Statutory Trust).

The Vanguard Group, Inc. (VGI) is the US parent company of Vanguard.

In this Prospectus references to 'Vanguard', 'we', 'our' and 'us' refer to Vanguard Investments Australia Ltd.

A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC) in accordance with section 718 of the *Corporations Act 2001 (Cth) (Corporations Act)* and with the ASX Limited (ASX). Neither ASIC nor the ASX takes any responsibility for the contents of this Prospectus.

The Vanguard US Total Market Shares Index ETF is the name given to the Clearing House Electronic Subregister System (CHESS) Depositary Interests (CDIs) that are quoted on the AQUA market of the ASX (refer to page 8 for further details on CDIs). These CDIs facilitate the buying and selling of exchange traded shares in the US Fund (US ETF Securities) on the ASX. CDIs are 'securities' for the purpose of the *Corporations Act*.

Unless otherwise stated, data sources used within this prospectus by Vanguard or VGI are public or licensed market data and all material is current as at the date of this Prospectus.

A copy of this Prospectus for the Vanguard US Total Market Shares Index ETF, the prospectus for the US ETF Securities (US Prospectus) and the US Fund's Statement of Additional Information (SAI) are available on Vanguard's website at www.vanguard.com.au. If you do not have access to the internet, please contact Vanguard ETF Trading and Support Team on 1300 655 888. A paper copy will be provided free of charge on request.

Information available from Vanguard

To keep investors informed, Vanguard, in its capacity as the AQUA product issuer of the Vanguard US Total Market Shares Index ETF, will provide regular reporting and disclosure through the ASX Market Announcements Platform and Vanguard's website. The following information can be obtained by visiting Vanguard's website at www.vanguard.com.au or by contacting Vanguard ETF Trading and Support Team on 1300 655 888:

- Details of the Net Asset Value (NAV) - available monthly
- Details of the NAV price - available daily
- A copy of this Prospectus (and any documents which may amend or update the Prospectus)
- Details of any continuous disclosure notices given by Vanguard to the ASX and/or ASIC
- Details of distribution announcements given by Vanguard to the ASX
- Annual Reports and Financial Statements for the US Fund

1. Key features of the ETF offer

Offer to Eligible Investors

Through this Prospectus, Vanguard gives Eligible Investors the opportunity to convert US ETF Securities into CDIs to allow trading of interests in the US ETF Securities on the secondary market in Australia. Eligible Investors, as referred to in this Prospectus, cannot directly purchase or redeem US ETF Securities with the US Fund. Only institutions that are Authorised Participants in the US can purchase or redeem US ETF Securities. Therefore, Eligible Investors will be required to engage counterparts in the US that are Authorised Participants for the purchase and redemption of US ETF Securities (refer to page 10 for more details on the purchase and redemption process).

Continuous offer and expiry date

The offer of CDIs is a continuous offer which remains open until 30 May 2016 (the Expiry Date) being 13 months after the date of this Prospectus. CDIs will not be offered, issued or transferred on the basis of this Prospectus after 30 May 2016.

The ETF offered in this Prospectus is:

Fund name	Investment objective	Underlying Index	Management costs*
Vanguard US Total Market Shares Index ETF ASX code: VTS	Seeks to track the performance of a benchmark index that measures the investment return of the overall US stock market.	The CRSP US Total Market Index, represents approximately 100%of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange and Nasdaq.	0.05% p.a.

* Refer to the section 'Fees and expenses' on page 6.

The Vanguard US Total Market Shares Index ETF referred to in the above table is the name given to the CDIs that are quoted on the AQUA market of the ASX (refer to page 8 for further details on CDIs). CDIs facilitate the buying and selling of US ETF Securities issued by the US Fund. The US ETF Securities are listed on NYSE Arca (a subsidiary of NYSE Euronext).

The information in the table above is referenced from the US Prospectus for the US ETF Securities. For further information regarding the investment objectives and the fees and expenses, please refer to the US Prospectus.

Additional information about the CRSP US Total Market Index

The following table sets out additional information about the CRSP US Total Market Index:

Eligibility criteria	Listed equity securities, including common stocks of US-incorporated or US-headquartered companies (including REITs) traded on the NYSE, AMEX, NASDAQ or ARCA exchanges.
Weighting methodology	Full market capitalisation adjusted for free float before inclusion in the index.
Construction methodology	Rules-based. This means that there are specific objective eligibility criteria (i.e. rules) that determine which securities are included in the index and the weightings of the securities included in the index.
Rebalancing methodology	Quarterly rebalancing with security migration subject to “packeting”.
Liquidity requirements	Total market capitalisation greater than $10 million, float shares greater than 10% of total shares, trading volume requirements and a security must not have ten sequential days without trading volume.

For further information regarding the benchmark index values, returns and methodology please refer to CRSP's website www.crsp.com/indexes-pages/methodology

Fees and expenses

The following table sets out the fees and expenses of the US ETF Securities at the date of this Prospectus:

Vanguard ETF	Vanguard US Total Market Shares Index ETF
US ETF Security	Vanguard Total Stock Market ETF
Management fees	0.03 %
Distribution fee	None
Other expenses	0.02 %
Total annual fund operating expenses* (Management Costs)	0.05 %

* Management Costs are deducted from the assets of the US Fund

Management Costs are expressed as a percentage of the US ETF Securities' average net assets during the relevant period. Management Costs include management expenses, such as advisory fees, account maintenance, reporting, accounting, legal, and other administrative expenses and any distribution fees. They do not include the transaction costs of buying and selling portfolio securities.

As Management Costs are expressed as a percentage of the average net assets of the US ETF Securities and the value of those assets may change over time, the actual Management Costs for a period may be higher or lower than shown in the table above. For additional information about Fees and Expenses of the US ETF Securities, please see the US Prospectus. Investors buying or selling CDIs on the ASX may incur customary brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell CDIs on the ASX).

What is an ETF?

An ETF is an Exchange Traded Fund, which is quoted for trading on the AQUA market of the ASX (in this case, it is the CDIs that are quoted for trading on the AQUA market of the ASX). Generally, these exchange traded funds comprise broadly diversified investment portfolios of either shares, bonds or real estate securities and are constructed using an indexed investment methodology.

ETFs seek to combine the best features of index managed funds and listed shares in one investment. Vanguard ETFs are index funds which come with the benefits of low cost, broad diversification, transparency and tax efficiency due to low turnover of the underlying securities. However, unlike traditional index funds which are priced only once per day, ETF securities trade on a stock exchange so they can be bought and sold at any time during the trading day at prevailing market prices. ETFs carry certain risks (refer to the section '2. Risks' on page 9 for further details).

Who is Vanguard?

Vanguard Investments Australia Ltd (Vanguard) is a wholly owned subsidiary of The Vanguard Group, Inc. The Vanguard Group, Inc. is one of the world's largest global investment management companies, with over $3 trillion under management, in the US and through subsidiaries worldwide as at 31 December 2014. In Australia, Vanguard has been serving financial advisers, individual investors and institutional investors for more than 17 years.

Who is involved in the ETF process?

The role of Vanguard is to be the issuer of the cross-listed US ETF Securities, via CDIs, into the Australian market (refer to page 8 for further details). To accomplish this, Vanguard has entered into an Intermediary Authorisation Agreement with VGI. Neither the US Fund nor VGI hold an Australian Financial Services Licence (AFSL).

Other roles of Vanguard are to:

- contract with relevant parties in Australia to ensure that the CDIs are properly created for the Australian market;
- contract with an appropriate share registry to ensure that the relevant investor details are maintained in regard to the CDIs that are quoted on the AQUA market of the ASX; and
- help maintain an efficient trading market by assigning at least one market maker.

VGI, either itself or through a subsidiary, will manage the investments of the US Fund and process the creation and redemption orders of the US ETF Securities in the US.

The US ETF Securities are held by Depository Trust Company (DTC) which is a limited purpose trust company that was created in the US to hold the securities of its participants (refer to page 8 for further details).

Computershare Trust Company, N.A. (a DTC Participant) has entered into a Custody Agreement with CHESS Depositary Nominees Pty Limited (CHESS Depositary Nominees), such that CHESS Depositary Nominees becomes the holder of the underlying US ETF Securities that will be cross-listed into the Australian market.

Computershare Investor Services Pty Limited (Computershare) has been engaged by Vanguard under a Share Registry Agreement to maintain the Australian register of CDI holders and provide services to investors (including facilitating payment of any distributions) in relation to their CDI holdings. Computershare keeps investor records including the quantity of securities held by an investor and how the securities are held. Computershare's role is to also facilitate the transfer of US ETF Securities, created in the US, for transacting in Australia.

Contact details

Product issuer Vanguard Investments Australia Ltd Level 34, Freshwater Place 2 Southbank Boulevard, Southbank Vic 3006	Share registrar Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067

AQUA market of the ASX

The ASX in September 2008 introduced a market service to provide managed funds, ETFs and structured products a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement services offered by the ASX.

The key distinction between products admitted under the ASX Listing Rules and those quoted under Schedule 10A of the ASX Operating Rules (AQUA Rules) is the level of influence that the issuer has over the underlying instrument.

An equity issuer under the ASX Listing Rules controls the value of its own securities and the business it runs and the value of those securities is directly influenced by the equity issuer's performance and conduct. For example, a company's management and board generally control the company's business and therefore have direct influence over the company's share price.

A product issuer under the AQUA Rules does not control the value of the assets underlying the products but offers products that give investors exposure to the underlying assets. The value (price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself. For example, a managed fund issuer does not control the value of the shares it invests in.

The following information highlights the key differences between the effect of listing under the ASX Listing Rules and quotation under the AQUA Rules for products like the Vanguard US Total Market Shares Index ETF.

Information	Issuers of products governed under ASX Listing Rules	Issuers of products governed under ASX AQUA Rules
Continuous disclosure	Subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the *Corporations Act*.	Not subject to Listing Rule 3.1 and section 674 of the *Corporations Act*. Subject to disclosure requirements under AQUA Rules Schedule 10A.4.4 and 10A.6.3 and section 675 of the *Corporations Act*.
Periodic disclosure	Required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	Not required to disclose half yearly and annual financial information or annual reports under the Listing Rules. Copies of the US Fund's Annual and Semi-Annual Reports filed with the SEC in the US will be disclosed to the ASX.
Corporate control	Requirements in the *Corporations Act* and the Listing Rules relating to takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply.	Subject to general requirement to provide the ASX with any information concerning itself or any proposed action or omission to act that the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products.
Related party transactions	Chapter 10 of the Listing Rules specifies controls over related party transactions.	Chapter 10 of the Listing Rules does not apply to AQUA Products.
Auditor rotation obligations	Requirements relating to auditor rotation under Division 5 of Part 2M.4 of the *Corporations Act* apply.	Not subject to Division 5 of Part 2M.4 of the *Corporations Act*.

Source: ASX Rules Framework 2011

Market Maker

The AQUA Rules contain certain market making requirements. A market maker's role is to satisfy supply and demand for CDIs. They do this by fulfilling two key functions:

- Providing liquidity to the market by providing continuous bid and ask prices and acting as the buyer and seller of CDIs throughout the day; and
- Applying to convert additional CDIs, where necessary, to meet supply and demand.

Market makers seek to provide continuous liquidity to the market. The process begins with the issuer distributing a net asset value for the US ETF Security to the market every day, allowing market makers to price the CDI. Market makers use this information to determine the price of CDIs and places a bid/ask spread around this value before sending these prices to the stock exchange as bid and ask orders. The orders are published to the market, and investors can either 'hit' orders to trade with the market maker or send their own orders to the exchange and wait for someone else to 'hit' them. Market maker orders are updated continuously throughout the day to reflect price changes in the underlying securities.

The market maker(s) that Vanguard has appointed for the Vanguard US Total Market Shares Index ETF, have been selected on the basis of their experience in trading and market making in both Australia and international markets. Most importantly, the firm(s) selected by Vanguard currently make markets on the ASX in existing Australian quoted ETF products and may have agreements with the ASX which provide certain financial incentives for the market maker to operate in this capacity. The market makers selected (or their offshore affiliates) may also have global experience in trading exchange traded fund securities in other markets, such as the New York Stock Exchange. Vanguard may change the lead market maker or appoint additional market makers.

CHESS Depositary Interests (CDIs)

Investors in the Vanguard US Total Market Shares Index ETF offered in this Prospectus will hold a CDI rather than a US ETF Security. CDIs are Australian financial instruments designed to give its holders rights and entitlements (i.e. a beneficial interest) in relation to holding foreign financial products, such as the US ETF Securities. A Depositary Nominee holds title on behalf of CDI holders. In the case of the US ETF Securities, the nominee is CHESS Depositary Nominees Pty Limited (CDN) who is the holder of the AFS License 254 514 and is an approved participant in the clearing and settlement facility operated by ASX Settlement Pty Limited.

CDI holders are not holders of the US ETF Security. Some entitlements accrue to holders of US ETF Securities directly such as voting rights and corporate actions. This can alter the entitlements of a CDI holder. The ratio of CDI's to corresponding US ETF Securities is one-to-one.

In relation to *voting*, if a meeting of holders of US ETF Securities is convened, each holder of CDIs will be given notice of the meeting. The notice will include a form permitting the CDI holder to direct the Depositary Nominee to cast, authorise or arrange the casting of, proxy votes in accordance with the CDI holder's written directions. Only holders of US ETF Securities (as shown on DTC records or DTC Participant records) or their proxies can vote at meetings of holders of US ETF Securities.

In relation to *corporate actions* all economic benefits such as dividends, bonus issues, rights issues, capital reconstructions or similar corporate actions must flow through to CDI holders under the ASX Settlement Operating Rules. However, there may be differences from the entitlements you would receive if you held the US ETF Securities directly, for example, there may be rounding of entitlements where the depository nominee's holding is treated as a single holding rather than holdings corresponding to the interests of CDI holders. The US ETF Securities are not subject to corporate takeovers.

CDIs may be held in uncertificated form on either the Issuer Sponsored Subregister or the CHESS Subregister, which together make up the Australian CDI Register (maintained by Computershare).

For more information on CDI's generally, please refer to CDN's guidance note. Understanding CHESS Depository Interests and ASIC's MoneySmart website (www.moneysmart.gov.au).

CDI Holders interested in converting existing CDI's into US ETF Securities should contact Computershare on 1300 757 905.

Depository Trust Company (DTC)

DTC, a limited-purpose trust company, was created in the US to hold securities owned on record by its participants (DTC Participants) and to facilitate the clearance and settlement of securities transactions among the DTC Participants in such securities through electronic book entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of share certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Excluding the Australian branch offices of major overseas DTC Participants, there are few (if any) Australian entities who are DTC Participants.

2. Risks

Investors in the Vanguard US Total Market Shares Index ETF face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment in ETFs could lose money over short or even long periods.

The price of an ETF can fluctuate within a wide range, like fluctuations of the overall stock market. When considering an investment in the Vanguard US Total Market Shares Index ETF, personal tolerance for fluctuating market values should be taken into account. There is no guarantee that the value of investment capital will be maintained.

The risks described in the US Prospectus for the US ETF Security are:

- Stock market risk;
- Index sampling risk; and
- ETF trading risks.

The above risk descriptions also apply to the Vanguard US Total Market Shares Index ETF. Prospective investors should read and consider these risks in the US Prospectus (as well as the additional risks identified below) before making an investment decision. Additional risks specific to the offer in Australia are detailed below:

Currency risk

Fluctuations in the value of the Australian dollar versus foreign currencies can affect the returns from overseas investments. This is because losses or gains must be converted back into Australian dollars.

The Vanguard US Total Market Shares Index ETF offered in this Prospectus does not hedge any of its exposure to foreign currencies.

A weaker Australian dollar increases the value of investments held in non-Australian dollars and therefore benefits the Australian investor holding non-Australian dollar denominated assets, such as international shares. Conversely, if the value of the Australian dollar rises, the value of investments held in non-Australian dollar denominated assets will fall.

Fluctuations in the exchange rate between when a distribution is paid on the US ETF Security and when these distributions are converted into Australian dollars by Computershare for holders of CDIs can also result in foreign currency gains and losses arising for holders of CDIs. This is discussed in further detail in the section 'Distributions' on page 10.

Regulatory and tax risk

This is the risk that a government or regulator may introduce regulatory and tax changes or a court makes a decision regarding the interpretation of the law that affects the value of securities in which the US Fund invests, the value of the interests in the Vanguard US Total Market Shares Index ETF, or the tax treatment of the investment in the Vanguard US Total Market Shares Index ETF.

The US Fund may be affected by changes to legislation or government policy both in Australia and in other countries. These changes are monitored by Vanguard and action is taken, where appropriate, to facilitate the achievement of the Vanguard US Total Market Shares Index ETF's objectives.

Please refer to the section '4. Investor taxation' on page 11 for information about the tax impacts for the offer in Australia.

Trading and liquidity risk

In certain circumstances, the ASX and/or other exchanges may suspend the trading of CDIs and therefore investors will not be able to buy or sell the CDIs on the ASX.

The ASX also imposes certain requirements for the Vanguard US Total Market Shares Index ETF to continue to be quoted. Vanguard will endeavour to meet these requirements at all times to ensure the Vanguard US Total Market Shares Index ETF remains quoted.

There can be no assurances that there will always be a liquid market for securities quoted on the AQUA market. Vanguard has appointed a market maker to assist in maintaining liquidity for the Vanguard US Total Market Shares Index ETF on the ASX, but there is no guarantee that the market maker will be able to maintain liquidity.

The net asset value of the US ETF Securities may differ from the trading price of the CDIs on the ASX. The trading price is dependent on a number of factors including the demand and supply of the CDIs, investor confidence and how closely the value of the assets of the US Fund tracks the performance of the index.

3. How to transact with Vanguard

Eligible Investors

To convert US ETF Securities to CDIs (and vice versa), an Eligible Investor can contact an Authorised Participant. Interests in the US Fund are issued and redeemed in large blocks known as creation units. To purchase or redeem a creation unit you must be an Authorised Participant or you must trade through a broker that is an Authorised Participant. An Authorised Participant is a participant in the Depository Trust Company (DTC) that has executed a Participant Agreement with VGI.

The Authorised Participant will then arrange for the purchase or redemption of US ETF Securities with the US Fund. These US ETF Securities issued by the US Fund will be held by Computershare Trust Company, N.A. on behalf of the Eligible Investor (in the name of CHESS Depositary Nominees). The equivalent value of CDIs (1 US ETF Security for 1 CDI) will then be issued to the Eligible Investor.

Please note that transaction fees may apply to Eligible Investors in Australia when the Authorised Participant purchases or redeems US ETF Securities. These costs are negotiable directly with the relevant Authorised Participants.

For further details on the number of US ETF Securities in a creation unit and the transaction fee for the US ETF Securities, please refer to the latest SAI.

For further details on the purchase and redemption process, please contact Vanguard ETF Trading and Support Team on 1300 655 888 who can assist you with the process.

Other Investors - buying and selling ETFs on the secondary market

Investors who are not Eligible Investors can acquire, via the secondary market, CDIs of the US ETF Securities which are publicly traded via the ASX. To acquire a US ETF Security in the form of a CDI, investors will need to have a brokerage account.

When investors buy or sell CDIs on the secondary market, brokers may charge brokerage fees or commissions. Investors may also incur the cost of the ‘bid/ask spread’ which is the difference between the price at which the broker will purchase the security and the higher price at which the broker will sell the security. In addition, because the secondary market transactions occur at market prices, investors may pay more (premium) or less (discount) than the Net Asset Value when buying a CDI and receive more or less than the Net Asset Value when selling it.

Distributions

Distributions from the US Fund are generally calculated quarterly in March, June, September and December. Distributions may be paid at other times.

The distributions payable in respect of the CDIs quoted on the ASX will be declared and paid by the US Fund in US dollars, and converted by Computershare into Australian dollars prior to payment to holders of CDIs.

CDI holders will generally receive distribution payments (to which they are entitled, if any) within 20 business days following the record date in Australia. The value of the Australian dollar distribution payment is dependent on the prevailing foreign exchange rate a few days prior to the payment date. That is, the dollar amount of the distribution will first be determined and paid by the US Fund in US dollars and Computershare will then convert this into Australian dollars before making the distribution payment to holders of CDIs. The relevant exchange rate is as agreed from time to time between Computershare and its broker, net of fees and commissions.

From time to time, the foreign exchange rate can be volatile and the exchange rate when the distribution is declared and paid by the US Fund may differ from the prevailing foreign exchange rate at the date at which the distribution is converted into Australian dollars. This can give rise to foreign currency gains and losses for holders of CDIs in some circumstances.

Payment of distributions will be generally made by direct credit into a nominated Australian bank account. A distribution reinvestment plan is not available for the Vanguard US Total Market Shares Index ETF offered in this Prospectus.

Please refer to the section ‘4. Investor taxation' section on page 11 for information on the tax consequences of receiving distributions from the US Fund.

4. Investor taxation

The taxation information in this Prospectus is provided for general information only. It is a broad overview of some of the Australian and US tax consequences associated with investing in the Vanguard US Total Market Shares Index ETF offered in this Prospectus, and is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for investors.

It does not take into account the specific circumstances of each person who may invest in the Vanguard US Total Market Shares Index ETF and should not be used as the basis upon which potential investors make a decision to invest in the Vanguard US Total Market Shares Index ETF. As each investor's circumstances are different, Vanguard strongly recommends that an investor obtains independent professional tax advice concerning the tax implications of investing in and dealing in interests in the Vanguard US Total Market Shares Index ETF, particularly if an investor is not a resident of Australia or is a 'temporary resident' of Australia for tax purposes.

The Australian and US taxation information in this Prospectus have been prepared based on tax laws and administrative practice available at the date of this Prospectus. Any changes in the tax law or administrative practice that are announced subsequent to this date may alter the taxation information provided in this Prospectus.

Taxation of Australian tax resident investors

The taxation information provided in this Prospectus relates to Australian tax residents. Investors who are foreign residents should seek independent professional advice in relation to their specific circumstances.

Distributions from the ETF

Distributions from the US Fund made to an Australian tax resident investor in the Vanguard US Total Market Shares Index ETF should be treated as assessable foreign sourced income for the Australian tax resident investor in the tax year in which the distribution has been received.

For Australian tax purposes, the Australian tax resident investor is assessed on the amount of the dividend distributions received during the tax year gross of any US withholding tax deducted. Australian tax resident investors may be entitled to claim an offset against the Australian tax payable on their foreign sourced income for any US tax withheld, as described in the following section "US tax withheld". Please see an Australian tax adviser in order to determine whether benefits of any tax offsets for US tax withheld from distributions in the Vanguard US Total Market Shares Index ETF can be obtained.

Distributions paid by the Vanguard US Total Market Shares Index ETF to Australian tax resident investors will be paid by the US Fund in US dollars, but then converted into Australian dollars by Computershare prior to payment to Australian tax resident investors. The distribution payment advice will show the gross distribution amount, tax withheld and net distribution amount in US dollars and the exchange rate used to convert the net distribution to Australian dollars. Investors may use these exchange rates to convert the gross distribution and tax withheld to Australian dollars for tax return purposes, and to determine the amount of any foreign currency gains or losses that may arise for the Australian tax investor in respect of the distribution.

The US Fund qualifies as a Regulated Investment Company ('RIC") under subchapter M of the US Internal Revenue Code of 1986 and intends to continue to qualify as a RIC in the future. As a result, the US Fund expects to benefit from special US tax rules that will generally cause it to pay no material US tax on its income or gains. However, distributions to investors may be subject to US withholding tax as described in the following section "US tax withheld".

The US Fund may also be subject to withholding taxes on income earned by the US Fund outside of the US. The distributions paid by the Vanguard US Total Market Shares Index ETF to Australian tax resident investors will be net of withholding taxes (if any) payable by the US Fund on the receipt by the US Fund of its non-US income.

US tax withheld

The US generally imposes a 30% withholding tax on dividends paid by US corporations to non-US persons, but this rate may be reduced to 15% under the Australia/US income tax treaty currently in effect. Australian tax resident investors may be required to complete US tax forms in order to qualify for the reduced rate under the treaty. The US Fund distributes its portfolio income and any short-term capital gains as a dividend generally subject to the applicable US withholding rate. Unlike those distributions, any long-term capital gains the US Fund distributes that are reported to investors as capital gain dividends will generally not be subject to US withholding tax.

Foreign accruals regime

Generally, under the previous foreign investment fund (FIF) regime, Australian tax resident taxpayers may be assessed on their portion of gain in the value of interests in certain foreign companies and foreign trusts at the end of the tax year, even though those gains are unrealised. However, interests in the Vanguard US Total Market Shares Index ETF were generally exempt from the FIF regime on the basis that the US Fund was a RIC.

The FIF rules have been repealed effective from 1 July 2010. At the date of this Prospectus, the Government has released an exposure draft in relation to a new "foreign accumulation fund" rule which is proposed to replace the repealed FIF rules.

It is proposed that the "anti-roll-up" rule will apply for the tax years starting on or after the date in which the new rule becomes law. At the date of this Prospectus, the "anti-roll-up" rule is still in draft form and its final form is unknown.

Vanguard does not anticipate, based on the version of the exposure draft for the "foreign accumulation fund" rule that is available at the date of this Prospectus, that CDIs in the Vanguard US Total Market Shares Index ETF would be subject to the “anti-roll up” rule. Investors should monitor developments in relation to the “anti-roll up” rule as the terms of this rule which becomes law may be different.

Selling or transferring CDIs

If an Australian tax resident investor in the Vanguard US Total Market Shares Index ETF disposes of his or her CDIs by selling or otherwise transferring the CDIs to another person (e.g. if they sell their CDIs on-market), the investor may be liable for tax on any gains realised on the disposal of those CDIs.

For investors who do not hold their CDIs on capital account for income tax purposes (e.g. if the investor is in the business of dealing in securities such as CDIs), any gains realised on the disposal of CDIs should be assessable as ordinary income. Where investors who hold their CDIs on revenue account incur a loss in respect of dealings in their CDIs, this loss may, subject to certain integrity requirements, be available to offset current or future assessable income amounts.

For investors who hold their CDIs on capital account for income tax purposes, a capital gain or loss may be made on the disposal of their CDIs. Some investors may be eligible for the CGT discount (50% for individuals and certain trusts and 33.33% for complying superannuation funds) if the CDIs are held for at least 12 months before they are disposed of and the other relevant requirements are satisfied. Investors should obtain independent professional tax advice about the availability of the CGT discount.

Any capital loss arising on a disposal of CDIs may only be offset against capital gains made in that year or subsequent years.

US estate tax

US estate tax may apply to an individual who is neither a US citizen nor domiciled in the US and, at the time of death, is the beneficial owner of the US ETF Securities. Generally, the first USD 60,000 of US-situated assets are exempt from US estate tax. The amount of the estate tax may be determined by the value of the US ETF Securities owned at death and may be reduced under the Australia/US estate tax treaty.

All investors should seek professional tax advice in relation to the US estate tax rules.

5. Other information you need to know

Financial information

Financial information for the US Fund appears in the Annual Report of the US Fund. This report can be found on Vanguard's website at www.vanguard.com.au. Outlined below is a summary of the financial accounts:

US Fund	Vanguard Total Stock Market Index Fund
Date	31 December 2014
Net assets of Fund	USD 383.0billion*
Net assets of ETF class	USD 50.9 billion*
Outstanding ETF shares	480.1million*
NAV price per ETF share	USD 106.00

*These are rounded figures. For additional financial information about the US Fund, please see the US Fund's annual report and the Financial Highlights table in the US Prospectus.

Financial statements of the US Fund

The Financial Statements and Notes contained in the Annual Report of the US Fund are incorporated by reference into and are deemed for US legal purposes to be part of the Company's SAI. However, for the purpose of section 712 of the *Corporations Act*, this Prospectus does not incorporate the Annual Reports of the US Fund.

Interests of Directors

Details about the Trustees and officers of the US Fund (and details of their remuneration) are referred to in the US Prospectus and SAI. Directors of Vanguard and their related parties may hold ETF units from time to time.

Except as set out in this Prospectus, the US Prospectus, or the SAI, as may be updated:

- no Trustee of the US Fund or director of Vanguard has had in the last 2 years before lodgement of this Prospectus, an interest in:
  - the formation or promotion of Vanguard, VGI, the US Fund or the Vanguard US Total Market Shares Index ETF;
  - the offer in this Prospectus; or
  - any property acquired or proposed to be acquired by Vanguard, VGI, the US Fund or the Vanguard US Total Market Shares Index ETF in connection with its formation or promotion of the offer in this Prospectus; and
- no amounts, whether in cash or shares or otherwise have been paid or agreed to be paid (by anyone), and no benefit has been given or agreed to be given (by anyone), to any Trustee of the US Fund or director of Vanguard, either to induce them to become, or to qualify as, a trustee, a director, or otherwise for services provided by them in connection with the promotion or formation of Vanguard, VGI, the US Fund or the Vanguard US Total Market Shares Index ETF or the offer in this Prospectus.

The Trustees of the US Fund and the directors of Vanguard have given and not withdrawn their consent to lodge this Prospectus with ASIC.

US Fund Trustees

The following table provides information about the Trustees of the US Fund.

Name, year of birth	Current position	Trustee / officer since
Interested Trustee		
F. William McNabb III (1957)	Chairman of the Board, Chief Executive Officer, and President	July 2009
Mr. McNabb is considered an "interested person" of the US Fund, as that term is defined in the Investment Company Act of 1940 (in the US), because he is an officer of the US Fund.		
Independent Trustees		
Emerson U. Fullwood (1948)	Trustee	January 2008
Rajiv L. Gupta (1945)	Trustee	December 2001
Amy Gutmann (1949)	Trustee	June 2006
JoAnn Heffernan Heisen (1950)	Trustee	July 1998
F. Joseph Loughrey (1949)	Trustee	October 2009
Mark Loughridge (1953)	Lead Independent Trustee	March 2012
Scott C. Malpass (1962)	Trustee	March 2012

André F. Perold (1952)	Trustee	December 2004
Peter F. Volanakis (1955)	Trustee	July 2009

Directors of Vanguard

The table below provides information about the directors of Vanguard.

Name	Current position	Board member since
John M. James	Director	2010
Carl R. Comegys	Director	2014
James M. Norris	Director	2008
Glenn W. Reed	Director	2008
Cynthia Lui	Director	2014

Interests of other parties

Vanguard is an Australian financial services licensee and the AQUA product issuer of the CDIs. Vanguard will receive from VGI an amount equal to all costs incurred by Vanguard in relation to being the issuer of the cross-listed ETF plus a margin as agreed from time to time.

Consents

Computershare Investor Services Pty Limited has given and not withdrawn its written consent to be named in this Prospectus in the form and context in which all references to its name appear and takes no responsibility for any part of this Prospectus other than references to its name.

CRSP has given and not withdrawn its consent to the statements relating to CRSP on pages 5, and 17 of this Prospectus in the format and context in which they appear.

Consents to lodge Prospectus

This Prospectus has been prepared by Vanguard. Each of the Trustees of the US Fund and the directors of Vanguard has consented to the lodgement of this Prospectus with ASIC.

Incorporating other documents

The US Prospectus and SAI are referred to and incorporated by reference in this Prospectus under section 712 of the *Corporations Act*. The SAI is incorporated by reference into its US Prospectus and for US legal purposes is a part of the US Prospectus.

The US Prospectus and the SAI have been lodged with ASIC, and this Prospectus simply refers to parts of these documents instead of setting out the information that is contained in them. The information below is provided to allow a person to whom the offer is made to decide whether to obtain a copy of either the US Prospectus or the SAI.

The US Prospectus contains information regarding:

- The US Fund's investment objective, fees and expenses, primary investment strategies, principal risks, performance, investment advisor and portfolio manager, purchase and sale of the fund securities, US tax information and policy on payments to financial intermediaries.
- US ETF Securities and how they differ from conventional mutual fund securities.
- How to buy and sell US ETF Securities.
- Share class overview, market exposure, security selection, other investment policies and risks, cash management and temporary investment measures.
- Special risks of US ETF Securities, portfolio holdings disclosure policy and turnover rate.
- The US Fund, VGI and its structure, VGI employees with oversight, US Fund distributions and basic US tax points.
- How the US Fund's net asset value is determined.
- Highlights from the US Fund's financial statements.

The SAI contains information regarding:

- The US Fund's organisational structure and service providers.
- Characteristics of the US Fund's securities.
- US tax status of the US Fund and tax consequences to investors investing in the US Fund.
- The US Fund's fundamental and non-fundamental policies ("fundamental" policies are those that cannot be changed without shareholder approval).
- The purchase and redemption of the US Fund's non-ETF securities.
- Management of the US Fund.
- Officers and trustees of the US Fund, trustee compensation and trustee ownership of fund securities.
- Portfolio holdings disclosure policies and procedures.
- The US Fund's portfolio managers, including summary information about other accounts they manage and their compensation structure.
- The US Fund's "best execution" policies and brokerage expenses.

- The US Fund's proxy voting guidelines.
- The ETF share-class, including exchange listing and trading, conversions and exchanges, book entry only system and purchase and redemption of ETF Securities in creation units.

The US Prospectus and SAI may be amended or supplemented from time to time. Documents that amend the US Prospectus and SAI may be incorporated by reference into this Prospectus under s712 of the *Corporations Act.*

Copies of the documents incorporated in this Prospectus (including the US Prospectus and SAI) and documents amending the US Prospectus and SAI may be obtained by contacting Vanguard ETF Trading and Support Team on 1300 655 888 or by visiting Vanguard's website at www.vanguard.com.au. These documents will be available free of charge.

Other filings in the US

Certain other documents which may be filed or prepared by VGI in the US subsequent to the date of this Prospectus (other than those documents identified above) may be incorporated by reference in the US Prospectus. Such documents (if any) cannot (for legal and timing reasons) be taken to be included in this Prospectus under section 712 of the *Corporations Act*. Such documents (if any) may be given to the ASX as announcements by Vanguard and will be made available on Vanguard's website at www.vanguard.com.au.

ASX confirmations and waivers

The ASX has granted Vanguard a confirmation under the ASX Market Rules that for the purposes of ASX Market Rule 2.10 (ASX Operating Rule 7100), the Vanguard US Total Market Shares Index ETF constitutes an 'ETF'.

The ASX has granted Vanguard a waiver from ASX Market Rule 10A.4.1 (ASX Operating Rule Schedule 10A.4.1) such that the investment strategies or policies can be amended without the approval of 75% of votes cast on a proposed resolution. Any change to the investment strategies or policies of the US Fund will be subject to the requirements as set out in the US Prospectus. In this regard, the board of trustees of the US Fund, which oversees the management of the US Fund, may change investment strategies or policies in the interests of shareholders without a shareholder vote. For this reason, it is unlikely that an Australian investor would be able to influence the outcome of a change in the investment strategies or policies.

ASIC relief

ASIC has issued an instrument of relief INS 09-00290 dated 16 April 2009, relating to offers for sale of CDIs on the ASX. ASIC has also issued an instrument of relief INS 09-00289 dated 16 April 2009, relating to the ability of Vanguard Investments Australia Ltd to offer CDIs under a Prospectus.

Privacy policy

Vanguard is committed to respecting the privacy of your personal information.

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information. Vanguard's privacy policy states how Vanguard manages personal information. Vanguard collects personal information about investors through Vanguard's registrar - Computershare or through third parties such as brokers, and may collect additional personal information from you in the course of managing your investment.

Vanguard uses your personal information to provide this product to you, to comply with regulatory requirements and to establish and manage your investment in the Vanguard US Total Market Shares Index ETF. We may disclose your personal information to third parties including regulators and service providers such as Computershare, for the purposes set out in the privacy policy.

For a complete description of how your personal information may be handled (including other potential uses) by Vanguard, please see Vanguard's privacy policy at www.vanguard.com.au, or contact the ETF Trading and Support Team on 1300 655 888 for a copy. To access or update your personal information, please write to Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067.

US Foreign Account Tax Compliance Act (FATCA)

The Foreign Account Tax Compliance Act (FATCA), effective 1 July 2014, is a US law which impacts investors worldwide. FATCA attempts to minimise US income tax avoidance by US persons investing in foreign assets, including through their investments in foreign financial institutions. FATCA requires reporting of US persons' direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service (IRS).

The Australian Government has entered into an Inter-Governmental Agreement (IGA) with the Government of the United States of America for reciprocal exchange of taxpayer information. Under the IGA, financial institutions operating in Australia report information to the Australian Taxation Office (ATO) rather than the IRS. The ATO may then pass the information on to the IRS.

The US Fund or its authorised agents, such as the registrar – Computershare, may request such information or documents from you as is necessary to verify your identity and FATCA status. The Fund or its authorised agents may disclose this information to the IRS or ATO as necessary to comply with FATCA, the IGA or applicable implementing law or regulation.

Vanguard is not able to provide tax advice and strongly encourages investors to seek the advice of an experienced tax advisor to determine what actions investors may need to take in order to comply with FATCA.

Anti-money laundering and counter terrorism-financing

Vanguard is bound by laws regarding the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Laws). By acquiring the CDIs, the investor agrees that:

- they do not purchase or redeem US ETF Securities or buy or sell CDIs under an assumed name
- any money used to acquire the securities is not derived from or related to any criminal activities
- any proceeds of the investment will not be used in relation to facilitating money laundering or terrorism financing.
- the investor will provide the information that is reasonably required for the purposes of AML/CTF Laws (including information about the investor and any beneficial interest in the CDIs, or the source of funds used to invest)

Vanguard may obtain information about you from third parties if it is believed this is necessary to comply with AML/CTF Laws. In order to comply with AML/CTF Laws. Vanguard may be required to disclose information to regulators of AML/CTF Laws (whether in or outside of Australia).

6. Glossary

ASX means ASX Limited

ASIC means the Australian Securities and Investments Commission

Authorised Participant is a participant in the Depository Trust Company that has executed a Participant Agreement with Vanguard Marketing Corporation (a VGI subsidiary) in order to be eligible to purchase and redeem US ETF Securities with the US Fund

AQUA Rules mean Schedule 10A of the ASX Operating Rules

CDIs means CHESS Depositary Interests

CHESS means the Clearing House Electronic Subregister System

CHESS Depositary Nominees means CHESS Depositary Nominees Pty Limited

Depository Trust Company or DTC means the company that is defined on page 8 of this Prospectus

Eligible Investor means stockbrokers acting as principal, that is persons who have been authorised as 'trading participants' under the ASX Operating Rules

SAI means the Vanguard Index Funds Statement of Additional Information for the US Fund lodged with ASIC and includes any documents lodged with ASIC that update the SAI

US Fund means the Vanguard Total Stock Market Index Fund

US Prospectus is the latest prospectus of the US ETF Securities lodged with ASIC and includes any documents lodged with ASIC that update the US Prospectus

US ETF Security or US ETF Securities means exchange traded fund shares in the US Fund - the Vanguard Total Stock Market ETF

Vanguard means Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263)

VGI means The Vanguard Group, Inc.

Connect with Vanguard™ > vanguard.com.au > 1300 655 888

Vanguard Investments Australia Ltd
(The Product Issuer)

Registered office
Level 34, Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Postal address
GPO Box 3006
Melbourne Vic 3001

Vanguard ETF Trading and Support Team
8:30 am to 5:30 pm (Melbourne time)
Monday to Friday

Telephone:	1300 655 888
Facsimile:	1300 765 712
E-mail:	etf@vanguard.com.au

ASX enquiries
131 279 (within Australia)
+61 2 9338 0000 (outside Australia)

ETFPROSVTS_042015

Prospectus | 27 February 2015

Vanguard® All-World ex-US Shares Index ETF

ASX Code: VEU

Vanguard Investments Australia Ltd. (ABN 72 072 881 086 / AFSL 227 263)

Contents

Important notice

Trading Participants

Please note that the offer in this Prospectus is for stockbrokers acting as principal, that is persons who have been authorised as 'trading participants' under the Australian Securities Exchange (ASX) Operating Rules (Eligible Investor). For that reason, certain sections of this Prospectus (particularly those relating to purchases and redemptions of the Vanguard All-World ex-US Shares Index ETF (US ETF)) are of direct relevance to such persons only.

All other investors

Other investors cannot invest through this Prospectus directly, but can transact in the Vanguard All-World ex-US Shares Index ETF through a stockbroker or financial adviser. Other investors can use this Prospectus for informational purposes only. For further details on Vanguard Exchange Traded Funds (ETFs) please contact a stockbroker or financial adviser or visit www.vanguard.com.au.

This Prospectus does not constitute an offer or invitation in any jurisdiction other than in Australia. For the avoidance of doubt, Vanguard All-World ex-US Shares Index ETF securities are not intended to be sold to US Persons as defined under Regulation S of the US federal securities laws.

Vanguard ETF Help Desk
8:30 am to 5:30 pm (Melbourne time)
Monday to Friday
Telephone: 1300 655 888
Facsimile: 1300 765 712
E-mail: etf@vanguard.com.au

ASX enquiries
Telephone 131 279 (within Australia)
Telephone +61 2 9338 0000 (outside Australia)

Registered office
Level 34, Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Postal address
GPO Box 3006
Melbourne Vic 3001

Website
www.vanguard.com.au

Features at a glance

Full name	Vanguard All-World ex-US Shares Index ETF
ASX code	VEU
SEDOL	B42HLZ8
ISIN	AU000000VEU9
Management Costs[1]	0.14% p.a.
Structure	CDI : CHESS Depositary Interest
Objective	Track the performance of the benchmark Index
Index	FTSE All-World ex US Index
Listing location	AQUA market of the ASX
Commencement date	8 May 2009
Prospectus date	27 February 2015
Expiry date	27 March 2016
AQUA product issuer	Vanguard Investments Australia Ltd
Fund manager	The Vanguard Group, Inc.
Share registry	Computershare Investor Services Pty Limited
Holder of underlying ETFs	CHESS Depositary Nominees Pty Limited
Risks	Market; country/regional; emerging markets; currency; regulatory and tax; and trading and liquidity.
Transactions (primary market)	Via an Authorised Participant in the US
Creation unit[2]	Please refer to the latest Statement of Additional Information (SAI)
Transaction fee[3]	Please refer to the latest SAI
Transactions (secondary market)[4]	Available on the ASX; required to have a brokerage account.
Distribution	Quarterly: March, June, September and December
Distribution payable	Australian dollars, within 20 business days following the record date
Distribution reinvestment plan	Not available
Taxation	Capital gains or ordinary income, foreign sourced income, and US withholding and US estate tax may be applicable depending on the circumstance of the investor.
Regulated Investment Company status	Qualifies as at the date of this Prospectus

Documents incorporated by reference	US Prospectus and SAI (and documents that update the US Prospectus and SAI, as lodged with ASIC from time to time).
Key contact	Vanguard ETF Help Desk on 1300 655 888

1 Refer to the section ‘Fees and expenses’ on page 5.

2 US ETF Securities are issued and redeemed in large blocks known as creation units to Authorised Participants only. Refer to the section ‘3. How to transact with Vanguard’ on page 10.

3 This amount is only paid by Authorised Participants purchasing or redeeming ETF units. Individual investors do not pay this amount for sales or purchases through their broker.

4 Investors buying or selling CDIs on the ASX may incur brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell CDIs on the ASX).

Disclaimers

An investment in the Vanguard All-World ex-US Shares Index ETF is subject to risk, (refer to the section ‘2. Risks’ on page 9), which may include possible delays in repayment and loss of income and capital invested.

None of VGI, including Vanguard or their related entities, directors or officers, gives any guarantee or assurance as to the performance of, or the repayment of capital or income reinvested, in the Vanguard All-World ex-US Shares Index ETF described in this Prospectus. VGI, its related entities and associates may invest in, lend to or provide other services to the Vanguard All-World ex-US Shares Index ETF.

This Prospectus is prepared for general information only. It is not intended to be a recommendation by Vanguard, any of Vanguard’s associates or any other person to invest in the Vanguard All-World ex-US Shares Index ETF. In preparing this Prospectus, Vanguard did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors need to consider (with or without the advice or assistance of an adviser) whether an investment in the Vanguard All-World ex-US Shares Index ETF is appropriate to their needs, objectives and circumstances.

Vanguard has sufficient working capital to enable it to operate the Vanguard All-World ex-US Shares Index ETF as outlined in this Prospectus.

About this Prospectus

This Prospectus is for the Vanguard All-World ex-US Shares Index ETF and is dated 27 February 2015.

Vanguard Investments Australia Ltd ABN 72 072 881 086 AFSL 227263 (Vanguard) is the issuer of this Prospectus on behalf of the Vanguard FTSE All-World ex-US Index Fund (US Fund), a series of Vanguard International Equity Index Funds (a Delaware Statutory Trust).

The Vanguard Group, Inc. (VGI) is the US parent company of Vanguard.

In this Prospectus references to 'Vanguard', 'we', 'our' and 'us' refer to Vanguard Investments Australia Ltd.

A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC) in accordance with section 718 of the *Corporations Act 2001 (Cth) (Corporations Act)* and with the ASX Limited (ASX). Neither ASIC nor the ASX takes any responsibility for the contents of this Prospectus.

The Vanguard All-World ex-US Shares Index ETF is the name given to the Clearing House Electronic Subregister System (CHESS) Depositary Interests (CDIs) that are quoted on the AQUA market of the ASX (refer to page 8 for further details on CDIs). These CDIs facilitate the buying and selling of exchange traded shares in the US Fund (US ETF Securities) on the ASX. CDIs are 'securities' for the purpose of the *Corporations Act*.

Unless otherwise stated, data sources used within this prospectus by Vanguard or VGI are public or licensed market data and all material is current as at the date of this Prospectus.

A copy of this Prospectus for the Vanguard All-World ex-US Shares Index ETF, the prospectus for the US ETF Securities (US Prospectus) and the US Fund's Statement of Additional Information (SAI) are available on Vanguard's website at www.vanguard.com.au. If you do not have access to the internet, please contact Vanguard ETF Help Desk on 1300 655 888. A paper copy will be provided free of charge on request.

Information available from Vanguard

To keep investors informed, Vanguard, in its capacity as the AQUA product issuer of the Vanguard All-World ex-US Shares Index ETF, will provide regular reporting and disclosure through the ASX Market Announcements Platform and Vanguard's website. The following information can be obtained by visiting Vanguard's website at www.vanguard.com.au or by contacting Vanguard ETF Help Desk on 1300 655 888:

- Details of the Net Asset Value (NAV) - available monthly
- Details of the NAV price - available daily
- A copy of this Prospectus (and any documents which may amend or update the Prospectus)
- Details of any continuous disclosure notices given by Vanguard to the ASX and/or ASIC
- Details of distribution announcements given by Vanguard to the ASX
- Annual Reports and Financial Statements for the US Fund

1. Key features of the ETF offer

Offer to Eligible Investors

Through this Prospectus, Vanguard gives Eligible Investors the opportunity to convert US ETF Securities into CDIs to allow trading of interests in the US ETF Securities on the secondary market in Australia. Eligible Investors, as referred to in this Prospectus, cannot directly purchase or redeem US ETF Securities with the US Fund. Only institutions that are Authorised Participants in the US can purchase or redeem US ETF Securities. Therefore, Eligible Investors will be required to engage counterparts in the US that are Authorised Participants for the purchase and redemption of US ETF Securities (refer to page 10 for more details on the purchase and redemption process).

Continuous offer and expiry date

The offer of CDIs is a continuous offer which remains open until 27 March 2016 (the Expiry Date) being 13 months after the date of this Prospectus. CDIs will not be offered, issued or transferred on the basis of this Prospectus after 27 March 2016.

The ETF offered in this Prospectus is:

Fund name	Investment objective	Underlying Index	Management costs*
Vanguard All-World ex-US Shares Index ETF ASX code: VEU	Seeks to track the performance of a benchmark index that measures the investment return of stocks of companies located in developed and emerging markets outside of the United States.	The FTSE All-World ex US Index is a free-float-adjusted, market-capitalisation-weighted index designed to measure equity market performance of international markets, excluding the United States. The index includes approximately 2,360 stocks of companies located in 46 countries, including both developed and emerging markets.	0.14% p.a.

* Refer to the section 'Fees and expenses' on page 5.

The Vanguard All-World ex-US Shares Index ETF referred to in the above table is the name given to the CDIs that are quoted on the AQUA market of the ASX (refer to page 8 for further details on CDIs). CDIs facilitate the buying and selling of US ETF Securities issued by the US Fund. The US ETF Securities are listed on NYSE Arca (a subsidiary of NYSE Euronext).

The information in the table above is referenced from the US Prospectus for the US ETF Securities. For further information regarding the investment objectives and the fees and expenses, please refer to the US Prospectus.

Fees and expenses

The following table sets out the fees and expenses of the US ETF Securities at the date of this Prospectus:

Vanguard ETF	Vanguard All-World ex-US Shares Index ETF
US ETF Security	Vanguard FTSE All-World ex-US ETF
Management fees	0.10%
Distribution fee	None
Other expenses	0.04%
Total annual fund operating expenses* (Management Costs)	0.14%

* Management Costs are deducted from the assets of the US Fund

Management Costs are expressed as a percentage of the US ETF Securities' average net assets during the relevant period. Management Costs include management expenses, such as advisory fees, account maintenance, reporting, accounting, legal, and other administrative expenses and any distribution fees. They do not include the transaction costs of buying and selling portfolio securities.

As Management Costs are expressed as a percentage of the average net assets of the US ETF Securities and the value of those assets may change over time, the actual Management Costs for a period may be higher or lower than shown in the table above. For additional information about Fees and Expenses of the US ETF Securities, please see the US Prospectus.

Investors buying or selling CDIs on the ASX may incur customary brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell CDIs on the ASX).

What is an ETF?

An ETF is an Exchange Traded Fund, which is quoted for trading on the AQUA market of the ASX (in this case, it is the CDIs that are quoted for trading on the AQUA market of the ASX). Generally, these exchange traded funds comprise broadly diversified investment portfolios of either shares, bonds or real estate securities and are constructed using an indexed investment methodology.

ETFs seek to combine the best features of index managed funds and listed shares in one investment. Vanguard ETFs are index funds which come with the benefits of low cost, broad diversification, transparency and tax efficiency due to low turnover of the underlying securities. However, unlike traditional index funds which are priced only once per day, ETF securities trade on a stock exchange so they can be bought and sold at any time during the trading day at prevailing market prices. ETFs carry certain risks (refer to the section '2. Risks' on page 9 for further details).

Who is Vanguard?

Vanguard Investments Australia Ltd (Vanguard) is a wholly owned subsidiary of The Vanguard Group, Inc. The Vanguard Group, Inc. is one of the world's largest global investment management companies, with over $3 trillion under management, in the US and through subsidiaries worldwide as at 31 December 2014. In Australia, Vanguard has been serving financial advisers, individual investors and institutional investors for more than 16 years.

Who is involved in the ETF process?

The role of Vanguard is to be the issuer of the cross-listed US ETF Securities, via CDIs, into the Australian market (refer to page 8 for further details). To accomplish this, Vanguard has entered into an Intermediary Authorisation Agreement with VGI. Neither the US Fund nor VGI will hold an Australian Financial Services Licence (AFSL).

Other roles of Vanguard are to:

- contract with relevant parties in Australia to ensure that the CDIs are properly created for the Australian market;
- contract with an appropriate share registry to ensure that the relevant investor details are maintained in regard to the CDIs that are quoted on the AQUA market of the ASX; and
- help maintain an efficient trading market by assigning at least one market maker.

VGI, either itself or through a subsidiary, will manage the investments of the US Fund and process the creation and redemption orders of the US ETF Securities in the US.

The US ETF Securities are held by Depository Trust Company (DTC) which is a limited purpose trust company that was created in the US to hold the securities of its participants (refer to page 8 for further details).

Computershare Trust Company, N.A. (a DTC Participant) has entered into a Custody Agreement with CHESS Depositary Nominees Pty Limited (CHESS Depositary Nominees), such that CHESS Depositary Nominees becomes the holder of the underlying US ETF Securities that will be cross-listed into the Australian market.

Computershare Investor Services Pty Limited (Computershare) has been engaged by Vanguard under a Share Registry Agreement to maintain the Australian register of CDI holders and provide services to investors (including facilitating payment of any distributions) in relation to their CDI holdings. Computershare keeps investor records including the quantity of securities held by an investor and how the securities are held. Computershare's role is to also facilitate the transfer of US ETF Securities, created in the US, for transacting in Australia.

Contact details

Product issuer	Share registrar
Vanguard Investments Australia Ltd Level 34, Freshwater Place 2 Southbank Boulevard Southbank Vic 3006	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067

AQUA market of the ASX

The ASX in September 2008 introduced a market service to provide managed funds, ETFs and structured products a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement services offered by the ASX.

The key distinction between products admitted under the ASX Listing Rules and those quoted under Schedule 10A of the ASX Operating Rules (AQUA Rules) is the level of influence that the issuer has over the underlying instrument.

An equity issuer under the ASX Listing Rules controls the value of its own securities and the business it runs and the value of those securities is directly influenced by the equity issuer's performance and conduct. For example, a company's management and board generally control the company's business and therefore have direct influence over the company's share price.

A product issuer under the AQUA Rules does not control the value of the assets underlying the products but offers products that give investors exposure to the underlying assets. The value (price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself. For example, a managed fund issuer does not control the value of the shares it invests in.

The following information highlights the key differences between the effect of listing under the ASX Listing Rules and quotation under the AQUA Rules for products like the Vanguard All-World ex-US Shares Index ETF.

Information	Issuers of products governed under ASX Listing Rules	Issuers of products governed under ASX AQUA Rules
Continuous disclosure	Subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the *Corporations Act*.	Not subject to Listing Rule 3.1 and section 674 of the *Corporations Act*. Subject to disclosure requirements under AQUA Rules Schedule 10A.4.4 and 10A.6.3 and section 675 of the *Corporations Act*.
Periodic disclosure	Required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	Not required to disclose half yearly and annual financial information or annual reports under the Listing Rules. Copies of the US Fund's Annual and Semi-Annual Reports filed with the SEC in the US will be disclosed via the ASX's Market Announcements Platform.
Corporate control	Requirements in the *Corporations Act* and the Listing Rules relating to takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply.	Subject to general requirement to provide the ASX with any information concerning itself or any proposed action or omission to act that the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products.
Related party transactions	Chapter 10 of the Listing Rules specifies controls over related party transactions.	Chapter 10 of the Listing Rules does not apply to AQUA Products.
Auditor rotation obligations	Requirements relating to auditor rotation under Division 5 of Part 2M.4 of the *Corporations Act* apply.	Not subject to Division 5 of Part 2M.4 of the *Corporations Act*.

Source: ASX Rules Framework 2011

Market Maker

The AQUA Rules contain certain market making requirements. A market maker's role is to satisfy supply and demand for CDIs. They do this by fulfilling two key functions:

- Providing liquidity to the market by providing continuous bid and ask prices and acting as the buyer and seller of CDIs throughout the day; and
- Applying to convert additional CDIs, where necessary, to meet supply and demand.

Market makers seek to provide continuous liquidity to the market. The process begins with the issuer distributing a net asset value for the US ETF Security to the market every day, allowing market makers to price the CDI. Market makers use this information to determine the price of CDIs and places a bid/ask spread around this value before sending these prices to the stock exchange as bid and ask orders. The orders are published to the market, and investors can either 'hit' orders to trade with the market maker or send their own orders to the exchange and wait for someone else to 'hit' them. Market maker orders are updated continuously throughout the day to reflect price changes in the underlying securities.

The market maker(s) that Vanguard has appointed for the Vanguard All-World ex-US Shares Index ETF have been selected on the basis of their experience in trading and market making in both Australia and international markets. Most importantly, the firm(s) selected by Vanguard currently make markets on the ASX in existing Australian quoted ETF products and may have agreements with the ASX which provide certain financial incentives for the market maker to operate in this capacity. The market makers selected (or their offshore affiliates) may also have global experience in trading exchange traded fund securities in other markets, such as the New York Stock Exchange. Vanguard may change the lead market maker or appoint additional market makers.

CHESS Depositary Interests (CDIs)

Investors in the Vanguard All-World ex-US Shares Index ETF offered in this Prospectus will hold a CDI rather than a US ETF Security. CDIs are Australian financial instruments designed to give its holders rights and entitlements (i.e. a beneficial interest) in relation to holding foreign financial products, such as the US ETF Securities. A Depositary Nominee holds title on behalf of CDI holders. In the case of the US ETF Securities, the nominee is CHESS Depositary Nominees Pty Limited (CDN, who is the holder of the AFS license 254 514 and is an approved participant in the clearing and settlement facility operated by ASX Settlement Pty Limited

CDI holders are not holders of the US ETF Security. Some entitlements accrue to holders of US ETF Securities directly such as voting rights and corporate actions. This can alter the entitlements of a CDI holder. The ratio of CDIs to corresponding US ETF Securities is one-to-one.

In relation to *voting*, if a meeting of holders of US ETF Securities is convened, each holder of CDIs will be given notice of the meeting. The notice will include a form permitting the CDI holder to direct the Depositary Nominee to cast, authorise or arrange the casting of, proxy votes in accordance with the CDI holder's written directions. Only holders of US ETF Securities (as shown on DTC records or DTC Participant records) or their proxies can vote at meetings of holders of US ETF Securities.

In relation to *corporate actions*, all economic benefits such as dividends, bonus issues, rights issues, capital reconstructions or similar corporate actions must flow through to CDI holders under the ASX Settlement Operating Rules. However, there may be differences from the entitlements you would receive if you held the US ETF Securities directly, for example, there may be rounding of entitlements where the depository nominee's holding is treated as a single holding rather than holdings corresponding to the interests of the CDI holders. The US ETF Securities are not subject to corporate takeovers.

CDIs may be held in uncertificated form on either the Issuer Sponsored Subregister or the CHESS Subregister, which together make up the Australian CDI Register (maintained by Computershare).

For more information on CDI's generally, please refer to CDN's guidenace note: UNederstanfing CHESS Depository Interests and ASIC's MoneySmart website (www.money smart.gov.au).

CDI Holders interested in converting existing CDIs into US ETF Securities should contact Computershare on 1300 757 905.

Depository Trust Company (DTC)

DTC, a limited-purpose trust company, was created in the US to hold securities owned on record by its participants (DTC Participants) and to facilitate the clearance and settlement of securities transactions among the DTC Participants in such securities through electronic book entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of share certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Excluding the Australian branch offices of major overseas DTC Participants, there are few (if any) Australian entities who are DTC Participants.

2. Risks

Investors in the Vanguard All-World ex-US Shares Index ETF face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment in ETFs could lose money over short or even long periods.

The price of an ETF can fluctuate within a wide range, like fluctuations of the overall stock market. When considering an investment in the Vanguard All-World ex-US Shares Index ETF, personal tolerance for fluctuating market values should be taken into account. There is no guarantee that the value of investment capital will be maintained.

The risks described in the US Prospectus for the US ETF Security are:

- Stock market risk;
- Country/regional risk;
- Emerging markets risk;
- Currency risk;
- Index sampling risk;
- Investment style risk;and
- ETF trading risks.

The above risk descriptions also apply to the Vanguard All-World ex-US Shares Index ETF. Prospective investors should read and consider these risks in the US Prospectus (as well as the additional risks identified below) before making an investment decision. Additional risks specific to the offer in Australia are detailed below:

Currency risk

Fluctuations in the value of the Australian dollar versus foreign currencies can affect the returns from overseas investments. This is because losses or gains must be converted back into Australian dollars.

The Vanguard All-World ex-US Shares Index ETF offered in this Prospectus does not hedge any of its exposure to foreign currencies.

A weaker Australian dollar increases the value of investments held in non-Australian dollars and therefore benefits the Australian investor holding non-Australian dollar denominated assets, such as international shares. Conversely, if the value of the Australian dollar rises, the value of investments held in non-Australian dollar denominated assets will fall.

Fluctuations in the exchange rate between when a distribution is paid on the US ETF Security and when these distributions are converted into Australian dollars by Computershare for holders of CDIs can also result in foreign currency gains and losses arising for holders of CDIs. This is discussed in further detail in the section ‘Distributions’ on page 10.

Regulatory and tax risk

This is the risk that a government or regulator may introduce regulatory and tax changes or a court makes a decision regarding the interpretation of the law that affects the value of securities in which the US Fund invests, the value of the interests in the Vanguard All-World ex-US Shares Index ETF, or the tax treatment of the investment in the Vanguard All-World ex-US Shares Index ETF.

The Vanguard All-World ex-US Shares Index ETF may be affected by changes to legislation or government policy both in Australia and in other countries. These changes are monitored by Vanguard and action is taken, where appropriate, to facilitate the achievement of the Vanguard All-World ex-US Shares Index ETF’s objectives.

Please refer to the section ‘4. Investor taxation' on page 11 for information about the tax impacts for the offer in Australia.

Trading and liquidity risk

In certain circumstances, the ASX and/or other exchanges may suspend the trading of CDIs and therefore investors will not be able to buy or sell the CDIs on the ASX.

The ASX also imposes certain requirements for the Vanguard All-World ex-US Shares Index ETF to continue to be quoted. Vanguard will endeavour to meet these requirements at all times to ensure the Vanguard All-World ex-US Shares Index ETF remains quoted.

There can be no assurances that there will always be a liquid market for securities quoted on the AQUA market. Vanguard has appointed a market maker to assist in maintaining liquidity for the Vanguard All-World ex-US Shares Index ETF on the ASX, but there is no guarantee that the market maker will be able to maintain liquidity.

The net asset value of the US ETF Securities may differ from the trading price of the CDIs on the ASX. The trading price is dependent on a number of factors including the demand and supply of the CDIs, investor confidence and how closely the value of the assets of the US Fund tracks the performance of the index.

3. How to transact with Vanguard

Eligible Investors

To convert US ETF Securities to CDIs (and vice versa), an Eligible Investor can contact an Authorised Participant to purchase or redeem US ETF Securities. Interests in the US Fund are issued and redeemed in large blocks known as creation units. To purchase or redeem a creation unit you must be an Authorised Participant or you must trade through a broker that is an Authorised Participant. An Authorised Participant is a participant in the Depository Trust Company (DTC) that has executed a Participant Agreement with VGI.

The Authorised Participant will then arrange for the purchase or redemption of US ETF Securities with the US Fund. These US ETF Securities issued by the US Fund will be held by Computershare Trust Company, N.A. on behalf of the Eligible Investor (in the name of CHESS Depositary Nominees). The equivalent value of CDIs (1 US ETF Security for 1 CDI) will then be issued to the Eligible Investor.

Please note that transaction fees may apply to Eligible Investors in Australia when the Authorised Participant purchases or redeems US ETF Securities. These costs are negotiable directly with the relevant Authorised Participants.

For further details on the number of US ETF Securities in a creation unit and the transaction fee for the US ETF Securities, please refer to the latest SAI.

For further details on the purchase and redemption process, please contact Vanguard ETF Help Desk on 1300 655 888 who can assist you with the process.

Other Investors - buying and selling ETFs on the secondary market

Investors who are not Eligible Investors can acquire, via the secondary market, CDIs of the US ETF Securities which are publicly traded via the ASX. To acquire a US ETF Security in the form of a CDI, investors will need to have a brokerage account.

When investors buy or sell CDIs on the secondary market, brokers may charge brokerage fees or commissions. Investors may also incur the cost of the 'bid/ask spread' which is the difference between the price at which the broker will purchase the security and the higher price at which the broker will sell the security. In addition, because the secondary market transactions occur at market prices, investors may pay more (premium) or less (discount) than the Net Asset Value when buying a CDI and receive more or less than the Net Asset Value when selling it.

Distributions

Distributions from the US Fund are generally calculated quarterly in March, June, September and December. Distributions may be paid at other times.

The distributions payable in respect of the CDIs quoted on the ASX will be declared and paid by the US Fund in US dollars, and converted by Computershare into Australian dollars prior to payment to holders of CDIs.

CDI holders will generally receive distribution payments (to which they are entitled, if any) within 20 business days following the record date in Australia. The value of the Australian dollar distribution payment is dependent on the prevailing foreign exchange rate a few days prior to the payment date. That is, the dollar amount of the distribution will first be determined and paid by the US Fund in US dollars and Computershare will then convert this into Australian dollars before making the distribution payment to holders of CDIs. The relevant exchange rate is as agreed from time to time between Computershare and its broker, net of fees and commissions.

From time to time, the foreign exchange rate can be volatile and the exchange rate when the distribution is declared and paid by the US Fund may differ from the prevailing foreign exchange rate at the date at which the distribution is converted into Australian dollars. This can give rise to foreign currency gains and losses for holders of CDIs in some circumstances.

Payment of distributions will be generally made by direct credit into a nominated Australian bank account. A distribution reinvestment plan is not available for the Vanguard All-World ex-US Shares Index ETF offered in this Prospectus.
Please refer to the section '4. Investor taxation' on page 11 for information on the tax consequences of receiving distributions from the US Fund.

4. Investor taxation

The taxation information in this Prospectus is provided for general information only. It is a broad overview of some of the Australian and US tax consequences associated with investing in the Vanguard All-World ex-US Shares Index ETF offered in this Prospectus, and is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for investors.

It does not take into account the specific circumstances of each person who may invest in the Vanguard All-World ex-US Shares Index ETF and should not be used as the basis upon which potential investors make a decision to invest in the Vanguard All-World ex-US Shares Index ETF. As each investor's circumstances are different, Vanguard strongly recommends that an investor obtains independent professional tax advice concerning the tax implications of investing in and dealing in interests in the Vanguard All-World ex-US Shares Index ETF, particularly if an investor is not a resident of Australia or is a 'temporary resident' of Australia for tax purposes.

The Australian and US taxation information in this Prospectus have been prepared based on tax laws and administrative practice available at the date of this Prospectus. Any changes in the tax law or administrative practice that are announced subsequent to this date may alter the taxation information provided in this Prospectus.

Taxation of Australian tax resident investors

The taxation information provided in this Prospectus relates to Australian tax residents. Investors who are foreign residents should seek independent professional advice in relation to their specific circumstances.

Distributions from the ETF

Distributions from the US Fund made to an Australian tax resident investor in the Vanguard All-World ex-US Shares Index ETF should be treated as assessable foreign sourced income for the Australian tax resident investor in the tax year in which the distribution has been received.

For Australian tax purposes, the Australian tax resident investor is assessed on the amount of the dividend distributions received during the tax year gross of any US withholding tax deducted. Australian tax resident investors may be entitled to claim an offset against the Australian tax payable on their foreign sourced income for any US tax withheld, as described below. Please see an Australian tax adviser in order to determine whether benefits of any tax offsets for US tax withheld from distributions in the Vanguard All-World ex-US Shares Index ETF can be obtained.

The US generally imposes a 30% withholding tax on dividends paid by US corporations to non-US persons, but this rate may be reduced to 15% under the Australia/US income tax treaty. Australian tax resident investors may be required to complete US tax forms in order to qualify for the reduced rate under the treaty. The US Fund distributes its portfolio income and any short-term capital gains as a dividend generally subject to the applicable US withholding rate. Unlike those distributions, any long-term capital gains the US Fund distributes that are reported to investors as capital gain dividends will generally not be subject to US withholding tax.

Distributions paid by the Vanguard All-World ex-US Shares Index ETF to Australian tax resident investors will be paid by the US Fund in US dollars, but then converted into Australian dollars by Computershare prior to payment to Australian tax resident investors. The distribution payment advice will show the gross distribution amount, tax withheld and net distribution amount in US dollars and the exchange rate used to convert the net distribution to Australian dollars. Investors may use these exchange rates to convert the gross distribution and tax withheld to Australian dollars for tax return purposes, and to determine the amount of any foreign currency gains or losses that may arise for the Australian tax investor in respect of the distribution.

The US Fund qualifies as a Regulated Investment Company ('RIC") under subchapter M of the US Internal Revenue Code of 1986 and intends to continue to qualify as a RIC in the future. As a result, the US Fund expects to benefit from special US tax rules that will generally cause it to pay no material US tax on its income or gains. However, distributions to investors may be subject to US withholding tax as described above.

The US Fund may also be subject to withholding taxes on income earned by the US Fund outside of the US. The distributions paid by the Vanguard All-World ex-US Shares Index ETF to Australian tax resident investors will be net of withholding taxes payable by the US Fund on the receipt by the US Fund of its non-US income.

Foreign accruals regime

Generally, under the previous foreign investment fund (FIF) regime, Australian tax resident taxpayers may be assessed on their portion of gain in the value of interests in certain foreign companies and foreign trusts at the end of the tax year, even though those gains are unrealised. However, interests in the Vanguard All-World ex-US Shares Index ETF were generally exempt from the FIF regime on the basis that the US Fund was a RIC.

The FIF rules have been repealed effective from 1 July 2010. At the date of this Prospectus, the Government has released an exposure draft in relation to a new "foreign accumulation fund" rule which is proposed to replace the repealed FIF rules.

It is proposed that the "anti-roll-up" rule will apply for the tax years starting on or after the date in which the new rule becomes law. At the date of this Prospectus, the "anti-roll-up" rule is still in draft form and its final form is unknown.

Vanguard does not anticipate, based on the version of the exposure draft for the "foreign accumulation fund" rule that is available at the date of this Prospectus, that CDIs in the Vanguard All-World ex-US Shares Index ETF would be subject to the "anti-roll up" rule. Investors should monitor developments in relation to the "anti-roll up" rule as the terms of this rule which becomes law may be different.

Selling or transferring CDIs

If an Australian tax resident investor in the Vanguard All-World ex-US Shares Index ETF disposes of his or her CDIs by selling or otherwise transferring the CDIs to another person (e.g. if they sell their CDIs on-market), the investor may be liable for tax on any gains realised on the disposal of those CDIs.

For investors who do not hold their CDIs on capital account for income tax purposes (e.g. if the investor is in the business of dealing in securities such as CDIs), any gains realised on the disposal of CDIs should be assessable as ordinary income. Where investors who hold their CDIs on revenue account incur a loss in respect of dealings in their CDIs, this loss may, subject to certain integrity requirements, be available to offset current or future assessable income amounts.

For investors who hold their CDIs on capital account for income tax purposes, a capital gain or loss may be made on the disposal of their CDIs. Some investors may be eligible for the CGT discount (50% for individuals and certain trusts and 33.33% for complying superannuation funds) if the CDIs are held for at least 12 months before they are disposed of and the other relevant requirements are satisfied. Investors should obtain independent professional tax advice about the availability of the CGT discount.

Any capital loss arising on a disposal of CDIs may only be offset against capital gains made in that year or subsequent years.

US estate tax

US estate tax may apply to an individual who is neither a US citizen nor domiciled in the US and, at the time of death, is the beneficial owner of the US ETF Securities. Generally, the first USD 60,000 of US-situated assets are exempt from US estate tax. The amount of the estate tax may be determined by the value of the US ETF Securities owned at death and may be reduced under the Australia/US estate tax treaty.

All investors should seek professional tax advice in relation to the US estate tax rules.

5. Other information you need to know

Financial information

Financial information for the US Fund appears in the Annual Report of the US Fund. This report can be found on Vanguard's website at www.vanguard.com.au. Outlined below is a summary of the financial accounts:

US Fund	Vanguard FTSE All-World ex-US Index Fund
Date	31 October 2014
Net assets of Fund	USD 22.4 billion*
Net assets of ETF class	USD 12.4 billion*
Outstanding ETF shares	253.3 million*
NAV price per ETF share	USD 49.17

*These are rounded figures. For additional financial information about the US Fund, please see the US Fund's annual report and the Financial Highlights table in the US Prospectus.

Financial statements of the US Fund

The Financial Statements and Notes contained in the Annual Report of the US Fund are incorporated by reference into and are deemed for US legal purposes to be part of the Company's SAI. However, for the purpose of section 712 of the *Corporations Act*, this Prospectus does not incorporate the Annual Reports of the US Fund.

Interests of Directors

Details about the Trustees and officers of the US Fund (and details of their remuneration) are referred to in the US Prospectus and SAI. Directors of Vanguard and their related parties may hold ETF units from time to time.

Except as set out in this Prospectus, the US Prospectus, or the SAI, as may be updated:

- no Trustee of the US Fund or director of Vanguard has had in the last 2 years before lodgement of this Prospectus, an interest in:
  - the formation or promotion of Vanguard, VGI, the US Fund or the Vanguard All-World ex-US Shares Index ETF;
  - the offer in this Prospectus; or
  - any property acquired or proposed to be acquired by Vanguard, VGI, the US Fund or the Vanguard All-World ex-US Shares Index ETF in connection with its formation or promotion of the offer in this Prospectus; and
- no amounts, whether in cash or shares or otherwise have been paid or agreed to be paid (by anyone), and no benefit has been given or agreed to be given (by anyone), to any Trustee of the US Fund or director of Vanguard, either to induce them to become, or to qualify as, a trustee, a director, or otherwise for services provided by them in connection with the promotion or formation of Vanguard, VGI, the US Fund or the Vanguard All-World ex-US Shares Index ETF or the offer in this Prospectus.

The Trustees of the US Fund and the directors of Vanguard have given and not withdrawn their consent to lodge this Prospectus with ASIC.

US Fund Trustees

The following table provides information about the Trustees of the US Fund.

Name, year of birth	Current position	Trustee / officer since
Interested Trustee		
F. William McNabb III (1957)	Chairman of the Board, Chief Executive Officer, and President	July 2009
Mr. McNabb is considered an "interested person" of the US Fund, as that term is defined in the Investment Company Act of 1940 (in the US), because he is an officer of the US Fund.		
Independent Trustees		
Emerson U. Fullwood (1948)	Trustee	January 2008
Rajiv L. Gupta (1945)	Trustee	December 2001
Amy Gutmann (1949)	Trustee	June 2006
JoAnn Heffernan Heisen (1950)	Trustee	July 1998
F. Joseph Loughrey (1949)	Trustee	October 2009
Mark Loughridge (1953)	Lead Independent Trustee	March 2012

Scott C. Malpass (1962)	Trustee	March 2012
André F. Perold (1952)	Trustee	December 2004
Peter F. Volanakis (1955)	Trustee	July 2009

Directors of Vanguard

The table below provides information about the directors of Vanguard.

Name	Current position	Board member since
John M. James	Director	2010
Carl R. Comegys	Director	2014
James M. Norris	Director	2008
Glenn W. Reed	Director	2008
Cynthia Lui	Director	2014

Interests of other parties

Vanguard is an Australian financial services licensee and the AQUA product issuer of the CDIs. Vanguard will receive from VGI an amount equal to all costs incurred by Vanguard in relation to being the issuer of the cross-listed ETF plus a margin as agreed from time to time.

Consents

Computershare Investor Services Pty Limited has given and not withdrawn its written consent to be named in this Prospectus in the form and context in which all references to its name appear and takes no responsibility for any part of this Prospectus other than references to its name.

FTSE has given and has not withdrawn their consent to the statements relating to FTSE on page 17 of this Prospectus in the format and context in which they appear.

Consents to lodge Prospectus

This Prospectus has been prepared by Vanguard. Each of the Trustees of the US Fund and the directors of Vanguard has consented to the lodgement of this Prospectus with ASIC.

Incorporating other documents

The US Prospectus and SAI are referred to and incorporated by reference in this Prospectus under section 712 of the *Corporations Act*. The SAI is incorporated by reference into its US Prospectus and for US legal purposes is a part of the US Prospectus.

The US Prospectus and the SAI have been lodged with ASIC, and this Prospectus simply refers to parts of these documents instead of setting out the information that is contained in them. The information below is provided to allow a person to whom the offer is made to decide whether to obtain a copy of either the US Prospectus or the SAI.

The US Prospectus contains information regarding:

- The US Fund's investment objective, fees and expenses, primary investment strategies, principal risks, performance, investment advisor and portfolio manager, purchase and sale of the fund securities, US tax information and policy on payments to financial intermediaries.
- US ETF Securities and how they differ from conventional mutual fund securities.
- How to buy and sell US ETF Securities.
- Share class overview, market exposure, security selection, other investment policies and risks, cash management and temporary investment measures.
- Special risks of US ETF Securities, portfolio holdings disclosure policy and turnover rate.
- The US Fund, VGI and its structure, VGI employees with oversight, US Fund distributions and basic US tax points.
- How the US Fund's net asset value is determined.
- Highlights from the US Fund's financial statements.

The SAI contains information regarding:

- The US Fund's organisational structure and service providers.
- Characteristics of the US Fund's securities.
- US tax status of the US Fund and tax consequences to investors of investing in the US Fund.
- The US Fund's fundamental and non-fundamental policies ("fundamental" policies are those that cannot be changed without shareholder approval).
- The purchase and redemption of the US Fund's non-ETF securities.
- Management of the US Fund.
- Officers and trustees of the US Fund, trustee compensation and trustee ownership of fund securities.
- Portfolio holdings disclosure policies and procedures.
- The US Fund's portfolio managers, including summary information about other accounts they manage and their compensation structure.
- The US Fund's "best execution" policies and brokerage expenses.
- The US Fund's proxy voting guidelines.
- The ETF share-class, including exchange listing and trading, conversions and exchanges, book entry only system and purchase and redemption of ETF Securities in creation units.

The US Prospectus and SAI may be amended or supplemented from time to time. Documents that amend the US Prospectus and SAI may be incorporated by reference into this Prospectus under s712 of the *Corporations Act.*

Copies of the documents incorporated in this Prospectus (including the US Prospectus and SAI) and documents amending the US Prospectus and SAI may be obtained by contacting Vanguard ETF Help Desk on 1300 655 888 or by visiting Vanguard's website at www.vanguard.com.au. These documents will be available free of charge.

Other filings in the US

Certain other documents which may be filed or prepared by VGI in the US subsequent to the date of this Prospectus (other than those documents identified above) may be incorporated by reference in the US Prospectus. Such documents (if any) cannot (for legal and timing reasons) be taken to be included in this Prospectus under section 712 of the *Corporations Act.* Such documents (if any) may be given to the ASX as announcements by Vanguard and will be made available on Vanguard's website at www.vanguard.com.au.

ASX confirmations and waivers

The ASX has granted Vanguard a confirmation under the ASX Market Rules that for the purposes of ASX Market Rule 2.10 (ASX Operating Rule 7100), the Vanguard All-World ex-US Shares Index ETF constitutes an 'ETF'.

The ASX has granted Vanguard a waiver from ASX Market Rule 10A.4.1 (ASX Operating Rule Schedule 10A.4.1) such that the investment strategies or policies can be amended without the approval of 75% of votes cast on a proposed resolution. Any change to the investment strategies or policies of the US Fund will be subject to the requirements as set out in the US Prospectus. In this regard, the board of trustees of the US Fund, which oversees the management of the US Fund, may change investment strategies or policies in the interests of shareholders without a shareholder vote. For this reason, it is unlikely that an Australian investor would be able to influence the outcome of a change in the investment strategies or policies.

ASIC relief

ASIC has issued an instrument of relief INS 09-00290 dated 16 April 2009, relating to offers for sale of CDIs on the ASX. ASIC has also issued an instrument of relief INS 09-00289 dated 16 April 2009, relating to the ability of Vanguard Investments Australia Ltd to offer CDIs under a Prospectus.

Privacy

Vanguard is committed to respecting the privacy of your personal information.

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information. Vanguard's privacy policy states how Vanguard manages personal information. Vanguard collects personal information about investors through Vanguard's registrar - Computershare or through third parties such as brokers, and may collect additional personal information from you in the course of managing your investment.

Vanguard uses your personal information to provide this product to you, to comply with regulatory requirements and to establish and manage your investment in the Vanguard All-World ex-US Shares Index ETF. We may disclose your personal information to third parties including regulators and service providers such as Computershare, for the purposes set out in the privacy policy.

For a complete description of how your personal information may be handled (including other potential uses) by Vanguard, please see Vanguard's privacy policy at www.vanguard.com.au, or contact the ETF Help Desk on 1300 655 888 for a copy. To access or update your personal information, please write to Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067.

US Foreign Account Tax Compliance Act (FATCA)

The Foreign Account Tax Compliance Act (FATCA), effective 1 July 2014, is a US law which impacts investors worldwide. FATCA attempts to minimise US income tax avoidance by US persons investing in foreign assets, including through their investments in foreign financial institutions. FATCA requires reporting of US persons' direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service (IRS).

The Australian Government has entered into an Inter-Governmental Agreement (IGA) with the Government of the United States of Amercia for reciprocal exchange of taxpayer information. Under the IGA, financial institutions operating in Australia report information to the Australian Taxation Office (ATO) rather than the IRS. The ATO may then pass the information on to the IRS.

The US Fund or its authorised agents, such as the registrar – Computershare, may request such information or documents from you as is necessary to verify your identity and FATCA status. The Fund or its authorised agents may disclose this information to the IRS or ATO as necessary to comply with FATCA, the IGA or applicable implementing law or regulation.

Vanguard is not able to provide tax advice and strongly encourages investors to seek the advice of an experienced tax advisor to determine what actions investors may need to take in order to comply with FATCA.

Anti-money laundering and counter-terrorism financing

Vanguard is bound by laws regarding the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Laws). By acquiring the CDIs, the investor agrees that:

- they do not purchase or redeem US ETF Securities or buy or sell CDIs under an assumed name
- any money used to acquire the securities is not derived from or related to any criminal activities
- any proceeds of the investment will not be used in relation to any criminal activities
- the investor will provide the information that is reasonably required for the purposes of AML/CTF Laws (including information about the investor and any beneficial interest in the CDIs, or the source of funds used to invest)

Vanguard may obtain information about you from third parties if it is believed this is necessary to comply with AML/CTF Laws. In order to comply with AML/CTF Laws. Vanguard may be required to disclose information to relevant regulators of AML/CTF Laws (whether in or outside of Australia).

6. Glossary

ASX means ASX Limited

ASIC means the Australian Securities and Investments Commission

Authorised Participant is a participant in the Depository Trust Company that has executed a Participant Agreement with Vanguard Marketing Corporation (a VGI subsidiary) in order to be eligible to purchase and redeem US ETF Securities with the US Fund.

AQUA Rules mean Schedule 10A of the ASX Operating Rules

CDIs means CHESS Depositary Interests

CHESS means the Clearing House Electronic Subregister System

CHESS Depositary Nominees means CHESS Depositary Nominees Pty Limited

Depository Trust Company or DTC means the company that is defined on page 8 of this Prospectus

Eligible Investor means stockbrokers acting as principal, that is persons who have been authorised as 'trading participants' under the ASX Operating Rules

SAI means the latest Vanguard International Equity Index Funds Statement of Additional Information for the US Fund lodged with ASIC and includes any documents lodged with ASIC that update the SAI

US Fund means the Vanguard FTSE All-World ex-US Index Fund

US Prospectus is the latest prospectus of the US ETF Securities lodged with ASIC and includes any documents lodged with ASIC that update the US Prospectus

US ETF Security or US ETF Securities means exchange traded fund shares in the US Fund - the Vanguard FTSE All-World ex-US ETF

Vanguard means Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263)

VGI means The Vanguard Group, Inc.

Connect with Vanguard™
vanguard.com.au > 1300 655 888

Vanguard Investments Australia Ltd
(The Product Issuer)

Registered office
Level 34, Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Postal address
GPO Box 3006
Melbourne Vic 3001

Vanguard ETF Trading and Support Team
8:30 am to 5:30 pm (Melbourne time)
Monday to Friday
Telephone: 1300 655 888
Facsimile: 1300 765 712
E-mail: etf@vanguard.com.au

ASX enquiries
131 279 (within Australia)
+61 2 9338 0000 (outside Australia)

PDSVEU 022015

Argo Investing in Australia

2015
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

Registered Head Office

Level 12, 19 Grenfell Street,
Adelaide, South Australia 5000
GPO Box 2692,
Adelaide, South Australia 5001
Telephone: (08) 8210 9500
Facsimile: (08) 8212 1658
Email:
invest@argoinvestments.com.au
www.argoinvestments.com.au

Sydney Office

Level 25, 259 George Street,
Sydney, New South Wales 2000
GPO Box 4313,
Sydney, New South Wales 2001
Telephone: (02) 8274 4700
Facsimile: (02) 8274 4777

Share Registry

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

"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:
26 October, 2015
Adelaide Convention Centre, Hall L, North Terrace, Adelaide at 10.00 a.m.

Information meetings

Melbourne:
27 October, 2015
RACV City Club
Level 2, 501 Bourke Street,
Melbourne at 10.00 a.m.

Sydney:
28 October, 2015
Wesley Conference Centre
The Lyceum, 220 Pitt Street,
Sydney at 10.00 a.m.

Brisbane:
30 October, 2015
Stamford Plaza Hotel
Cnr Edward & Margaret Streets,
Brisbane at 10.00 a.m.

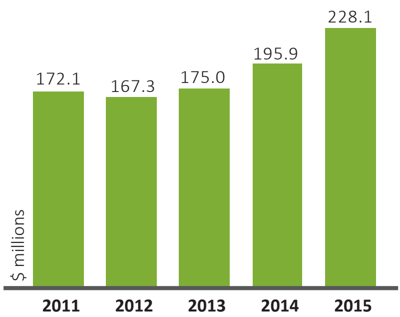
2015 Summary

- Profit of $228.1 million, compared with $195.9 million last year.
- Earnings per share of 34.3 cents, compared with 30.2 cents last year.
- Dividends of 29.5 cents per share (including LIC capital gain component of 3.0 cents), fully franked, compared with 28.0 cents per share last year.
- Year-end net tangible asset backing of $7.52 per share, compared with $7.35 per share at 30 June, 2014.
- Management expense ratio steady at 0.15% of average assets at market value.
- Total portfolio return for the year of 6.1% after deducting costs and tax, which compares with the one year S&P ASX 200 Accumulation Index return of 5.7% without taking into account any costs or tax.
- $36.1 million of capital raised from the Dividend Reinvestment Plan.

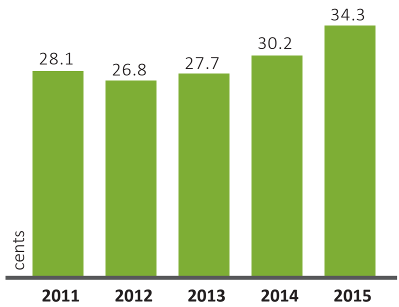
Contents

Five year summary

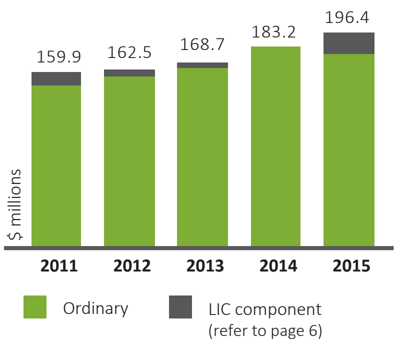
Profit



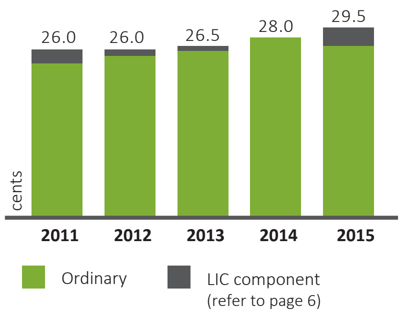
Earnings per share



Total dividends

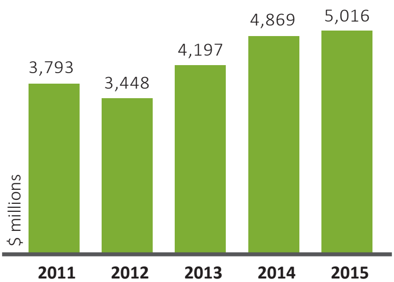


Dividends per share



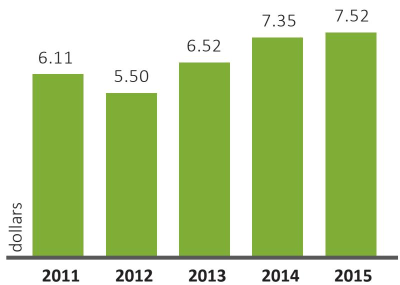
Shareholders' equity

before provision for deferred income tax

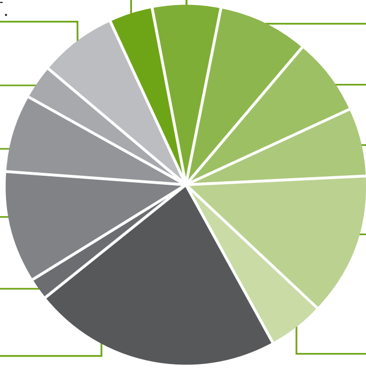


Net tangible assets

per share



Portfolio allocation as at 30 June, 2015



20 largest investments as at 30 June, 2015

	$m	% of total assets
Westpac Banking Corporation	332.8	6.6
Australia and New Zealand Banking Group Ltd.	306.1	6.1
Telstra Corporation Ltd.	264.0	5.2
Commonwealth Bank of Australia	251.4	5.0
BHP Billiton Ltd.	223.6	4.4
Wesfarmers Ltd.	212.3	4.2
National Australia Bank Ltd.	201.7	4.0
Macquarie Group Ltd.	191.7	3.8
Milton Corporation Ltd.	146.6	2.9
Australian United Investment Company Ltd.	137.2	2.7
Rio Tinto Ltd.	135.0	2.7
Woolworths Ltd.	111.4	2.2
CSL Ltd.	91.0	1.8
Origin Energy Ltd.	87.9	1.7
Ramsay Health Care Ltd.	87.1	1.7
APA Group	84.7	1.7
AMP Ltd.	74.5	1.5
Sydney Airport	72.0	1.4
Twenty-First Century Fox, Inc.	70.4	1.4
QBE Insurance Group Ltd.	68.5	1.4
	3,149.9	**62.4**
Cash and Short-term Deposits	**77.6**	**1.5**

Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation at 30 June, 2015 of $5.3 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, 2015, Argo had 666.8 million shares on issue.

Argo has over 78,000 shareholders who are seeking long-term capital growth and a regular income.

Argo's total assets were $5.0 billion at 30 June, 2015 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 policy followed by Argo is straightforward. Rather than attempt to gain spectacular rewards in the short term from high-risk situations, management aims to provide consistent tax-effective income combined with long-term capital growth, by investing in a diversified portfolio of securities. The portfolio contains investments in 101 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is good quality management and prospects for sound earnings growth.

Successful equity investment depends on good quality research and analysis. Argo's investment team includes the executive management and a number of specialist research analysts. The research has two objectives: 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 normal sharebrokers' charges apply.

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

Shareholder benefits

Low management costs

Argo's management costs are very low when compared with many other managed investment products. For the year ended 30 June, 2015, total operating costs were 0.15% 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. The Directors decide when the SPP will operate and on 20 August, 2015 announced an SPP offer which closes on 23 September, 2015.

Dividend Reinvestment Plan

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

New share issues

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

Share price performance

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

	15 years to 30 June, 2015
Compound annual growth rate:	
Argo shares	10.7% p.a.
S&P ASX 200 Accumulation Index	8.0% p.a.
Consumer Price Index	3.0% p.a.

A $10,000 investment in Argo shares on 1 July, 2000 would have grown to a value of $45,942 at 30 June, 2015.

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

Directors' Report

The Directors present their Sixty Ninth 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, 2015 including the independent Auditor's Report thereon.

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 on 3 February, 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).

He 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 and Chairman of Charter Hall Office REIT (2003 to 2012) and a non-executive Director of The Trust Company Limited (2006 to 2013), prior to the takeovers of both entities.

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 Ricegrowers Limited (2005 to 2012) and 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) 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 a member of the Audit & Risk Committee.

Mr. Patterson 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.

Robert Tom Rich FCA, FAICD
Mr. Rich, the former Deputy Chairman, retired on 27 October, 2014 after a distinguished career in the investment industry which included 22 years on Argo's Board.

(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	248,526	-
J. Beddow	93,257	333,959
A.B. Brennan	3,544	-
R.A. Davis	14,410	-
R.A. Higgins AO	80,337	-
J.C. Morton	16,439	-
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 15 Board meetings, 5 Audit & Risk Committee meetings and 5 Remuneration Committee meetings held during the financial year. Several of the Board meetings were held outside of the normal schedule and related to the establishment of the new listed investment company, Argo Global Listed Infrastructure Limited. 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	15	15	-	3[(b)]	5	5
R.T. Rich[(a)]	3	3	2	2	-	-
J. Beddow	15	14	-	4[(b)]	-	5[(b)]
A.B. Brennan	15	13	5	5	-	1[(b)]
R.A. Davis	15	13	-	3[(b)]	5	5
R.A. Higgins AO	15	15	-	3[(b)]	5	5
J.C. Morton	15	15	5	5	-	1[(b)]
R.J. Patterson	15	14	3	4[(c)]	-	1[(b)]

(a) R.T. Rich retired from the Board on 27 October, 2014.
(b) By invitation.
(c) One meeting 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. There has been a significant change in the activities and state of affairs of the Company during the year. The Company established a wholly owned subsidiary in order to provide funds management services to external listed investment companies under an Australian Financial Services Licence. The management fees earned in conducting these activities will provide Argo with an additional revenue stream to complement its traditional income sources. 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 its revenue primarily by 'harvesting' the dividends and distributions received from the companies and trusts in its portfolio. Additional income is derived from interest earned on cash deposits, premium income from writing exchange-traded options and a small amount of share trading activity. In 2014/15, dividends and distributions made up 98% of Argo's total revenue, with the portfolio's top 20 equity investments contributing 69% of total revenue.

Argo's costs of operation are relatively stable and are lower than those of most other managed investment products, due to the structure of an internally managed listed investment company which requires few employees to administer its business. In 2014/15 the Company's annual expenses were equivalent to 0.15% of average assets, which is unchanged from last year. 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.

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

For the last 15 years, the Company's investment portfolio has produced a compound annual return of 9.4% as measured by the movement in net tangible asset backing per share assuming dividends paid are reinvested. This return is after payment of all costs and tax and compares favourably with a return of 8.0% 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 10.7% per annum.

The Company has recently added another activity to its business model. Following the establishment and separate listing on the ASX of Argo Global Listed Infrastructure Limited (AGLI), Argo will receive an ongoing fee for managing the operations of AGLI. This will provide Argo with an additional revenue stream to complement its traditional dividend and interest income.

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

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. Despite a weak month in June, when the Greek debt crisis saw most global equity markets fall sharply, the S&P ASX 200 Index ended the financial year 1.2% higher. The S&P ASX 200 Accumulation Index, which includes dividend income, gained 5.7% over the year.

Over the course of the year, Argo's investment portfolio returned 6.1% after deducting costs and tax (measured by the movement in net asset backing per share assuming dividends paid are reinvested) and Argo's share price performance returned 8.2% for the financial year, with the share price still trading at a premium to net tangible asset backing per share.

During the year, $283 million was spent on long-term investment purchases, partly funded by $129 million in disposals and takeover proceeds. The larger movements in the portfolio during the year included:

Purchases (above $10m)	Sales (above $5m)
Medibank Private	Milton Corporation
Argo Global Listed Infrastructure	Toll Holdings (takeover)*
APA Group	David Jones (takeover)*
Santos	Newcrest Mining
Commonwealth Bank of Australia	Echo Entertainment Group*
National Australia Bank	Orora*
Asaleo Care	Southern Cross Media*
Affinity Education Group	ASX

* Sale of complete position and removal from portfolio. Other stocks exited during the year were News Corporation, Fleetwood Corporation, 3P Learning and Arrium.

The Company again participated in a number of initial public offerings (IPOs). After careful analysis of the many IPO opportunities offered, Argo has established new investment positions in Medibank Private, Argo Global Listed Infrastructure, Asaleo Care, Australian Careers Network, Regis Healthcare, Surfstitch Group and Amaysim. In addition, a new holding was created when BHP Billiton demerged some of its assets into a separately listed company, South32. Overall, the number of stocks held in the portfolio decreased slightly to 101.

In the second half of the year, Argo incorporated a wholly owned subsidiary, Argo Service Company Pty Ltd (ASCO). ASCO was established to provide management and administrative services to external clients, and in particular to listed investment companies. ASCO provides these services under Australian Financial Services Licence no. 470477. ASCO now acts as manager of a new separately listed investment company, Argo Global Listed Infrastructure Limited (AGLI), which listed on the ASX on 3 July, 2015 after an initial public offer process which raised just over $286 million of capital for investment in a portfolio of international securities in the infrastructure sector.

ASCO will earn a management fee for managing AGLI, which will result in an additional revenue stream to complement Argo's traditional dividend and interest income. The day to day portfolio management of AGLI is outsourced to a New York based specialist fund manager, Cohen & Steers, Inc.

During the year, there was one change to the Company's Board of Directors. The Deputy Chairman, Mr. R.T. Rich, retired from the Board at the Annual General Meeting on 27 October, 2014, after a distinguished career in the investment industry which included 22 years as a Director of Argo.

There were two changes to senior management personnel during the year. The Chief Operating Officer, Mr. B.R. Aird, retired in July 2014 after 28 years of diligent service, and the Senior Investment Officer, Mr. C.C. Hall, resigned in December 2014 after 11 successful years with the Company. These two management roles are now performed by Mr. T.C.A. Binks and Mr. A.G. Forster respectively.

Discussion of results and financial position

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

Argo's profit increased 16.5% to $228.1 million and earnings per share rose 13.6% to 34.3 cents per share. The Company again received increased dividends and distributions from its long-term investment portfolio, partially offset by reduced interest income on cash deposits due to the lower interest rates available during the year and the generally lower cash balances on hand.

The result was boosted by an $18.6 million item of non-cash, one-off income, being the demerger dividend resulting from BHP Billiton's demerger of South32. This compared to similar one-off items in the previous year of $6.9 million.

Argo's Consolidated Statement of Financial Position (balance sheet) improved over the course of the year, with net assets increasing by $123 million to $4.4 billion. Shareholders contributed $36 million of this improvement through the Dividend Reinvestment Plan, with the bulk of the remaining growth derived from the increase in the value of the investment portfolio. There was no Share Purchase Plan offered during the year.

The diversification of Argo's assets by investment sectors can be seen on page 62 of the Annual Report. The largest 20 equity holdings accounted for 63% of total assets.

The cash assets at year end were $78 million, representing 1.5% of the Company's total assets of $5.0 billion. Cash on hand fluctuates throughout the year according to the timing of dividends received, dividends paid, capital raisings, and investment purchases and disposals. During the year, the Company put in place a $100m standby debt facility, to facilitate short-term cash flow management when required. The facility was not drawn down during the year.

An important 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, 2015, this valuation resulted in a NTA per share of $7.52, compared with $7.35 at 30 June, 2014. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share at 30 June, 2015 would have been $6.62, compared with $6.48 at 30 June, 2014. 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 price of, and the dividends and distributions received from, the entities in which the Company has invested. The performance of those entities is influenced by many factors which are difficult to predict, including economic growth rates, inflation, interest rates, exchange rates, regulatory changes and taxation levels. There are also specific issues such as management competence, capital strength, industry trends and competitive behaviour.

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

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

The management of AGLI and any other external listed investment companies in the future will provide an ongoing revenue source for the Company which is anticipated to grow over time.

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 aside from the recent changes discussed above.

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 14.0 cents per share was paid on 4 March, 2015.

On 3 August, 2015, the Directors declared a fully franked dividend of 15.5 cents per share to be paid on 2 September, 2015, which includes a 3.0 cents per share listed investment company (LIC) capital gain component. The LIC component of the dividend will give rise to an attributable part of 4.29 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2015-2016 income tax returns.

Total fully franked dividends for the year amount to 29.5 cents per share. This compares with 28.0 cents per share last year.

The final dividend paid by the Company for the financial year ended 30 June, 2014 of $96.0 million and referred to in last year's Directors' Report dated 21 August, 2014 was paid on 3 September, 2014.

7. Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised $36.1 million of new capital for investment during the year.

The DRP will operate for the 15.5 cents per share dividend payable on 2 September, 2015 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 shareholders in general meeting in November 1999 approved that the Company indemnify its current and future Directors against liabilities arising out of the Directors' position as a Director of the Company, except where the liability arises out of conduct involving a lack of good faith. The deed stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

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

Non-executive Directors' remuneration

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

For the year ended 30 June, 2015, the Chairman received remuneration of $192,400 inclusive of Committee appointments; and the base Directors' fees for each of the other non-executive Directors was $90,100 with an additional fee of $3,000 for each Committee appointment, except that the Chair of each Committee received a fee of $6,000. In addition, contributions were also made by the Company on behalf of non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

Following a review of non-executive Directors' remuneration, a 3% increase is being applied for the year ending 30 June, 2016. The Chairman's remuneration will be $198,200 inclusive of Committee appointments and the base fee for each of the other non-executive Directors will be $92,800, with an additional fee of $3,100 payable for each Committee appointment, except that the Chair of each Committee will receive $6,200. Superannuation payments will continue to be made by the Company on behalf of non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

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

The Company entered into an agreement with each non-executive Director who held office prior to 31 December, 2003 for the payment of a retirement benefit upon termination of office, within the limits contemplated by the *Corporations Act 2001* and in accordance with principles established by resolution of the shareholders. Mr. R.T. Rich was party to such an agreement which was varied as at 31 December, 2003 when the entitlement to that date was frozen. The amount of his Director's retiring benefit was paid upon his retirement on 27 October, 2014.

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 reflect both Company and individual performance. The proportions of those elements of the person's remuneration are considered appropriate having regard to industry and commercial practices. The broad remuneration policy is to ensure remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive with that offered in the investment industry to attract, retain and motivate people who have the relevant skills and experience to create value for shareholders.

(a) **Fixed remuneration and benefits**

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

The fixed amount of remuneration and benefits are determined in line with market factors and independent advice. For the current financial year the Company has used the services of the Financial Institutions Remuneration Group (FIRG) who provided independent financial services industry data to assist in setting the remuneration for executives.

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

For the year ended 30 June, 2014, the Managing Director and executives were entitled to receive an annual STI of up to 70% of their fixed remuneration component which is inclusive of superannuation and any agreed salary sacrifice arrangements. Of the 70% maximum STI opportunity, 5/7th was paid in cash and 2/7th was deferred. Pursuant to the Argo Investments Limited Executive Performance Rights Plan (Plan), the STI deferral was 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.

From 1 July, 2014, the STI deferral component increased to half of the 70% maximum STI opportunity, with the other half payable in cash. These changes to the 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. They can include advising and reporting to the Board, management of staff, risk management, succession planning, strategic direction, marketing and communication with internal and external stakeholders.

The individual performance indicators, both financial and non-financial, are considered to be important 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, 2015, the cash component of the STI was paid on 10 August, 2015 and the STI deferral, in the form of performance rights, is expected to be granted on 26 October, 2015.

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

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

Argo Investments Limited Executive Performance Rights Plan

The Argo Investments Limited Executive Performance Rights Plan (Plan) was introduced in 2004 to create a stronger link between increasing shareholder value and executive reward. Pursuant to the Plan, performance rights to acquire shares in the Company are granted to satisfy an executive's LTI entitlement. Since 1 July, 2012, 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.

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

2009, 2010 and 2011 LTI Performance Rights

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

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

The performance rights have vesting opportunities at the end of the fourth year and the performance conditions can be re-measured at the end of the fifth year to the extent that the performance rights have not vested. Performance rights that are not vested after the second performance measurement date will lapse. All 2009 LTI Performance Rights that had not vested after the last measurement date have now lapsed.

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

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

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

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

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

2012, 2013 and 2014 LTI Performance Rights

Performance rights issued in two equal tranches, each subject to a performance and service condition, were granted by the Company on 15 November, 2012 (known as 2012 LTI Performance Rights), 22 November, 2013 (known as 2013 LTI Performance Rights) and 20 November, 2014 (known as 2014 LTI Performance Rights) 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 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 outperformance of the Index Movement (for the TPR tranche of rights) and between the ALICA EPS and 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.

The Board considers that the changes made to the executive LTI opportunities in 2012 provide better alignment with the Company's corporate objectives and provide the Managing Director with a remuneration structure that is more orientated towards rewarding his efforts if they provide the Company with sustained performance.

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

Independent advice and benchmarks

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

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

After the 2012 review of the executive remuneration structure, it was considered that the Company's performance was currently best measured using the EPS Performance Condition and the TPR Performance Condition. At the same time and in view of the holdings held in the Company's investment portfolio, it was considered appropriate that the S&P ASX 200 Accumulation Index be used as the comparator when assessing the TPR Performance Condition. The 2012, 2013 and 2014 LTI Performance Rights were issued incorporating these changes.

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 28 to 30.

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

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

Directors

The non-executive Directors of the Company during the financial year were Mr. G.I. Martin AM (Chairman), Mr. R.T. Rich (Deputy Chairman) until his retirement on 27 October, 2014, 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 (Company Secretary to 30 June, 2015 and Chief Operating Officer from 1 July, 2015), Mr. C.C. Hall (Senior Investment Officer) until his resignation on 31 December, 2014 and Mr. A.B. Hill (Chief Financial Officer).

Key Management Personnel Remuneration

		Short-term		Post-employment			
				Superannuation			
		Directors' fees $	Committee fees $	Salary sacrifice $	Other[c] $	Termination benefits $	Total $
Non-executive Directors							
G.I. Martin AM	**2015**	**192,400**	**-**	**-**	**18,278**	**-**	**210,678**
	2014	186,800	-	-	17,279	-	204,079
R.T. Rich	**2015**	**-**[a]	**-**	**30,320**[a]	**2,880**	**150,000**[d]	**183,200**
	2014	70,862[a]	2,900	16,638[a]	8,362	-	98,762
A.B. Brennan	**2015**	**90,100**	**6,000**	**-**	**9,129**	**-**	**105,229**
	2014	87,500	5,800	-	8,630	-	101,930
R.A. Davis	**2015**	**90,100**	**3,000**	**-**	**8,845**	**-**	**101,945**
	2014	87,500	2,900	-	8,362	-	98,762
R.A. Higgins AO	**2015**	**90,100**	**6,000**	**-**	**9,129**	**-**	**105,229**
	2014	87,500	5,800	-	8,630	-	101,930
J.C. Morton	**2015**	**90,100**	**3,000**	**-**	**8,845**	**-**	**101,945**
	2014	87,500	2,900	-	8,362	-	98,762
R.J. Patterson	**2015**	**67,805**[b]	**2,034**	**22,295**[b]	**8,752**	**-**	**100,886**
	2014	64,500[b]	-	23,000[b]	8,094	-	95,594
Total	**2015**	**620,605**	**20,034**	**52,615**	**65,858**	**150,000**	**909,112**
	2014	672,162	20,300	39,638	67,719	-	799,819

(a) Base fee totalling $30,320 was paid as a superannuation contribution (2014: Base fee totalling $87,500 includes amounts paid in cash and superannuation).

(b) Base fee totalling $90,100 includes amounts paid in cash and superannuation (2014: $87,500).

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

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

		Short-term			Post-employ-ment	Share based[g]		
		Salaries[a] $	STI[b] $	Non-monetary benefits[f] $	Super-annuation $	STI[h] $	LTI[i] $	Total $
Managing Director								
J. Beddow	**2015**	**611,985**	**193,515**[c]	**1,522**	**-**	**79,244**	**68,760**	**955,026**
	2014	535,229	185,500[c]	1,807	-	42,729	97,196	862,461
Other Key Management Personnel								
B.R. Aird[i]	2014	223,228	155,800[d]	10,105	35,000	33,238	57,720	515,091
T.C.A. Binks[ii]	**2015**	**194,291**	**65,354**[e]	**-**	**18,783**	**28,489**	**7,940**	**314,857**
C.C. Hall[iii]	**2015**	**162,235**	**-**	**-**	**9,392**	**(43,704)**	**(92,708)**	**35,215**
	2014	342,425	126,000[e]	-	17,775	29,852	53,809	569,861
A.B. Hill	**2015**	**162,865**	**62,659**[e]	**1,868**	**35,000**	**28,658**	**7,629**	**298,679**
	2014	159,354	69,250[e]	2,281	25,000	15,508	27,114	298,507
Total	**2015**	**1,131,376**	**321,528**	**3,390**	**63,175**	**92,687**	**(8,379)**	**1,603,777**
	2014	1,260,236	536,550	14,193	77,775	121,327	235,839	2,245,920

(i) Retired 25 July, 2014. Key Management Personnel to 30 June, 2014.
(ii) Key Management Personnel from 1 July, 2014.
(iii) 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 $193,515 was paid $163,515 in cash and $30,000 as a superannuation contribution (2014: $185,500 of which $155,500 was paid in cash and $30,000 as a superannuation contribution).

(d) The STI of $155,800 was paid $120,800 in cash and $35,000 as a superannuation contribution.

(e) The STI was paid in cash.

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

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

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

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

(i) **Argo Investments Limited Executive LTI Performance Rights**
The fair value of the 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.

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

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

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

Remuneration Performance Percentages

		STI opportunity as % of fixed remuneration component	Actual STI as % of STI opportunity	% of STI opportunity not achieved	Share based remuneration as proportion of remuneration[1]	Total performance related remuneration
J. Beddow	**2015**	**70%**	**97.0%**	**3.0%**	**15.5%**	**35.8%**
	2014	70%	70.0%	30.0%	16.2%	37.7%
T.C.A. Binks	**2015**	**70%**	**97.0%**	**3.0%**	**11.6%**	**32.3%**
C.C. Hall	**2015**	**70%**	**n/a**	**n/a**	**n/a**	**n/a**
	2014	70%	70.0%	30.0%	14.7%	36.8%
A.B. Hill	**2015**	**70%**	**93.0%**	**7.0%**	**12.1%**	**33.1%**
	2014	70%	78.0%	22.0%	14.3%	37.5%

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

Executive remuneration (non-statutory)

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 LTI vested[d] $	Total received $
Managing Director						
J. Beddow	**2015**	**570,000**	**193,515**	**7,202**	**15,433**	**786,150**
	2014	530,000	185,500	7,023	33,602	756,125
Other Key Management Personnel						
T.C.A. Binks	**2015**	**192,500**	**65,354**	**-**	**5,093**	**262,947**
A.B. Hill	**2015**	**192,500**	**62,659**	**11,524**	**5,709**	**272,392**
	2014	177,500	69,250	11,236	13,453	271,439
Total	**2015**	**955,000**	**321,528**	**18,726**	**26,235**	**1,321,489**
	2014	707,500	254,750	18,259	47,055	1,027,564

(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, 2015 will be issued on 26 October, 2015 as STI performance rights and will vest two years after grant, subject to the executive having continued service with the Company (2014: issued 20 November, 2014).

(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 LTI performance rights exercised during the year is based on the market price of shares of the Company on the date the LTI 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)]	Max.[(3)]
								$	$
J. Beddow	STI	10,484	17/09/13	$6.17	17/09/15	1/10/15	10,484	-	7,368
		10,785	20/11/14	$7.07	20/11/16	4/12/16	10,785	-	33,570
		-	-	-	-	-	-	-	136,461[(4)]
	LTI	29,100	22/04/10	$5.74	18/11/13	2/12/14	-	-	-
		42,300	18/11/10	$5.16	18/11/14	2/12/15	40,890	-	-
		53,400	17/11/11	$4.40	17/11/15	1/12/16	53,400	-	5,514
		86,000	15/11/12	$4.44	15/11/16	29/11/16	86,000	-	40,880
		67,700	22/11/13	$5.67	22/11/17	6/12/17	67,700	-	62,861
		64,700	20/11/14	$6.33	20/11/18	4/12/18	64,700	-	104,115
		364,469					333,959	-	390,769
T.C.A. Binks	STI	4,089	17/09/13	$6.17	17/09/15	1/10/15	4,089	-	2,872
		3,961	20/11/14	$7.07	20/11/16	4/12/16	3,961	-	13,154
		-	-	-	-	-	-	-	46,086[(4)]
	LTI	10,500	22/04/10	$5.74	18/11/13	2/12/14	-	-	-
		13,500	18/11/10	$5.16	18/11/14	2/12/15	13,050	-	-
		16,800	17/11/11	$4.40	17/11/15	1/12/16	16,800	-	1,644
		12,000	15/11/12	$4.44	15/11/16	29/11/16	12,000	-	5,580
		9,400	22/11/13	$5.67	22/11/17	6/12/17	9,400	-	8,540
		9,400	20/11/14	$6.33	20/11/18	4/12/18	9,400	-	14,797
		79,650					68,700	-	92,673
C.C. Hall	STI	7,565	17/09/13	$6.17	17/09/15	1/10/15	-	-	-
	LTI	26,100	22/04/10	$5.74	18/11/13	2/12/14	-	-	-
		30,300	18/11/10	$5.16	18/11/14	2/12/15	-	-	-
		38,100	17/11/11	$4.40	17/11/15	1/12/16	-	-	-
		25,900	15/11/12	$4.44	15/11/16	29/11/16	-	-	-
		19,700	22/11/13	$5.67	22/11/17	6/12/17	-	-	-
		147,665					-	-	-
A.B. Hill	STI	4,173	17/09/13	$6.17	17/09/15	1/10/15	4,173	-	2,935
		4,025	20/11/14	$7.07	20/11/16	4/12/16	4,025	-	13,365
		-	-	-	-	-	-	-	44,185[(4)]
	LTI	12,000	22/04/10	$5.74	18/11/13	2/12/14	-	-	-
		15,000	18/11/10	$5.16	18/11/14	2/12/15	14,500	-	-
		18,600	17/11/11	$4.40	17/11/15	1/12/16	18,600	-	1,941
		12,700	15/11/12	$4.44	15/11/16	29/11/16	12,700	-	6,233
		9,700	22/11/13	$5.67	22/11/17	6/12/17	9,700	-	9,300
		9,400	20/11/14	$6.33	20/11/18	4/12/18	9,400	-	15,618
		85,598					73,098	-	93,577
Total		**677,382**					**475,757**	**-**	**577,019**

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	Value at lapse date[8] $
J. Beddow	LTI	22/04/10	561	561	4,393	27,246[6]	156,392
		18/11/10	1,410	1,410	11,040	-	-
T.C.A. Binks	LTI	22/04/10	202	202	1,578	9,831[6]	56,430
		18/11/10	450	450	3,515	-	-
C.C. Hall	STI	17/09/13	-	-	-	7,565[7]	46,676
	LTI	22/04/10	503	503	4,004	24,437[6]	140,268
		18/11/10	1,010	1,010	8,040	29,290[7]	151,136
		17/11/11	-	-	-	38,100[7]	167,640
		15/11/12	-	-	-	25,900[7]	114,996
		22/11/13	-	-	-	19,700[7]	111,699
A.B. Hill	LTI	22/04/10	231	231	1,804	11,236[6]	64,495
		18/11/10	500	500	3,905	-	-
Total			**4,867**	**4,867**	**38,279**	**193,305**	**1,009,732**

(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, 2015 has been determined as the estimated fair value of the STI performance rights yet to be expensed.

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

(6) The 2009 LTI performance rights lapsed on 18 November, 2014 because the performance condition was not satisfied.

(7) Performance rights lapsed due to the resignation of the executive.

(8) 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	239,762	8,764	248,526
R.T. Rich (retired 27.10.14)	15,531,052	-	n/a
J. Beddow	91,274	1,983	93,257
A.B. Brennan	3,544	-	3,544
R.A. Davis	14,410	-	14,410
R.A. Higgins AO	77,504	2,833	80,337
J.C. Morton	13,405	3,034	16,439
R.J. Patterson	813,177	(11,457)	801,720
T.C.A. Binks	4,465	884	5,349
C.C. Hall (resigned 31.12.14)	37,723	178	n/a
A.B. Hill	61,428	962	62,390

(b) **STI performance rights holdings**

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	10,484	10,785	-	-	21,269
T.C.A. Binks	4,089	3,961	-	-	8,050
C.C. Hall	7,565	-	-	(7,565)	-
A.B. Hill	4,173	4,025	-	-	8,198

(c) **LTI performance rights holdings**

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	277,207	64,700	(1,971)	(27,246)	312,690
T.C.A. Binks	61,733	9,400	(652)	(9,831)	60,650
C.C. Hall	138,940	-	(1,513)	(137,427)	-
A.B. Hill	67,467	9,400	(731)	(11,236)	64,900

Key Management Personnel Loans

	Opening balance $	Closing balance $	Interest not charged $	Highest balance in period $
J. Beddow	69,887	62,685	1,522	69,887
A.B. Hill	87,196	75,672	1,868	87,196
Total	**157,083**	**138,357**	**3,390**	**157,083**

Prior to 2004, interest free loans were issued to key management personnel to assist the purchase of shares pursuant to the now superseeded 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. Mr. C.C. Hall's service agreement was terminated on 31 December, 2014 as a result of his resignation.

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:

	2015	2014	2013	2012	2011
Argo share price as at 30 June	$7.97	$7.63	$6.46	$5.15	$5.61
Change in share price between years	+$0.34	+$1.17	+$1.31	-$0.46	-$0.24
Total portfolio return	+6.1%	+17.1%	+23.6%	-5.7%	+9.5%
	$'000	$'000	$'000	$'000	$'000
Profit for the year	228,104	195,874	175,035	167,274	172,058
Dividends	196,384	183,217	168,674	162,498	159,862
Total assets	5,034,649	4,912,162	4,232,680	3,493,084	3,838,216

There was a 4.5% increase in the Company's share price during the year.

The total portfolio performance for the year after deducting all costs and tax was a return of 6.1%, 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 5.7% for the same period without taking into account any costs or tax.

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

The performance of the above indicators represents a successful, value-adding year for shareholders.

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

11. Corporate Governance Statement

The Corporate Governance Statement for the year ended 30 June, 2015 can be accessed on the Company's website at www.argoinvestments.com.au/about-argo/corporate-governance.

It is located in the 'About Argo' section, under the 'Corporate Governance' tab. 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 Class Order 98/100 dated 10 July, 1998 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

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 27 to the financial statements on page 60 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 34.

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

On behalf of the Board

G.I. Martin AM
Chairman

20 August, 2015

Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2015, 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.

A G Forman
Partner
PricewaterhouseCoopers

Adelaide
20 August, 2015

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Consolidated Statement of Profit or Loss

for the year ended 30 June, 2015

	Note	2015 $'000	2014 $'000
Dividends and distributions	2	237,289	202,649
Interest		4,004	6,805
Other revenue		608	1,252
Total revenue		241,901	210,706
Net gains on trading investments		7,183	4,495
Income from operating activities		249,084	215,201
Administration expenses	3	(7,869)	(7,269)
Finance costs		(50)	-
Profit before income tax expense		241,165	207,932
Income tax expense thereon	4	(13,061)	(12,058)
Profit for the year		228,104	195,874
		cents	cents
Basic and diluted earnings per share	5	34.3	30.2

Consolidated Statement of Comprehensive Income

for the year ended 30 June, 2015

	2015 $'000	2014 $'000
Profit for the year	228,104	195,874
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of long-term investments	73,620	532,059
Provision for deferred tax expense on revaluation of long-term investments	(26,271)	(160,009)
Other comprehensive income for the year	47,349	372,050
Total comprehensive income for the year	275,453	567,924

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

as at 30 June, 2015

	Note	2015 $'000	2014 $'000
Current Assets			
Cash and cash equivalents	6(a)	77,644	126,893
Receivables	7	38,551	38,334
Investments	8	1,660	-
Other financial cash assets	9	-	70,000
Total Current Assets		117,855	235,227
Non-Current Assets			
Receivables	7	138	157
Investments	8	4,916,333	4,676,433
Plant and equipment	10	323	345
Total Non-Current Assets		4,916,794	4,676,935
Total Assets		5,034,649	4,912,162
Current Liabilities			
Payables	11	2,271	10,299
Derivative financial instruments	12	1,466	1,000
Current tax liabilities		879	12,360
Provisions	13	428	480
Total Current Liabilities		5,044	24,139
Non-Current Liabilities			
Deferred tax liabilities	14	618,091	599,192
Provisions	13	110	122
Total Non-Current Liabilities		618,201	599,314
Total Liabilities		623,245	623,453
Net Assets		4,411,404	4,288,709
Shareholders' Equity			
Contributed equity	15	2,473,320	2,437,259
Reserves	16	1,596,512	1,548,931
Retained profits	17	341,572	302,519
Total Shareholders' Equity		4,411,404	4,288,709

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June, 2015

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	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

for the year ended 30 June, 2014

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	Total $'000
Balance as at 1 July, 2013	2,304,790	1,181,322	275,887	3,761,999
Profit for the year	-	-	195,874	195,874
Other comprehensive income	-	372,050	-	372,050
Total comprehensive income for the year	-	372,050	195,874	567,924
Transactions with shareholders:				
Dividend Reinvestment Plan	33,113	-	-	33,113
Share Purchase Plan	99,631	-	-	99,631
Cost of share issues net of tax	(275)	-	-	(275)
Executive performance rights reserve	-	385	-	385
Dividends paid	-	(4,826)	(169,242)	(174,068)
Total transactions with shareholders	132,469	(4,441)	(169,242)	(41,214)
Balance as at 30 June, 2014	2,437,259	1,548,931	302,519	4,288,709

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the year ended 30 June, 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Dividends and distributions received		212,293	184,387
Interest received		4,798	6,807
Other receipts		608	1,252
Proceeds from trading investments		19,120	15,629
Payments for trading investments		(13,131)	(10,793)
Other payments		(8,136)	(7,196)
Income tax paid		(31,891)	(14,939)
Net operating cash inflows	6(b)	183,661	175,147
Cash flows from investing activities			
Proceeds from sale of long-term investments		135,987	115,476
Payments for long-term investments		(286,245)	(248,011)
Proceeds from other financial cash assets		70,000	140,000
Payments for other financial cash assets		-	(150,000)
Executive share scheme repayments		389	104
Payments for fixed assets		(29)	(16)
Net investing cash outflows		(79,898)	(142,447)
Cash flows from financing activities			
Proceeds from Share Purchase Plan		-	99,631
Cost of share issues		(76)	(393)
Dividends paid – net of Dividend Reinvestment Plan		(152,936)	(140,955)
Net financing cash outflows		(153,012)	(41,717)
Net decrease in cash held		(49,249)	(9,017)
Cash at the beginning of the year		126,893	135,910
Cash at the end of the year	6(a)	77,644	126,893

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the year ended 30 June, 2015

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 Investments Limited is a company limited by shares.

The financial statements were authorised for issue by the Directors on 20 August, 2015. The Directors have the power to amend and reissue the financial statements.

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

(a) Basis of Preparation

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

These financial statements 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, provides services to the Company. The consolidated financial statements incorporate the assets and liabilities of Argo Service Company Pty Ltd as at 30 June 2015 and its results for the year then ended. Intercompany transactions and balances between the Company and Argo Service Company Pty Ltd 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 any 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 Class Order 98/100 dated 10 July, 1998 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

(v) **New Accounting Standards**

The Company has applied the following new and revised accounting standards which became effective for the annual reporting period commencing on 1 July, 2014:

(1) AASB 10 *Consolidated Financial Statements;* and

(2) AASB 127 (revised 2011) *Separate Financial Statements* by AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities.*

The amendments made by AASB 2013-5 introduce an exception from the consolidation requirements for investment entities. The amendment provides relief from the requirement to consolidate any investments in subsidiaries. The Company meets the definition of an investment entity under the standard. Therefore any investment in subsidiaries (other than those subsidiaries that provide investment related services) must be measured as fair value (Refer Notes 1(b) and 1(c)).

Any 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.

(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

	2015 $'000	2014 $'000
Received/receivable from:		
Long-term investments held at the end of the year	234,924	200,368
Long-term investments sold during the year	2,365	2,281
	237,289	**202,649**

3. ADMINISTRATION EXPENSES

	2015 $'000	2014 $'000
Employment benefits	4,397	4,733
Depreciation	51	54
Other	3,421	2,482
	7,869	**7,269**

4. INCOME TAX EXPENSE

	2015 $'000	2014 $'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	241,165	207,932
Prima facie tax expense calculated at 30% (2014: 30%)	72,349	62,380
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(52,472)	(46,982)
Non-taxable distributions	(5,579)	(1,209)
Other	(705)	(1,885)
Over provision in previous year	(532)	(246)
Income tax expense	**13,061**	**12,058**
(b) Income tax expense composition:		
Charge for tax payable relating to current year	13,579	12,430
Increase/(decrease) in deferred tax liabilities	14	(126)
Over provision in previous year	(532)	(246)
	13,061	**12,058**
(c) Amounts recognised directly in other comprehensive income: Increase in deferred tax liabilities	**26,271**	**160,009**

5. EARNINGS PER SHARE

	2015 number '000	2014 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	664,839	649,399
	$'000	$'000
Profit for the year	228,104	195,874
	cents	cents
Basic and diluted earnings per share	**34.3**	**30.2**

6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents includes cash on deposit (floating interest rates between 2.00% and 2.45% at 30 June, 2015; 2014: 2.45% and 3.50%) with banks and fixed term deposits (fixed interest rates to maturity between 2.30% and 2.70% at 30 June, 2015; 2014: 3.20% and 3.40%) with banks, maturing within three months from date of deposit.

	2015 $'000	2014 $'000
Bank deposits	**77,644**	**126,893**
(b) Reconciliation of net cash provided by operating activities to profit for the year:		
Profit for the year	228,104	195,874
Dividends received as securities in dividend reinvestment plans	(4,861)	(6,081)
Demerger dividends and distributions	(18,596)	(6,917)
Depreciation	51	54
Charges to/(from) provisions	17	(134)
Other movements	232	385
(Decrease)/increase in provision for income tax	(11,481)	6,443
Transfer from provision for deferred income tax	(7,168)	(9,165)
Increase in deferred tax assets	(262)	(257)
Changes in operating assets and liabilities:		
Increase in current investments	(1,660)	-
Increase in other debtors	(1,590)	(5,548)
Increase in other creditors	875	493
Net cash provided by operating activities	**183,661**	**175,147**
(c) Financing arrangement		
Total line of credit available:		
Bank overdraft	-	200
Loan facility – unsecured	100,000	-
Amount utilised	-	-
Undrawn facility	**100,000**	**200**

(d) Non-cash financing activities

Dividends paid totalling $36.1 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2014: $33.1 million).

7. RECEIVABLES

	2015 $'000	2014 $'000
Current		
Dividends and distributions receivable	37,421	35,882
Interest receivable	175	969
Outstanding settlements	264	800
Executive share plan loan	-	370
Other	691	313
	38,551	**38,334**

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

	2015 $'000	2014 $'000
Non-Current		
Executive share plan loans	**138**	**157**

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

8. INVESTMENTS

	2015 $'000	2014 $'000
Current		
Listed securities at fair value(1)	**1,660**	**-**
Non-Current		
Listed securities at fair value(1)	4,886,463	4,672,893
Unlisted securities at fair value(2)	29,870	3,540
	4,916,333	**4,676,433**

The fair value of investments is based on the fair value measurement hierarchy disclosed in Note 28.

(1) The fair value of listed securities is established from the quoted prices (unadjusted) in the active market of the Australian Securities Exchange for identical assets in accordance with Level 1 of the fair value measurement hierarchy. No amounts have transferred between Level 3 and 1 during the year.

(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:

	2015 $'000	2014 $'000
Carrying amount at beginning of year	3,540	3,450
Additions	26,000	-
Fair value gains recognised in other comprehensive income	330	90
Carrying amount at end of year[(a)]	**29,870**	**3,540**

(a) Unlisted securities of $29.9 million include $26.0 million which relates to investment in Argo Global Listed Infrastructure Limited and amaysim Australia Limited, with the companies subsequently listing in July, 2015. The remaining unlisted investment of $3.9 million is valued at estimated fair value based on reported net tangible assets.

The fair value of each non-current security (long-term investment) is disclosed in Note 29.

There were 81 investment transactions during the financial year. The total brokerage paid on these transactions was $0.9 million.

9. OTHER FINANCIAL CASH ASSETS

	2015 $'000	2014 $'000
Bank term deposits	**-**	**70,000**

Other financial cash assets are fixed term deposits (2014: fixed interest rates to maturity between 3.40% and 3.48%) with banks, maturing from three to six months from date of deposit.

10. PLANT AND EQUIPMENT

	2015 $'000	2014 $'000
Plant and equipment at cost	1,004	975
Accumulated depreciation	(681)	(630)
	323	**345**
Movements		
Carrying amount at beginning of year	345	383
Additions	29	16
Depreciation	(51)	(54)
Carrying amount at end of year	**323**	**345**

11. PAYABLES

	2015 $'000	2014 $'000
Current		
Outstanding settlements	1,000	8,970
Director's retiring allowance	-	150
Other	1,271	1,179
	2,271	**10,299**

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 $'000	2014 $'000
Exchange traded options at fair value	**1,466**	**1,000**

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

13. PROVISIONS

	2015 $'000	2014 $'000
Current		
Provision for employee entitlements	**428**	**480**
Non-Current		
Provision for employee entitlements	**110**	**122**

14. DEFERRED TAX LIABILITIES

	2015 $'000	2014 $'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	618,035	599,284
Income receivable which is not assessable for tax until receipt	1,254	994
Deferred tax liability on unrealised gains on trading investments	124	108
	619,413	600,386

	2015 $'000	2014 $'000
Offset by deferred tax assets:		
Capital losses not utilised	-	(75)
Provisions and payables	(1,172)	(911)
Deferred tax on cost of share issues	(150)	(208)
	(1,322)	(1,194)
Net deferred tax liabilities	**618,091**	**599,192**
Movements		
Balance at beginning of year	599,192	448,624
Debited/(credited) to profit or loss	14	(126)
Charged to other comprehensive income	26,271	160,009
Changes to the tax base of investments	(7,386)	(9,315)
Balance at end of year	**618,091**	**599,192**

The amount of net deferred tax liabilities expected to be settled in the next 12 months is $0.7 million (2014: $0.7 million).

15. CONTRIBUTED EQUITY

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

	2015 No. of shares	2014 No. of shares	2015 $'000	2014 $'000
Issued and fully paid ordinary shares:				
Opening balance	662,179,486	643,456,209	2,437,259	2,304,790
Dividend reinvestment plan[(a)]	4,590,193	4,808,332	36,115	33,113
Share purchase plan	-	13,914,945	-	99,631
Cost of share issues net of tax	-	-	(54)	(275)
Closing balance	**666,769,679**	**662,179,486**	**2,473,320**	**2,437,259**

(a) On 3 September, 2014, 2,357,163 shares were allotted at $7.79 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2014.

On 4 March, 2015, 2,233,030 shares were allotted at $7.95 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2015.

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

16. RESERVES

	2015 $'000	2014 $'000
Executive Performance Rights Reserve	1,339	1,107
Investment Revaluation Reserve	1,354,931	1,309,495
Capital Profits Reserve	240,242	238,329
	1,596,512	**1,548,931**
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	1,107	722
Accrued entitlement for unvested rights	296	523
Executive performance shares purchased	(64)	(138)
Balance at end of year	1,339	1,107
Investment Revaluation Reserve		
Balance at beginning of year	1,309,495	968,246
Revaluation of long-term investments	73,620	532,059
Provision for deferred tax expense on revaluation of long-term investments	(26,271)	(160,009)
Realised gains on sale of long-term investments transferred to capital profits reserve	(3,893)	(44,501)
Income tax expense thereon	1,980	13,700
Balance at end of year	1,354,931	1,309,495
Capital Profits Reserve		
Balance at beginning of year	238,329	212,354
Dividend paid	-	(4,826)
Transfer from investment revaluation reserve	1,913	30,801
Balance at end of year	240,242	238,329
Total Reserves	**1,596,512**	**1,548,931**

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 $129.3 million (2014: $110.8 million). The cumulative profit after tax on these disposals was $1.9 million (2014: $30.8 million), which has been transferred from the investment revaluation reserve to the capital profits reserve.

Nature and Purpose of Reserves

Executive Performance Rights Reserve

This reserve contains the fair value of the 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.

17. RETAINED PROFITS

	2015 $'000	**2014** $'000
Balance at beginning of year	302,519	275,887
Dividends paid	(189,051)	(169,242)
Profit for the year	228,104	195,874
Balance at end of year	**341,572**	**302,519**

18. CAPITAL MANAGEMENT

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

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

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

19. DIVIDENDS

	2015 $'000	2014 $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June, 2014 of 14.5 cents fully franked at 30% tax rate paid 3 September, 2014 (2014: 13.5 cents fully franked at 30% tax rate)	96,016	86,867
Interim dividend for the year ended 30 June, 2015 of 14.0 cents fully franked at 30% tax rate paid 4 March, 2015 (2014: 13.5 cents fully franked at 30% tax rate)	93,035	87,201
Total dividends paid	**189,051**	**174,068**

The final dividend paid did not contain a listed investment company (LIC) capital gain component (2014: 0.75 cent per share).

	2015 $'000	2014 $'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, 2015 of 15.5 cents fully franked at 30% tax rate payable 2 September, 2015 (2014: 14.5 cents fully franked at 30% tax rate)	**103,349**	**96,016**

The final dividend declared will contain a LIC capital gain component of 3.0 cents per share (2014: nil).

20. FRANKING ACCOUNT

	2015 $'000	2014 $'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	91,073	76,320
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(44,293)	(41,150)
	46,780	**35,170**
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	**109,153**	**82,063**

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

21. LISTED INVESTMENT COMPANY (LIC) CAPITAL GAIN ACCOUNT

	2015 $'000	2014 $'000
Balance of the LIC capital gain account	21,825	208
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)	-
	1,822	**208**
This equates to an attributable amount of	**2,603**	**297**

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

22. FINANCIAL REPORTING BY SEGMENTS

The Company operates 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.

23. COMMITMENTS

	2015 $'000	2014 $'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	291	347
Later than one year but not later than five years	502	793
Later than five years	-	-
	793	**1,140**

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

24. RELATED PARTIES

	2015 $	2014 $
(a) **Key Management Personnel Compensation**		
Short-term	2,096,933	2,503,441
Post-employment (superannuation)	181,648	185,132
Termination benefits	150,000	-
Share based	84,308	357,166
	2,512,889	**3,045,739**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 16 to 32.

	2015 $	2014 $
(b) **Key Management Personnel Loans**		
Balance at beginning of year	527,286	631,680
Loan repayments	(388,929)	(104,394)
Balance at end of year	**138,357**	**527,286**
Notional interest not charged	3,390	14,193

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

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

During the financial year the Company launched Argo Global Listed Infrastructure Limited (AGLI) by way of an initial public offering. AGLI is an Australian investment company which invests in international securities in the infrastructure sector. It listed on the ASX on 3 July, 2015.

Prior to balance date the Company acquired 12,500,100 shares, representing 8.74% of the issued capital, of AGLI, for a consideration of $25,000,100 and 12,500,000 options were also received for no consideration and are exercisable for $2.00 per option on or before 31 March, 2017.

At balance date, AGLI was valued at cost and has been included as an unlisted security, in accordance with Level 3 of the fair value measurement hierarchy, as reported in Note 8. Following its listing on the ASX, AGLI will be valued as a listed security at fair value (established from quoted prices) in accordance with Level 1 of the fair value measurement hierarchy.

An outstanding balance of $630,245, representing AGLI expenses paid by the Company, has been included as at balance date as a receivable in Note 7 and was subsequently repaid on 2 July, 2015.

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

The Company will receive an ongoing fee for managing the operations of AGLI, via its wholly owned subsidiary, Argo Service Company Pty Ltd. No fees were received or receivable in the financial year ended 30 June, 2015.

25. 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, 2015 the parent entity is Argo Investments Limited.

	2015 $'000	**2014** $'000
Profit of the parent entity		
Profit for the year	228,100	195,874
Total comprehensive income for the year	275,449	567,924
Financial position of the parent entity as at 30 June		
Current assets	117,325	235,227
Total assets	5,034,244	4,912,162
Current liabilities	4,591	24,139
Total liabilities	622,843	623,453
Net assets	4,411,401	4,288,709
Total equity of the parent entity comprising of:		
Contributed equity	2,473,320	2,437,259
Reserves	1,596,512	1,548,931
Retained profits	341,569	302,519
Total equity attributable to shareholders of the parent entity	4,411,401	4,288,709

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, 2015.

26. 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, 1,524 (2014: 2,002) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $12,033 (2014: $14,000) and had a market value of $12,146 (2014: $15,275) at $7.97 per share (2014: $7.63 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	-	-	(7,565)[(2)]	44,238
20/11/14	20/11/16	4/12/16	-	41,073[(1)]	-	-	41,073
			51,803	**41,073**	**-**	**(7,565)**	**85,311**

(1) The fair value at grant date of the STI performance rights issued during the year was $7.07 (2014: $6.17) 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 20 November, 2014: $7.89 (17 September, 2013: $6.92); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2014: 5.7%).

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

(3) STI performance rights expense of $245,598 (2014: $198,751) 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 0.8 years (2014: 1.3 years).

LTI performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
22/04/10	18/11/13	2/12/14	150,300	-	(7,682)	(142,618)[(2)]	-
18/11/10	18/11/14	2/12/15	192,600	-	(5,790)	(48,190)[(3)]	138,620
17/11/11	17/11/15	1/12/16	235,500	-	-	(38,100)[(3)]	197,400
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
20/11/14	20/11/18	4/12/18	-	129,700[(1)]	-	-	129,700
			974,100	**129,700**	**(13,472)**	**(274,508)**	**815,820**

(1) The fair value at grant date of the LTI performance rights issued during the year was $6.33 (2014: $5.67) 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 20 November, 2014: $7.89 (22 November, 2013: $7.12); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2014: 5.7%).

(2) 29,700 LTI performance rights lapsed due to resignation of executives and 112,918 lapsed without vesting.

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

(4) LTI performance rights expense totalling $51,120 (2014: $324,918) 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 1.8 years (2014: 2.2 years).

27. AUDITOR'S REMUNERATION

	2015 $	**2014** $
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	139,465	108,075
(b) Non-audit services		
Taxation and professional services	42,871	11,770
Total remuneration	**182,336**	**119,845**

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

28. FINANCIAL RISK MANAGEMENT

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

Credit Risk

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

In relation to cash and cash equivalents and other financial cash assets disclosed in Notes 6(a) and 9, the 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 12.

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, 2015 (2014: nil).

Current financial liabilities are disclosed in Note 11.

Market Risk

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

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

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the long-term investment portfolio, would lead to a reduction in the Company's equity of $172.1 million (2014: $163.7 million) and $344.1 million (2014: $327.4 million) respectively, after tax. The investment revaluation reserve at 30 June, 2015 has an after tax balance of $1,354.9 million (2014: $1,309.5 million). It would require a 39% (2014: 40%) 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:

	2015	**2014**
Energy	5%	6%
Materials	13%	15%
Industrials	6%	7%
Consumer Discretionary	7%	5%
Consumer Staples	8%	9%
Health Care	6%	5%
Banks	22%	22%
Cash and Short-term Deposits	2%	4%
Other Financials	10%	8%
Listed Investment Companies	7%	7%
Property Trusts	3%	3%
Telecommunication Services & I.T.	7%	6%
Utilities	4%	3%
	100%	100%

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

	2015	2014
Westpac Banking Corporation	6.6%	7.1%
Australia and New Zealand Banking Group Ltd.	6.1%	6.4%
Telstra Corporation Ltd.	5.2%	4.4%
Commonwealth Bank of Australia	5.0%	4.5%

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 $1.5 million (2014: $1.0 million) and is disclosed in Note 12. Investments with a market value of $52.2 million (2014: $44.3 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 1.4% (2014: 1.3%) of the fair value of long-term investments disclosed in Note 29.

Fair Value Measurement

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

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

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

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

29. LONG-TERM INVESTMENTS

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

	2015 No. of shares or units	2015 $'000	2014 No. of shares or units	2014 $'000
3P Learning Ltd.	-	-	700,000	1,750
Adelaide Brighton Ltd	7,681,385	33,107	7,504,449	25,890
Affinity Education Group Ltd.	15,459,510	12,522	5,742,980	7,179
AGL Energy Ltd.	3,650,000	56,757	3,159,316	48,906
ALS Ltd.	4,122,480	24,117	4,026,811	35,678
Alumina Ltd.	11,779,840	18,023	11,779,840	15,903
Amalgamated Holdings Ltd.	1,634,721	20,499	1,240,151	11,571
amaysim Australia Ltd.	555,556	1,000	-	-
Amcor Ltd.	4,918,564	67,483	4,614,711	48,131
AMP Ltd.	12,381,674	74,538	12,381,674	65,623
Ansell Ltd.	786,972	18,958	786,972	15,606
APA Group	10,277,940	84,690	7,358,455	50,700
A.P. Eagers Ltd.	4,312,620	40,323	4,312,620	24,625
Argo Global Listed Infrastructure Ltd.	12,500,100	25,000	-	-
Argo Global Listed Infrastructure Ltd. options	12,500,000	-	-	-
Aristocrat Leisure Ltd.	2,485,130	19,011	2,241,000	11,788
Arrium Ltd.	-	-	5,079,109	4,038
Asaleo Care Ltd.	8,606,920	16,353	2,409,091	4,035
Asciano Ltd.	6,743,086	44,841	6,543,086	36,838
ASX Ltd.	109,101	4,353	269,701	9,612
Australia and New Zealand Banking Group Ltd.	9,506,235	306,101	9,406,235	313,604
Australian Careers Network Ltd.	4,717,596	8,327	-	-
Australian United Investment Company Ltd.	16,711,022	137,197	16,990,102	138,469
Automotive Holdings Group Ltd.	5,184,593	20,687	5,184,593	18,924
BHP Billiton Ltd.	8,265,004	223,568	8,065,004	289,534
Boral Ltd.	3,075,132	17,990	3,075,132	16,144
Brambles Ltd.	5,422,449	57,478	5,272,449	48,454
Brickworks Ltd.	584,009	8,059	574,960	7,860
Challenger Ltd.	3,590,311	24,127	2,955,473	21,989
CIMIC Group Ltd.	439,733	9,564	489,733	9,662
Coca-Cola Amatil Ltd.	2,700,733	24,712	2,700,733	25,549

	2015 No. of shares or units	2015 $'000	2014 No. of shares or units	2014 $'000
Colorpak Ltd.	5,162,885	2,143	4,049,000	2,551
Commonwealth Bank of Australia	2,952,895	251,380	2,727,895	220,632
Computershare Ltd.	4,901,166	57,393	4,901,166	61,167
Crown Resorts Ltd.	2,609,184	31,832	2,184,184	33,025
CSL Ltd.	1,051,952	90,962	1,101,952	73,335
David Jones Ltd.	-	-	3,418,106	13,467
Diversified United Investment Ltd.	10,169,575	35,695	10,169,575	36,610
Downer EDI Ltd.	2,392,527	11,436	2,392,527	10,814
DUET Group	16,688,075	38,549	14,088,385	34,094
DuluxGroup Ltd.	3,881,512	22,202	3,410,939	19,306
Echo Entertainment Group Ltd.	-	-	2,155,825	6,769
Fleetwood Corporation Ltd.	-	-	1,352,485	3,151
Fletcher Building Ltd.	1,350,701	9,739	1,350,701	11,049
GPT Group	3,480,667	14,897	3,477,121	13,352
GUD Holdings Ltd.	1,772,013	15,665	1,495,000	9,299
Harvey Norman Holdings Ltd.	4,213,182	19,001	4,030,000	12,493
Iluka Resources Ltd.	1,700,000	13,056	1,700,000	13,821
Incitec Pivot Ltd.	4,095,530	15,768	4,095,530	11,877
Insurance Australia Group Ltd.	6,981,075	38,954	6,981,075	40,769
InvoCare Ltd.	2,082,191	25,195	2,082,191	21,051
IRESS Ltd.	791,884	8,014	791,884	6,486
iSelect Ltd.	4,472,554	6,440	4,472,554	5,143
Lend Lease Group	3,893,609	58,521	3,893,609	51,045
LEX Property Fund	3,000,000	3,870	3,000,000	3,540
Macquarie Group Ltd.	2,355,151	191,709	2,355,015	140,430
Macquarie Group Ltd. income securities	15,000	1,073	15,000	1,315
Managed Accounts Holdings Ltd.	12,500,000	2,188	12,500,000	3,000
Medibank Private	13,953,488	28,047	-	-
Milton Corporation Ltd.	32,583,552	146,626	38,426,060	174,454
Mirvac Group	6,000,551	11,101	6,000,551	10,711
MMA Offshore Ltd.	13,862,997	7,417	13,862,997	28,558
Monash IVF Group Ltd.	6,261,645	8,015	3,040,541	5,367
National Australia Bank Ltd.	6,055,138	201,697	5,606,609	183,785
Navitas Ltd.	3,623,160	15,543	3,123,160	22,268
Newcrest Mining Ltd.	134,750	1,754	1,077,750	11,338

	2015 No. of shares or units	2015 $'000	2014 No. of shares or units	2014 $'000
News Corporation class A	-	-	219,913	4,191
News Corporation class B	-	-	195,016	3,616
Orica Ltd.	2,557,983	54,434	2,557,983	49,830
Origin Energy Ltd.	7,339,947	87,859	6,789,947	99,269
Orora Ltd.	-	-	4,614,711	6,576
OZ Minerals Ltd.	701,342	2,791	701,342	2,868
Pact Group Holdings Ltd.	3,237,038	15,149	2,700,000	9,261
Peet Ltd.	12,802,705	14,659	11,090,988	14,973
Peet Ltd. convertible notes	32,500	3,331	32,500	3,412
Perpetual Ltd.	238,905	11,553	238,905	11,319
Premier Investments Ltd.	1,250,000	15,938	1,250,000	10,625
Primary Health Care Ltd.	3,315,015	16,708	3,177,458	14,426
Programmed Maintenance Services Ltd.	1,572,197	4,528	1,642,838	4,616
QBE Insurance Group Ltd.	5,011,191	68,503	4,559,706	49,564
Ramsay Health Care Ltd.	1,375,437	84,548	1,353,923	61,603
Ramsay Health Care Ltd. reset conv. preference	25,000	2,563	25,000	2,656
Reece Australia Ltd.	697,806	24,221	620,506	18,764
Regis Healthcare Ltd.	1,660,959	8,571	-	-
Rio Tinto Ltd.	2,510,739	134,952	2,510,739	148,912
Santos Ltd.	6,289,105	49,244	4,803,200	68,494
Scentre Group	8,526,662	31,975	8,526,662	27,285
Sims Metal Management Ltd.	415,772	4,332	415,772	4,025
Sonic Healthcare Ltd.	2,824,483	60,359	2,624,483	45,482
South32 Ltd.	8,265,004	14,794	-	-
Southern Cross Media Group Ltd.	-	-	7,390,784	7,908
Spark Infrastructure	4,244,214	8,297	4,244,214	7,852
Steadfast Group Ltd.	7,974,237	12,878	5,197,797	6,809
Stockland	2,817,934	11,554	2,817,934	10,934
Suncorp Group Ltd.	4,260,838	57,223	4,260,838	57,692
Surfstitch Group Ltd.	6,750,000	12,319	-	-
Sydney Airport	14,458,175	72,002	13,958,175	58,903
Tabcorp Holdings Ltd.	2,850,670	12,971	2,631,388	8,841
Tassal Group Ltd.	3,851,848	12,827	2,000,000	7,720
Tatts Group Ltd.	2,052,730	7,636	2,052,730	6,712

	2015 No. of shares or units	2015 $'000	2014 No. of shares or units	2014 $'000
Technology One Ltd.	5,964,564	21,771	5,964,564	15,925
Telstra Corporation Ltd.	43,004,800	264,049	41,504,800	216,240
Toll Holdings Ltd.	-	-	2,888,785	14,733
Transfield Services Ltd.	5,397,040	7,691	5,397,040	5,856
Transurban Group	5,481,463	50,978	5,481,463	40,508
Twenty-First Century Fox, Inc. class B	1,681,687	70,369	1,681,687	61,045
UGL Ltd.	2,113,242	4,480	2,113,242	14,455
Washington H. Soul Pattinson and Company Ltd.	2,182,606	29,334	2,182,606	32,193
Wesfarmers Ltd.	5,440,027	212,324	5,535,796	231,618
Westfield Corporation	3,724,835	33,971	3,724,835	26,633
Westpac Banking Corporation	10,351,594	332,804	10,251,594	347,324
Whitehaven Coal Ltd.	3,656,652	4,808	3,656,652	5,247
Woodside Petroleum Ltd.	1,700,873	58,221	1,700,873	69,855
Woolworths Ltd.	4,133,026	111,426	4,133,026	145,565
WorleyParsons Ltd.	972,336	10,122	572,336	9,964
Total long-term investments		**4,916,333**		**4,676,433**

Directors' Declaration

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

(a) the consolidated financial statements and notes set out on pages 35 to 67 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, 2015 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, 2015.

Dated this 20th day of August, 2015

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 2015, 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 2015 and of its performance for the year ended on that date; and

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

(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 32 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A G Forman
Partner
PricewaterhouseCoopers

Adelaide
20 August, 2015

Shareholding details as at 18 August, 2015

	Ordinary shareholders
Number of shareholders holding:	
1- 1,000 shares	19,730
1,001- 5,000 shares	29,166
5,001- 10,000 shares	13,459
10,001- 100,000 shares	15,180
100,001 or more shares	473
Total number of shareholders (entitled to one vote per share)	**78,008**
Number of shareholders holding less than a marketable parcel	1,590

20 largest shareholders of ordinary shares

	No. of shares	% of issued capital
RCY Pty. Limited	6,166,887	0.92
JIT Pty. Limited	4,950,972	0.74
Questor Financial Services Limited (TPS RF a/c)	4,226,901	0.63
TRIGT Pty. Limited	2,852,478	0.43
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,595,834	0.39
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,484,128	0.37
McLennan Holdings Pty. Ltd.	2,120,026	0.32
Bougainville Copper Limited	1,937,571	0.29
Donald Cant Pty. Ltd.	1,848,302	0.28
Kalymna Pty. Ltd.	1,620,737	0.24
Redemptorists (Central Investment Fund a/c)	1,598,000	0.24
Mr. Stuart John McWilliam	1,566,927	0.24
Poplar Pty. Ltd.	1,464,479	0.22
Salur Holdings Pty. Limited	1,459,665	0.22
Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c)	1,412,303	0.21
Jacaranda Pastoral Pty. Ltd.	1,366,178	0.20
Questor Financial Services Limited (TPS PIP a/c)	1,236,111	0.19
Australian Executor Trustees Limited	1,150,123	0.17
Ling Nominees Pty. Ltd.	1,066,366	0.16
HSBC Custody Nominees (Australia) Limited	993,797	0.15
	44,117,785	**6.61**

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

Securities issued since 19 September, 1985

Date	Details
10 January, 1986	1:5 bonus issue from Capital Profits Reserve
16 May, 1986	1:10 bonus issue from Share Premium Reserve
20 March, 1987	1:8 rights issue @ $2.50 per share
23 March, 1987	1:9 bonus issue from Capital Profits Reserve
22 May, 1987	1:5 bonus issue from Capital Profits Reserve
16 December, 1988	1:8 rights issue @ $2.40 per share
19 December, 1988	1:6 bonus issue from Share Premium Reserve
27 April, 1990	1:10 bonus issue from Share Premium Reserve
12 March, 1992	1:8 rights issue @ $2.00 per share
10 October, 1995	1:10 bonus issue from Share Premium Reserve
21 June, 1996	Share Purchase Plan @ $2.57 per share
19 July, 1996	1:10 bonus issue from Share Premium Reserve
20 June, 1997	Share Purchase Plan @ $2.65 per share
27 November, 1997	1:10 rights issue @ $2.50 per share
19 June, 1998	Share Purchase Plan @ $3.19 per share
23 June, 1999	Share Purchase Plan @ $3.48 per share
15 November, 1999	Dividend Reinvestment Plan @ $3.32 per share
19 May, 2000	Dividend Reinvestment Plan @ $3.08 per share
23 June, 2000	Share Purchase Plan @ $3.08 per share
28 March, 2001	Dividend Reinvestment Plan @ $3.43 per share
27 June, 2001	Dividend Reinvestment Plan @ $3.74 per share
12 September, 2001	Dividend Reinvestment Plan @ $3.92 per share
12 October, 2001	Share Purchase Plan @ $3.92 per share
15 March, 2002	Dividend Reinvestment Plan @ $4.27 per share
18 April, 2002	1:10 rights issue @ $3.95 per share
13 September, 2002	Dividend Reinvestment Plan @ $4.35 per share
15 October, 2002	Share Purchase Plan @ $4.35 per share
14 March, 2003	Dividend Reinvestment Plan @ $4.00 per share
16 April, 2003	Share Purchase Plan @ $4.00 per share
12 September, 2003	Dividend Reinvestment Plan @ $4.78 per share
20 October, 2003	Share Purchase Plan @ $4.78 per share
12 March, 2004	Dividend Reinvestment Plan @ $4.76 per share
16 April, 2004	1:10 rights issue @ $4.40 per share with the possibility of additional shares
8 September, 2004	Dividend Reinvestment Plan @ $4.75 per share
18 October, 2004	Share Purchase Plan @ $4.75 per share
11 March, 2005	Dividend Reinvestment Plan @ $5.43 per share
18 April, 2005	Share Purchase Plan @ $5.43 per share
8 September, 2005	Dividend Reinvestment Plan @ $5.79 per share

Date	Details
19 October, 2005	Share Purchase Plan @ $5.79 per share
10 March, 2006	Dividend Reinvestment Plan @ $6.71 per share
20 April, 2006	Share Purchase Plan @ $6.71 per share
8 September, 2006	Dividend Reinvestment Plan @ $6.95 per share
17 October, 2006	Share Purchase Plan @ $6.95 per share
9 March, 2007	Dividend Reinvestment Plan @ $7.92 per share
27 March, 2007	1:8 rights issue @ $7.20 per share with the possibility of additional shares
5 September, 2007	Dividend Reinvestment Plan @ $7.62 per share
9 October, 2007	Share Purchase Plan @ $7.62 per share
4 March, 2008	Dividend Reinvestment Plan @ $7.39 per share
8 April, 2008	Share Purchase Plan @ $7.39 per share
5 September, 2008	Dividend Reinvestment Plan @ $6.69 per share
10 October, 2008	Share Purchase Plan @ $6.69 per share
4 March, 2009	Dividend Reinvestment Plan @ $5.12 per share
6 April, 2009	Share Purchase Plan @ $5.12 per share
4 September, 2009	Dividend Reinvestment Plan @ $6.34 per share
3 March, 2010	Dividend Reinvestment Plan @ $6.31 per share
14 April, 2010	Share Purchase Plan @ $6.31 per share
3 September, 2010	Dividend Reinvestment Plan @ $5.71 per share
7 March, 2011	Dividend Reinvestment Plan @ $6.21 per share
15 April, 2011	Share Purchase Plan @ $6.10 per share
7 September, 2011	Dividend Reinvestment Plan @ $5.10 per share
7 March, 2012	Dividend Reinvestment Plan @ $5.27 per share
5 September, 2012	Dividend Reinvestment Plan @ $5.36 per share
4 March, 2013	Dividend Reinvestment Plan @ $6.48 per share
9 April, 2013	Share Purchase Plan @ $6.48 per share
4 September, 2013	Dividend Reinvestment Plan @ $6.63 per share
5 March, 2014	Dividend Reinvestment Plan @ $7.16 per share
9 April, 2014	Share Purchase Plan @ $7.16 per share
3 September, 2014	Dividend Reinvestment Plan @ $7.79 per share
4 March, 2015	Dividend Reinvestment Plan @ $7.95 per share

Argo

Investing
in Australia

MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2015

Profile

Milton was established as a private investment vehicle for four shareholders in 1938. It became a public company in 1950 and listed on the Sydney Stock Exchange in 1958. Milton is now an investment vehicle for more than 22,500 shareholders and it is listed on the Australian Securities Exchange under the code MLT.

Objective

Milton's objective is to hold a diversified portfolio of assets that generates a growing income stream for distribution to shareholders in the form of increasing fully franked dividends and provides capital growth in the value of the shareholders' investments.

Investment philosophy

Milton is predominantly a long term investor in companies and trusts that are well managed, with a profitable history and an expectation of increasing dividends and distributions. Turnover of investments is low and capital gains arising from disposals are reinvested.

Milton holds liquid assets such as cash and term deposits and it may invest in hybrid securities as well as real property development through joint ventures.

Value proposition

Milton provides a reliable income stream through the payment of fully franked dividends in March and September.

Ordinary fully franked dividends are paid out of profit after tax excluding special investment revenue and acquisition related costs of subsidiaries. Dividends have been paid every year since listing and all dividends have been fully franked since the introduction of franking. Refer to the dividend history graph on page 2.

Special fully franked dividends may be paid out of special investment revenue.

Milton provides exposure to a diversified portfolio of companies and trusts listed on the Australian Securities Exchange.

Milton's $2.7 billion equity investment portfolio, which represents 94% of total assets, comprises interests in companies and trusts which are expected to provide an increase in investment revenue over the long term. Consistent application of this investment philosophy over many years has created a portfolio that is not aligned with any securities exchange index. A list of investments by sector commences on page 7 and the classification of investments is detailed in the Chairman's Review on page 4.

Milton's efficient, internally managed structure provides all of the above for 0.12% per annum of total assets.

Milton's directors oversee the performance of its executives who are employed by the company to manage its investments. All employees are focussed on operating efficiently and maximising returns to shareholders.

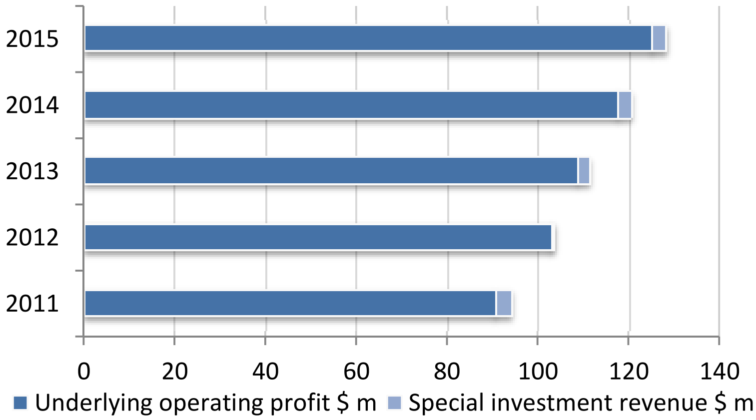
Contents*

*Corporate Governance Statement is available on the company website www.milton.com.au/governance and is lodged with ASX with this Annual Report.

Calendar

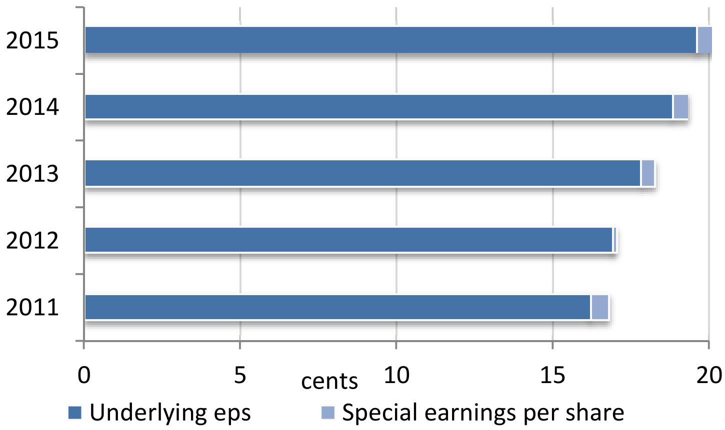
Final dividend & special dividend:	
- Ex dividend date	13 August 2015
- Payment date	3 September 2015
Share Purchase Plan closes	22 September 2015
Annual General Meeting:	15 October 2015 at 3pm
- To be held at	Sofitel Sydney Wentworth, Level 4, The Adelaide Room 61-101 Phillip Street, Sydney

Key performance charts



Profit after tax

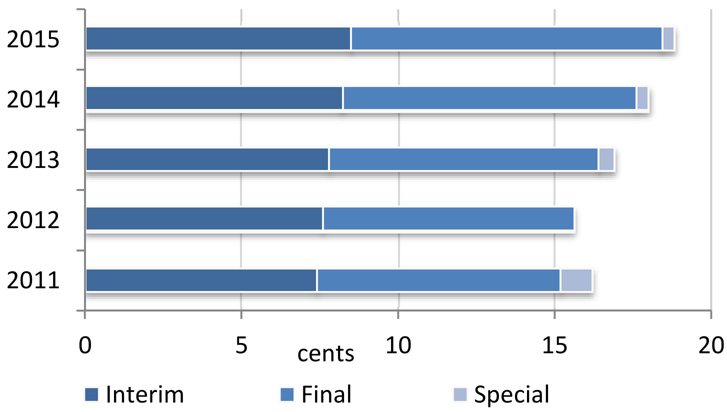
Net profit after tax for the 2015 financial year was $128 million including special investment revenue after tax of $3.0 million



Earnings per share

Earnings per share for the 2015 financial year were 20.1 cents.

Underlying earnings per share, which excludes special investment revenue after tax, amounted to 19.6 cents.

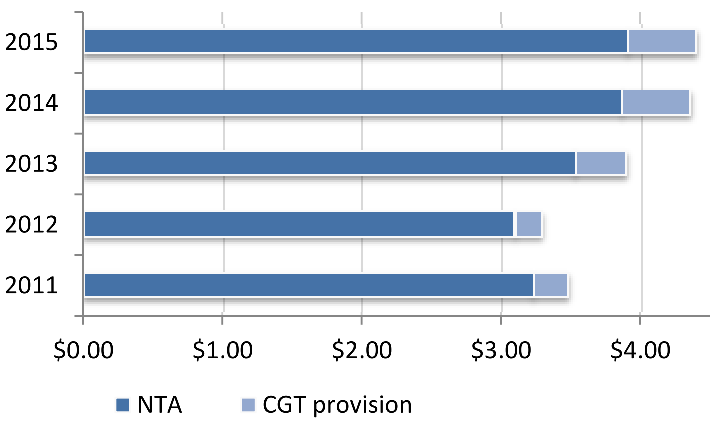


Fully franked dividends per share

Ordinary dividends in 2015 were increased to 18.4 cents per share.

A special dividend of 0.4 cents per share was declared in addition to the final dividend.

A special dividend has been declared in four of the last five years.



Net tangible asset backing per share

The net tangible asset backing before provision for tax on unrealised capital gains (NTA) at 30 June 2015 was $4.39.

The provision for tax on unrealised capital gains at 30 June 2015 was $0.49 per share.

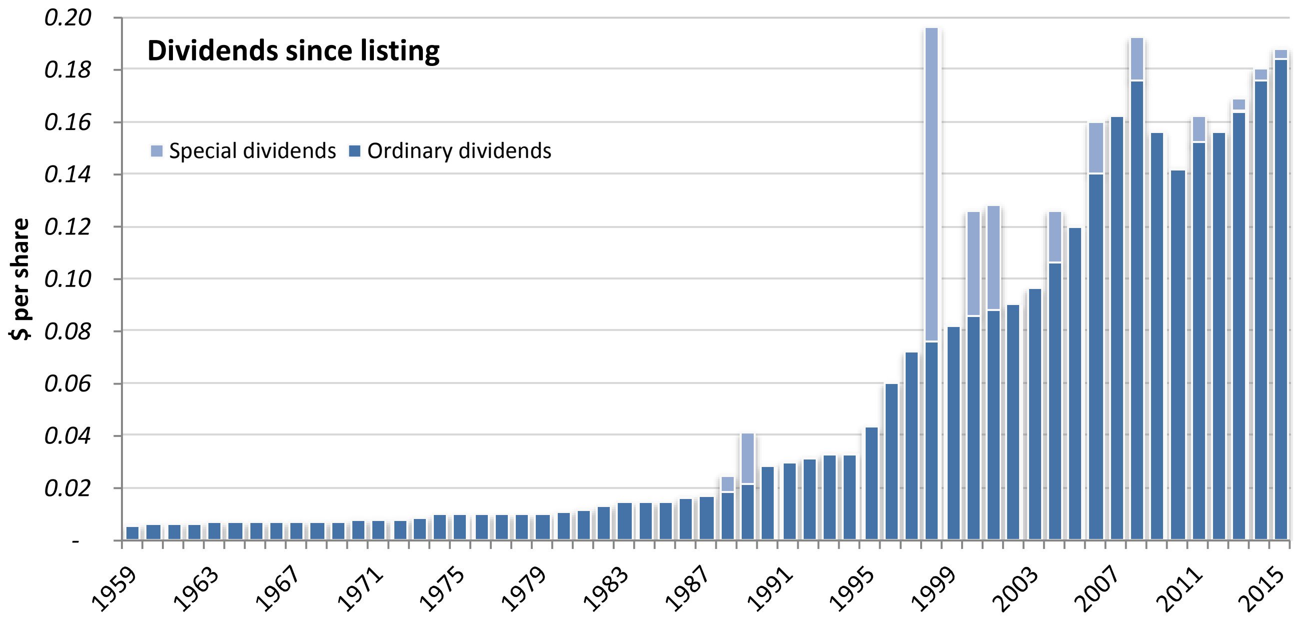
Milton dividend history

Milton has a sound track record of increasing dividends over the long term.

Dividends have been paid every year since listing in 1958 and every dividend paid since franking was introduced in 1987 has been fully franked.

The chart below illustrates the growth in Milton's dividends since 1958.

The historical dividends per share have been adjusted to account for the sub-division of shares on the introduction of decimal currency, bonus shares issued, and the five for one share split in October 2013.

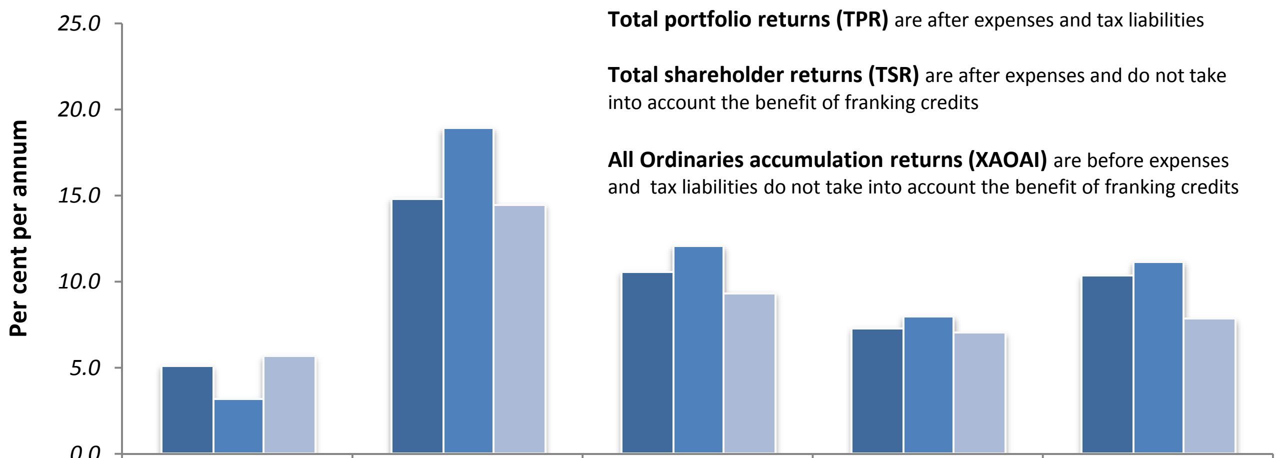


Total returns

Long term investors in Milton have received increasing dividends and an increase in the value of their investment.

For example the fully franked ordinary dividend for the 2015 year was 114% higher than that paid in the 2000 year and the share price at 30 June 2015 was 152% higher than at 30 June 2000.

The following graph compares the company's total returns over a range of periods with that of the accumulation return of the All Ordinaries index. Like the accumulation return the total returns assume the dividends have been reinvested when the shares trade ex dividend.



	1 year	3 Years	5 Years	10 Years	15 Years
TPR	5.1	14.8	10.6	7.3	10.3
TSR	3.2	18.9	12.1	8.0	11.1
XAOAI	5.7	14.5	9.4	7.0	7.8

Chairman's Review of the 2015 financial year

Net profit for the 2015 financial year was a record $128 million and the weighted average earnings per share were 20.1 cents.

The net profit included special investment revenue totaling $3 million which your directors exclude from the calculation of underlying operating profit (UOP).

The 6.5% increase in UOP was largely due to the increase in ordinary dividends received from the majority of companies in the diversified equity investment portfolio. Importantly franked dividend receipts increased by $8 million to $110 million.

The property development joint ventures delivered another sound performance with pre tax profits of $6.3 million being marginally less than the $6.4 million reported in 2014. The largest of these joint venture developments, Ellenbrook in Western Australia, was awarded the prestigious FIABCI World Prix d'Excellence Award for 2015 by the International Real Estate Federation for the best master-planned community in the world.

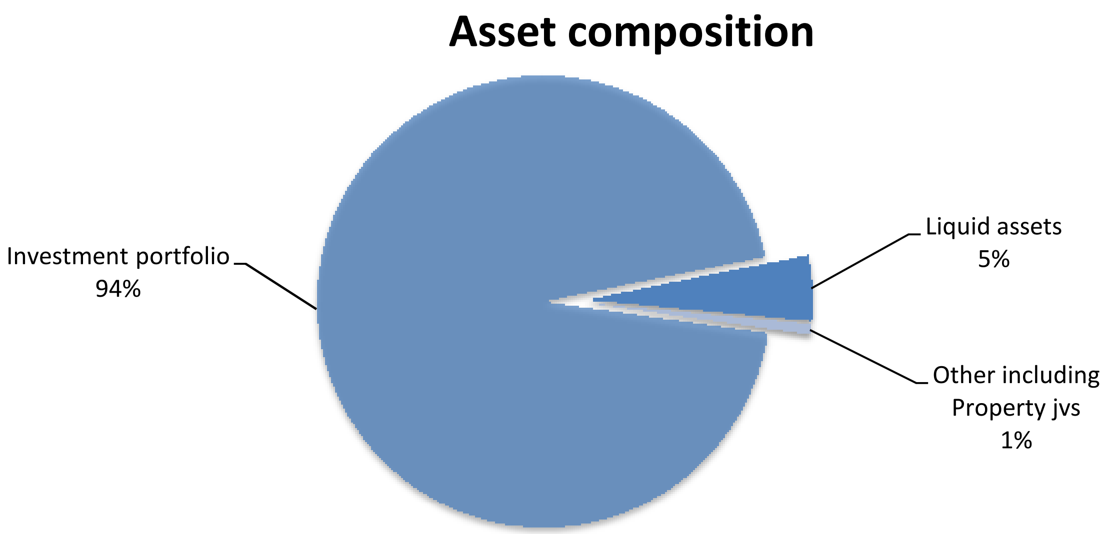
The company continued to operate efficiently with total administration expenses increasing by less than 1%. These expenses represented 0.12% of average total assets for the 2015 year.

As Milton is internally managed its expenses are unaffected by changes in the market values of its investments and it pays no performance fees therefore ensuring shareholders are the beneficiaries of improved performance.

The lift in underlying operating profit provided the opportunity to increase the fully franked ordinary dividends paid to shareholders. Both the interim and final dividends were increased so that the full year ordinary dividend of 18.4 cents per share was 4.5% higher than the prior year.

A special dividend of 0.4 cents per share was paid to pass on the benefits of the special investment revenue received during the year. Over the last five years Milton has paid four special dividends totaling 2.3 cents per share.

The company is in a strong financial position with total assets of $2.8 billion and no borrowings at 30 June 2015. The assets comprised an investment portfolio of long term holdings of Australian listed companies and trusts valued at $2.66 billion as well as liquid assets such as cash, dividends receivable and other financial assets with a total value of $131 million and investments in joint ventures of $20 million.



The investment portfolio consists of 95 companies and trusts. While many of the investments are well represented in the All Ordinaries Index their selection has been based on the assessed merits of each company and its ability to pay dividends and not based on any index weighting.

Details of each investment held at 30 June 2015 are shown on pages 7 to 10.

The following asset classification table shows the composition of Milton's assets by sector.

Classification[1]	Opening position	Additions	Disposals[3]	Change in value	Closing position	Income	Weighting
	$ million	$ million	$ million	$ million	$ million	$ million	%
Banks	1,008.3	12.6	(0.1)	(0.2)	1,020.6	55.4	36.3
Consumer staples	259.8	7.4	(11.9)	(14.2)	241.1	11.1	8.6
Materials	258.6	15.8	(0.9)	(21.0)	252.5	10.6	9.0
Energy	209.0	5.4	-	(33.0)	181.4	8.4	6.4
Diversified financials	153.7	13.7	-	16.2	183.6	7.6	6.5
Insurance	122.1	5.6	-	6.0	133.7	6.4	4.8
Commercial services	113.9	2.8	(3.2)	(31.0)	82.5	2.8	2.9
Telecommunications	91.5	6.0	-	25.7	123.2	4.6	4.4
Real estate	59.7	5.2	(3.7)	7.9	69.1	3.2	2.5
Healthcare	59.2	3.1	-	17.6	79.9	1.5	2.8
Retailing	57.4	4.1	(1.8)	25.2	84.9	2.0	3.0
Utilities	48.8	5.1	-	4.3	58.2	2.3	2.1
Capital goods	47.7	4.3	(8.5)	(8.4)	35.1	1.8	1.2
Transport	40.0	16.8	(11.8)	11.3	56.4	2.4	2.0
Media	11.1	0.9	(2.3)	1.7	11.4	1.2	0.4
Other shares	34.2	6.8	(0.6)	3.6	43.4	1.3	1.6
Total listed investments	2,575.0	115.1	(44.8)	11.7	2.657.0	122.6	94.4
Liquids[2]	148.8				131.4	4.1	4.7
Property joint ventures	20.6				20.7	6.3	0.7
Other assets[3]	4.1				4.5	4.6	0.2
Total	**2,748.5**				**2813.6**	**137.6**	**100.0**

(1) Investments are grouped according to their asset classes using the Global Industry Classification Standard ("GICS") codes.

(2) Liquids include cash, term deposits, hybrid securities and dividends receivable.

(3) Disposals include capital returns of $6.6 million.

In 2015 a total of $115 million was invested in 44 companies and trusts. This included $10 million in National Australia Bank through participation in its recent entitlements issue. Other larger investments included $8.6 million in BHP Billiton, $6.4 million in Woolworths, $6.3 million in Macquarie Group and $6 million in Telstra.

Companies added to the portfolio during the year were BT Investment Management, Cover-More Group and Regis Healthcare.

The acquisitions were partly funded by disposals totaling $38 million. These disposals included the takeover of Toll Holdings and the sale of Metcash shares. Capital returns from UGL and Wesfarmers amounted to $6.6 million.

The Share Purchase Plan provided an additional $35.6 million in October 2014 when 8 million shares were issued to 3,400 shareholders who took up the offer to subscribe for up to $15,000 in shares.

Participation in the Share Purchase Plan will be offered again in September 2015. The Share Purchase Plan rules have been amended so that the issue price of the shares will be at a discount of 2.5% to the lower of the volume weighted average share price (VWAP) for the 3 business days following the dividend ex date on 14 August 2015 or the VWAP for the 3 business days ending on the offer closing date of 22 September 2015.

It is pleasing to note that support for the Dividend Reinvestment Plan increased during the year with 1.4 million shares being issued to shareholders who elected to receive all or part of their dividend as new Milton shares.

The Dividend Reinvestment Plan will operate for the final and special dividends. The pricing of the new DRP shares will be based on the volume weighted average selling price of Milton shares over the five business days commencing on the first trading day after the dividend record date being 18 August 2015.
At the end of the 2015 financial year Milton had 640.3 million shares on issue to over 22,500 shareholders and its market capitalisation was $2.88 billion. The share price of $4.50 was 2.5% above the net tangible asset backing per share, before provision for tax on unrealised capital gains, of $4.39.

Had the entire investment portfolio been sold at 30 June 2015 a capital gains tax liability of $0.49 per share would have been realised. However Milton is a long term investor and there is no intention to do so.

Outlook

Milton will continue to seek to increase the size of its portfolio by investing in well run companies that are likely to grow their dividends over the long term.

The market as a whole appears to be fully valued however ongoing low interest rates are likely to support these valuations. From time to time this support may be tested as investors with differing investment time frames react to short term macro issues.

Based on current estimates investment income from the portfolio is expected to increase over the year.

In the absence of unforeseen circumstances directors expect to be able to at least maintain Milton's full year ordinary dividend rate of 18.4 cents per share.

R. D. MILLNER

Chairman

Sydney, 6 August 2015

Five Year Financial Summary

	2015	2014	2013	2012	2011
Underlying operating profit after tax[(1)] ($million)	125.0	117.4	108.5	102.7	90.5
Underlying earnings per share (cents)	19.6	18.8	17.8	16.9	16.2
Profit after tax ($million)	128.0	120.3	111.2	103.4	93.9
Earnings per share (cents)	20.1	19.3	18.3	17.0	16.8
Administration costs as % of average total assets	0.12	0.13	0.14	0.16	0.17
Interim dividend (cents per share)	8.5	8.2	7.8	7.6	7.4
Final dividend (cents per share)[(2)]	9.9	9.4	8.6	8.0	7.8
Full year ordinary dividend (cents per share)	18.4	17.6	16.4	15.6	15.2
Special dividend (cents per share)	0.4	0.4	0.5	-	1.0
Net assets[(2)] at 30 June ($million)	2,811	2,746	2,375	1,997	2,112
Net asset backing per share[(2)] at 30 June($)	4.39	4.35	3.89	3.28	3.47
Net asset backing per share[(3)] at 30 June($)	3.90	3.86	3.52	3.09	3.22
Last sale price at 30 June ($)	4.50	4.54	3.68	3.04	3.12
All Ordinaries Index at 30 June	5451	5382	4775	4135	4660
Ten year Total Shareholder Return (% per annum)	8.0	10.2	8.3	6.7	7.8
Five year Total Shareholder Return (% per annum)	12.1	14.5	4.0	(3.0)	(0.4)
Shares on issue (million)	640.2	630.8	610.5	608.0	616.5
Number of shareholders	22,514	21,055	19,309	19,008	19,490

(1) Underlying operating profit after tax excludes special investment revenue and acquisition related costs of subsidiaries.

(2) Before provision for tax on unrealised capital gains and before providing for the ordinary final and special dividends.

(3) After provision for tax on unrealised capital gains and before providing for the ordinary final and special dividends.

Where applicable values in the table above have been adjusted to account for the increase in number of shares as a result of the 5:1 share split in October 2013.

Milton Corporation Foundation (ABN 95 051 921 133)

The Foundation was established in 1988 to support charitable organisations, particularly those which direct assistance to persons that are disadvantaged in the community.

The objective is to create a vehicle with sufficient capital that can make regular meaningful donations from the earnings derived from its investments. Contributions from Milton, shareholders and others over the years have helped to grow the Foundation's total assets at 30 June 2015 to $2.1 million.

The Foundation's assets can now support annual distributions of $110,000 and in 2015; fourteen organisations received much needed support from the Milton Foundation.

The Foundation has provided $1.9 million of assistance to the community since its establishment.

The Foundation is a deductible gift recipient registered with the Australian Charities and Not-for-profits Commission (ACNC) and donations of $2 or more are tax deductible.

You can support the Foundation by forwarding a cheque to:

The Trustees
Milton Corporation Foundation
PO Box R1836
Royal Exchange NSW 1225.

J F Church

Chairman of Trustees

Sydney, 6 August 2015

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2015

	Holding	Fair Value $'000
Banks		
Australia & New Zealand Banking Group Limited		
- ordinary shares	3,046,545	98,099
- convertible preference shares	19,500	1,960
- capital notes 2	2,000	191
Auswide Bank Limited (formerly Wide Bay Australia)	433,570	2,190
Bank of Queensland Limited	7,306,078	93,299
Bendigo and Adelaide Bank Limited	5,709,708	70,001
Commonwealth Bank of Australia	3,033,075	258,205
MyState Limited	444,992	2,149
National Australia Bank Limited	4,757,857	158,483
Westpac Banking Corporation	10,451,306	336,009
		1,020,586
Materials		
Adelaide Brighton Limited	2,735,886	11,792
Amcor Limited	1,194,512	16,389
BHP Billiton Limited	3,636,921	98,378
Boral Limited	1,666,463	9,749
Brickworks Limited	3,234,567	44,637
Dulux Group Limited	1,202,766	6,880
Fletcher Building Limited	803,229	5,791
Incitec Pivot Limited	1,610,689	6,201
Orica Limited	188,987	4,022
Orora Limited	1,194,512	2,497
Rio Tinto Limited	583,618	31,369
Sims Group Limited	793,037	8,263
South32 Limited	3,628,921	6,496
		252,464
Consumer Staples		
Blackmores Limited	378,014	28,453
Coca-Cola Amatil Limited	1,466,434	13,418
Graincorp Limited	362,290	3,094
Select Harvests Limited	161,862	1,780
Treasury Wine Estates Limited	1,053,604	5,257
Wesfarmers Limited	2,835,533	110,670
Woolworths Limited	2,903,973	78,291
		240,963

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2015

	Holding	Fair Value $'000
Diversified Financials		
Argo Investments Limited	985,766	7,857
ASX Limited	532,965	21,265
Australian Foundation Investment Company Limited	1,294,772	7,924
BKI Investment Company Limited	1,223,866	2,038
BT Investment Management Limited	250,143	2,114
Carlton Investments Limited	356,778	11,306
Diversified United Investment Limited	378,845	1,330
Equity Trustees Limited	490,205	9,995
IOOF Holdings Limited	975,075	8,766
Macquarie Group Limited	555,849	45,246
Perpetual Limited	1,359,278	65,735
		183,576
Energy		
New Hope Corporation Limited	1,290,107	2,438
Origin Energy Limited	702,174	8,405
Santos Limited	1,683,469	13,182
Washington H. Soul Pattinson & Company Limited	9,174,640	123,306
Woodside Petroleum Limited	865,342	29,621
Worley Parsons Limited	425,112	4,425
		181,377
Insurance		
AMP Limited	2,121,110	12,769
Austbrokers Limited	1,044,795	9,403
Cover-More Group Limited	1,831,425	4,359
Insurance Australia Group Limited		
- ordinary shares	5,126,282	28,605
- convertible preference shares	3,000	305
IAG Finance (NZ) Limited perpetual reset exchangeable notes	12,000	1,237
QBE Insurance Group Limited	2,618,375	35,793
Suncorp Group Limited	3,074,732	41,294
		133,765
Telecommunication		
Telstra Corporation Limited	14,615,253	89,737
TPG Telecom Limited	3,731,553	33,472
		123,209
Retailing		
A.P. Eagers Limited	5,833,107	54,539
ARB Corporation Limited	813,065	10,594
Automotive Holdings Group Limited	3,058,342	12,203
Premier Investments Limited	590,250	7,526
		84,862

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2015

	Holding	Fair Value $'000
Commercial Services		
ALS Limited	10,731,037	62,777
Brambles Limited	1,399,966	14,840
McMillan Shakespeare Limited	231,321	2,797
Transfield Services Limited	1,404,032	2,001
		82,415
Healthcare		
Cochlear Limited	33,800	2,709
CSL Limited	592,198	51,207
Ramsay Health Care Limited	169,542	10,422
Regis Healthcare Limited	456,076	2,353
Sonic Healthcare Limited	615,925	13,162
		79,853
Real Estate		
Aveo Group (formerly FKP Property Group)	1,498,282	3,866
BWP Trust	1,584,008	4,847
Federation Centres (formerly CFS Retail Property Trust Group)	6,453,335	18,844
Finbar Group Limited	2,782,249	3,311
Goodman Group	1,108,376	6,950
Lend Lease Group	464,539	6,982
Scentre Group	1,733,474	6,501
Stockland Group	2,668,940	10,943
Westfield Corporation	760,000	6,931
		69,175
Utilities		
AGL Energy Limited	2,67,869	41,641
APA Group	2,005,833	16,528
		58,169
Transport		
Lindsay Australia Limited	7,504,000	3,377
Qube Holdings Limited	3,857,000	9,064
Sydney Airport	2,609,629	12,996
Transurban Group	3,328,081	30,951
		56,388
Capital Goods		
Bradken Limited	826,514	1,186
Cardno Limited	1,204,699	3,891
CIMIC Limited (formerly Leighton Holdings)	791,239	17,209
GWA Group Limited	817,170	1,863
Reece Australia Limited	185,124	6,426
Sedgman Limited	2,021,674	1,385
UGL Limited	1,451,191	3,077
		35,037

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2015

	Holding	Fair Value $'000
Consumer Services		
Crown Resorts Limited	267,301	3,261
InvoCare Limited	1,865,903	22,577
Tatts Group Limited	2,313,955	8,608
		34,446
Media		
Amalgamated Holdings Limited	867,921	10,884
Seven Group Holdings Limited – TELYS4 preference shares	7,000	537
		11,421
Information Technology		
Carsales.com Limited	867,000	8,835
		8,835
Automobiles & Components		
Schaffer Corporation Limited	68,999	335
		335
Total Listed Investments by Sector		**2,656,876**

Directors' Report

For the year ended 30 June 2015

The directors present their report together with the financial statements of the consolidated entity ("Milton") consisting of Milton Corporation Limited and its subsidiaries for the financial year ended 30 June 2015 and the independent auditor's report thereon.

Directors

The directors of Milton at any time during or since the end of the financial year are:

Robert D. Millner FAICD Independent non-executive chairman.
Director of Milton Corporation Limited since 1998 and appointed chairman in 2002.
Chairman of the Investment and Remuneration Committees. Extensive experience in the investment industry.

Other current directorships:
Director of Australian Pharmaceutical Industries Limited since 2000, Chairman of BKI Investment Company Limited since 2003, Director of Brickworks Limited since 1997 and appointed chairman in 1999, Director of New Hope Corporation Limited since 1995 and appointed chairman in 1998, Director of TPG Telecom Limited since 2000, Director of Washington H. Soul Pattinson & Company Limited since 1984 and appointed chairman in 1998.

Former directorships in the last three years:
Exco Resources Limited from November 2012 to January 2013 (company delisted in January 2013).

John F. Church FCSA, F Fin, FAICD Independent non-executive director.
Director of Milton Corporation Limited since 1986.
Member of the Investment Committee.
A Solicitor and Notary Public and over 42 years experience in the investment industry.

Graeme L. Crampton B.Ec, FCA, FAICD Independent non-executive director.
Director of Milton Corporation Limited since 2009.
Chairman of the Audit & Risk Committee and a member of the Remuneration Committee.
A Chartered Accountant and former partner of a major firm of Chartered Accountants for more than 31 years and has extensive experience in the investment industry.

Kevin J. Eley CA, F Fin, FAICD Independent non-executive director.
Director of Milton Corporation Limited since 2011.
Member of the Investment and Audit & Risk Committees.
A Chartered Accountant and has extensive experience in the investment industry.

Other current directorships:
Director of Equity Trustees Limited since 2011, HGL Limited since 1985 and
PO Valley Energy Limited since 2012.

Former directorships in the last three years:
Kresta Holdings Limited from 2011 to February 2014.

Francis G. Gooch B.Bus, CPA Managing director.
Managing Director of Milton Corporation Limited since 2004 and chief executive since 1999.
Member of the Investment Committee.
A Certified Practising Accountant and over 30 years experience in the finance and investment industries.

Ian A. Pollard BA (Macq), MA (Oxon), D Phil (IMC), FIAA, FAICD Independent non-executive director.
Director of Milton Corporation Limited since 1998.
Member of the Audit & Risk and Remuneration Committees.
An Actuary and over 38 years of involvement in the investment industry.

Other current directorships:
Director and Chairman of Billabong International Limited since 2012 and Director of SCA Property Group since 2012.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of Milton during the financial year were:

Director	Directors' Meetings		Investment Committee Meetings		Audit & Risk Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
R.D. Millner	6	6	17	18	*	*	*	*	1	1
J.F. Church	6	6	17	18	*	*	1	1	*	*
G.L. Crampton	6	6	*	*	5	5	*	*	1	1
K.J. Eley	6	6	18	18	5	5	*	*	*	*
F.G. Gooch	6	6	18	18	*	*	1	1	*	*
I.A. Pollard	6	6	*	*	5	5	1	1	1	1

A - Number of meetings attended.
B - Number of meetings held during the time the director held office or was a member of the committee during the year.
* - Not a member of the relevant committee.

Principal activities

The principal activity of Milton is investment. Milton invests in companies and trusts, real property development, fixed interest securities, and liquid assets such as cash and term deposits. There has been no significant change in the nature of this activity during the financial year.

Operating and financial review

The consolidated profit after income tax of Milton for the year was $128.0 million (2014: $120.3 million). Milton is in a sound financial position with net assets after provision for tax on unrealised capital gains at 30 June 2015 of $2.5 billion (2014: $2.4 billion) and no debt.

The operating and financial reviews are contained in the Chairman's Review which begins on page 3.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of Milton during the past financial year other than as disclosed in the financial statements.

Dividends

Dividends paid or declared by Milton to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Date of payment
Declared and paid during the year			
- Final 2014 ordinary fully franked	9.4	59,298	3 September 2014
- Special 2014 fully franked	0.4	2,523	3 September 2014
- Interim 2015 ordinary fully franked	8.5	54,361	3 March 2015
Declared after end of year and not provided for			
- Final 2015 ordinary fully franked	9.9	63,385	3 September 2015
- Special 2015 fully franked	0.4	2,561	3 September 2015

No LIC capital gain was included in the above dividends.

All the dividends paid by Milton since franking was introduced in 1987 have been fully franked.

Events subsequent to reporting date

Apart from the information contained in note 25 to the financial statements, no matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results or state of affairs of Milton in subsequent financial years.

Likely developments

Milton will continue its investment activities consistent with its objective of generating increasing revenue for distribution to its shareholders from its diversified portfolio of assets.

The performance of Milton's investments is subject to and influenced by many external factors and therefore it is not appropriate to predict the future results of the investments and Milton's performance.

The Chairman's Review commencing on page 3 of the Annual Report contains information relating to Milton's past performance, operations and outlook.

Environmental regulations

There are no significant environmental regulations that apply directly to Milton.

Directors' relevant interests

No director has or has had any interest in a contract entered into since the last Directors' Report or any contract or proposed contract with Milton or any subsidiary or any related entity other than as disclosed in note 17 to the financial statements.

The relevant interest of each director in the capital of Milton at the date of this report is as follows:

Director	No. of Shares
R.D. Millner	13,226,795
J.F. Church	28,501,495
G.L. Crampton	158,405
K.J. Eley	107,290
F.G. Gooch	853,985
I.A. Pollard	87,540

Indemnification and insurance of directors, officers and auditors

Neither Milton nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the Corporations Act 2001 during or since the financial year ended 30 June 2015.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contracts.

Secretary

Mr Nishantha Seneviratne MBA, ACMA, CGMA, CPA, AICM, AGIA, ACIS was appointed secretary and Chief Financial Officer in December 2012. Mr. Seneviratne joined Milton as the senior accountant in March 2010 and also held the position of assistant company secretary from March 2012. Prior to joining Milton, he has held a number of senior finance roles with private companies for over 6 years as Finance Controller/Manager and has over 4 years experience in corporate finance and credit in the banking and financial services sector. He is also an associate member of the Governance Institute of Australia (GIA) and Institute of Chartered Secretaries and Administrators (ICSA).

Non-audit services

During the year, Moore Stephens Sydney, Milton's auditor, has performed certain non-audit services in addition to its statutory duties. Details of the amounts paid to the auditors and related practices of the auditor are disclosed in note 20 to the consolidated financial statements.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by Milton and have been reviewed and approved by the Audit & Risk Committee to ensure they do not impact on the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement APES110 Code of Ethics for Professional Accountants**,** as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Milton, acting as an advocate for Milton or jointly sharing risks and rewards.

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 18.

Remuneration Report

This report, which is audited, details the policy for determining the remuneration of directors and executives and provides specific details of their remuneration.

Remuneration of non-executive directors

Non-executive directors are paid base fees, committee fees and superannuation contributions.

Fees are not linked to Milton's performance and no bonuses are paid or options issued.

Each year the base fees and committee fees are determined by the board of directors who take into account the demands made on directors and the remuneration of non executive directors of comparable Australian companies.

Base fees and committee fees (including superannuation contributions)

	2015	2014
	$	$
Chairman base fee	130,884	127,072
Director base fee	65,442	63,536
Chairman of the Audit & Risk Committee fee	5,791	5,622
Member of the Audit & Risk Committee fee	3,283	3,188
Member of the Investment Committee fee	5,791	5,622

The total remuneration paid to non executive directors in 2015 was $422,382 (2014: $410,080).

In October 2011 shareholders approved an increase to the maximum non-executive directors' total remuneration to $700,000.

Non-executive directors, who were appointed before 30 June 2003, are entitled to retirement benefits in accordance with a shareholder approved scheme. In June 2003 the board resolved to cap retirement benefits for all directors at the amounts provided as at 30 June 2003. The total balance provided at 30 June 2015 is $190,905 (2014: $190,905).

Remuneration of executives

Executive remuneration is a key element of the staff retention strategy which is designed to attract and retain appropriately qualified and experienced professionals who share Milton's goals and values and will seek to deliver superior long term returns to its shareholders.

The remuneration of the managing director and senior executives is reviewed annually by the Remuneration Committee which then makes recommendations to the board for its consideration and approval.

In formulating its recommendations the Remuneration Committee considers:

- the short term and long term performance of the Company as measured by dividend growth and total returns.
- the contribution of the managing director and the senior executives to this performance,
- market trends in remuneration in terms of both quantum and structure and
- the remuneration of key management personnel of other listed investment companies with similar long term investment philosophies and objectives.

Executive remuneration includes a component known as the Total Employment Cost Package (TECP), and it may include a cash bonus component and an equity component.

The TECP includes cash salary, company contributions to superannuation and it may include non monetary benefits such as the provision of a motor vehicle and car parking.

No executive is entitled to a guaranteed bonus however the board may award a cash bonus to reward an executive's outstanding contribution to the achievement of Milton's objectives. The board will consider qualitative measures such as contribution to the investment process, participation in board discussions, timeliness and accuracy of reports and staff development when assessing executive performance.

In determining the amount of any bonus the board has regard to quantitative measures such as underlying operating earnings per share, dividends per share and total returns relative to the market as a whole. In 2015, the cash bonus was less than 15% of each executive's TECP.

The equity component of the remuneration package encourages executives to have an investment in Milton so that their interests are aligned with shareholders' interests.

The equity component is delivered through participation in the Senior Staff Share Plan ("SSSP"), which was approved by shareholders at Milton's Annual General Meeting on 9 October 2001 (refer note 19b to the financial statements).

In accordance with the terms of the SSSP, the directors determine the maximum number of shares for which the executive may apply. All SSSP shares are acquired on the market and held on behalf of the executives by the trustee of the SSSP. The price offered to the executive shall be at a discount of one cent per share to the market value of the shares.

Executives are required to hold the SSSP shares for a minimum period of three years however the benefit to the executive is increased through long term ownership to the extent dividends are paid and the Milton share price appreciates.

Milton provides an interest free loan to the executives to fund the acquisition of each parcel of SSSP shares. Each loan is repaid by the application of the after tax proceeds from the dividends paid on the SSSP shares. The opportunity cost to Milton of providing the loan is the notional interest. The Remuneration Committee includes this cost when it reviews each executive's TECP.

SSSP shares may not be sold, transferred, mortgaged or otherwise dealt with by the executive for a period of three years from the date of issue or until the executive ceases employment with Milton.

If the executive's employment ceases, the executive may within 30 days repay the loan and direct the trustee to transfer the shares to the executive or, provided the value of the shares is greater than the loan outstanding, direct the trustee to sell the shares, repay the loan and distribute the balance to the executive. Otherwise the trustee will sell the shares when so directed by Milton and apply the proceeds to the repayment of the loan.

The board considers that the SSSP is appropriately designed to encourage long term ownership of shares by executives, which then aligns their interests with that of Milton's predominantly long term shareholder base.

Executives, other than the managing director, may participate in the Employee Share Plan ("ESP") which provides for a bonus of up to $1,000 to be paid in the form of Milton shares (refer note 19a to the financial statements).

Eligible executives are provided with life, total and permanent disablement and salary continuance insurance.

The overall level of executive reward takes into account the performance of Milton over a number of years. Key performance indicators for Milton over five years are tabled below.

Key performance indicators

	2015	2014	2013	2012	2011
Profitability					
Underlying operating profit ($million)	125.0	117.4	108.5	102.7	90.5
Growth in underlying operating profit (%)	6.5	8.2	5.7	13.5	31.3
Underlying earnings per share (cents)	19.61	18.8	17.8	16.9	16.2
Growth in underlying earnings per share (%)	4.3	5.5	5.5	4.5	9.6
Dividend					
Full year ordinary dividend (cents per share)	18.4	17.6	16.4	15.6	15.2
Growth in full year ordinary dividend (%)	4.6	7.3	5.1	2.6	7.0
Special dividend (cents per share)	0.4	0.4	0.5	-	1.0
Capital					
Net asset backing per share[(1)] at 30 June($)	4.39	4.35	3.89	3.28	3.47
Growth (decline) in net asset backing per share (%)	0.9	11.9	18.4	(5.4)	5.1
Net assets[(1)] at 30 June ($million)	2,811	2,746	2,375	1,997	2,112
Total Return					
Ten year Total Shareholder Return	8.0	10.2	8.3	6.7	7.8
Ten year Total Portfolio Return	7.3	9.2	9.3	7.5	8.5
Ten year accumulation return of the All Ordinaries Index	7.0	8.8	9.2	7.1	7.4

(1) Before provision for tax on unrealised capital gains and before providing for the ordinary final dividend.

At Milton's 2014 Annual General Meeting, shareholders supported the remuneration report for the 2014 financial year with 88.7% of the proxies in favour of the resolution to approve the report. The resolution to approve the remuneration report was passed by a show of hands at the Annual General Meeting held in October 2014.

Details of remuneration

Amounts of remuneration

Details of the remuneration of each non-executive director of Milton Corporation Limited, the managing director and specified executives of Milton for the years ended 30 June 2014 and 2015 are set out in the following tables.

Non-executive directors of Milton Corporation Limited

			Short Term Benefits Fees	Post Employment Superannuation	Total paid	Retirement Provision[1]
			$	$	$	$
R.D. Millner	Chairman	**2015**	**124,817**	**11,858**	**136,675**	**55,905**
		2014	121,460	11,234	132,694	55,905
J.F. Church	Director	**2015**	**65,053**	**6,180**	**71,233**	**90,000**
		2014	63,303	5,855	69,158	90,000
G.L. Crampton	Director	**2015**	**47,233**	**24,000**	**71,233**	**-**
		2014	45,158	24,000	69,158	-
K.J. Eley	Director	**2015**	**68,051**	**6,465**	**74,516**	**-**
		2014	55,185	17,181	72,346	-
I.A. Pollard	Director	**2015**	**62,763**	**5,962**	**68,725**	**45,000**
		2014	61,075	5,649	66,724	45,000
Total remuneration		**2015**	**367,917**	**54,465**	**422,382**	**190,995**
		2014	346,181	63,919	410,080	190,995

(1) The directors' retirement benefits have been capped at the balance provided at 30 June 2003.

Managing director and executives of Milton Corporation Limited and its subsidiaries

		Short Term Benefits			Post Employ-ment Super-annuation	Other long term benefits (3)	Share based payments (4)	Total
		Salary	Cash bonus (1)	Non monetary benefits (2)				
		$	$	$	$	$	$	$
F.G. Gooch	**2015**	**498,972**	**70,500**	**12,536**	**30,004**	**11,954**	**126,211**	**750,177**
Managing director	2014	466,506	66,500	33,302	20,013	14,848	118,361	719,530
D.N. Seneviratne	**2015**	**159,817**	**14,000**	**-**	**24,683**	**13,943**	**15,631**	**228,074**
CFO, secretary	2014	155,606	21,053	-	16,341	-	6,789	199,789
Total remuneration	**2015**	**658,789**	**84,500**	**12,536**	**54,687**	**25,897**	**141,842**	**978,251**
	2014	622,112	87,553	33,302	36,354	14,848	125,150	919,319

(1) Represents 100% of cash bonus paid or payable which vested in the year.

(2) Non monetary benefits include the provision of a motor vehicle, parking, the cost of life, total & permanent disablement insurance and salary continuance insurance provided through nominated superannuation funds.

(3) Other long term benefits comprise changes in long service leave provisions.

(4) Represents the notional value of interest on loans provided to acquire shares in Milton under the Senior Staff Share Plan.

There are no fixed term employment contracts between Milton and its employees. Employment may be terminated with four weeks notice by either Milton or the employee. There are no provisions for any termination payments other than for unpaid annual and long service leave.

Share based compensation, Senior Staff Share Plan equity holdings and loans
The movements during the reporting period are as follows:

Executives' shareholdings in relation to the Senior Staff Share Plan - Number of shares held

		Opening Balance	Received as Remuneration	Closing Balance
F.G. Gooch	**2015**	**775,000**	**50,000**	**825,000**
Managing director	2014	700,000	75,000	775,000
D.N. Seneviratne	**2015**	**52,500**	**25,000**	**77,500**
CFO, secretary	2014	17,500	35,000	52,500

Loans in relation to the Senior Staff Share Plan
Details regarding loans outstanding at the reporting date to specified directors and specified executives, are as follows:

		Opening Balance $	Net change $	Closing Balance $	Highest balance in the period $	Notional Interest [1] $
F.G. Gooch	**2015**	**2,037,926**	**117,320**	**2,155,246**	**2,261,672**	**126,211**
Managing director	2014	1,840,320	197,606	2,037,926	2,135,181	118,361
D.N. Seneviratne	**2015**	**181,612**	**103,326**	**284,938**	**293,486**	**15,631**
CFO, secretary	2014	48,521	133,091	181,612	186,120	5,789

[1] The notional interest has been included under "Share Based Payment" in the remuneration of the managing director and the executive disclosed on page 16. Notional interest is based on the applicable FBT benchmark interest rate, which for the year averaged 5.85% (2014: 6.27%).

Apart from loan balances shown above, there were no loans outstanding from key management personnel. Terms and conditions of the loans are referred to in note 19b to the financial statements.

Share holdings of key management personnel and their related parties – Number of shares held

		Opening Balance	Received as Remuneration	Other Acquisitions	Closing Balance
F.G. Gooch	**2015**	**1,072,605**	**50,000**	**7,252**	**1,129,857**
Managing director	2014	993,685	75,000	3,920	1,072,605
D.N. Seneviratne	**2015**	**53,690**	**25,217**	-	**78,907**
CFO, secretary	2014	18,440	35,250	-	53,690

Rounding off

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission and in accordance with that Class Order, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

R. D. MILLNER
Chairman

Sydney, 6 August 2015

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MILTON CORPORATION LIMITED

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Milton Corporation Limited for the year ended 30 June 2015, 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 Milton Corporation Limited and the entities it controlled during the financial year.

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

Melissa Alexander

Melissa Alexander
Partner

Dated in Sydney this 6th day of August 2015.

FINANCIAL STATEMENTS CONTENTS

Milton Corporation Limited
Consolidated income statement
for the year ended 30 June 2015

	Note	2015	2014
		$'000	$'000
Ordinary dividends and distributions	1a)	**122,894**	114,281
Interest	1c)	**4,095**	4,717
Net gains on trading portfolio	1d)	**900**	785
Other revenue		**366**	310
Operating Revenue		**128,255**	120,093
Share of net profits of joint ventures – equity accounted	8a)	**6,310**	6,412
Special dividends and distributions	1b)	**3,006**	3,050
Income from operating activities		**137,571**	129,555
Administration expenses		**(3,376)**	(3,347)
Acquisition related costs of subsidiaries		**-**	(58)
Profit before income tax expense		**134,195**	126,150
Income tax expense thereon	2a)	**(6,186)**	(5,856)
Profit attributable to shareholders of Milton		**128,009**	120,294
		Cents	Cents
Basic and diluted earnings per share	3)	**20.08**	19.27

The consolidated income statement is to be read in conjunction with the notes to the consolidated financial statements.

Milton Corporation Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2015

	2015 **$'000**	2014 $'000
Profit	**128,009**	120,294
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Revaluation of investments	**11,504**	278,786
Provision for tax expense on revaluation of investments	**(3,573)**	(85,717)
Other comprehensive income, net of tax	**7,931**	193,069
Total comprehensive income for the period attributable to the shareholders of Milton	**135,940**	313,363

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.

Milton Corporation Limited
Consolidated statement of financial position
as at 30 June 2015

	Note	2015 $'000	2014 $'000
Current assets			
Cash	9)	**99,452**	116,193
Receivables	10a)	**22,390**	22,758
Other financial assets	11)	**9,761**	10,046
Total current assets		**131,603**	148,997
Non-current assets			
Receivables	10b)	**3,869**	3,409
Investments	7)	**2,656,998**	2,574,965
Joint ventures – equity accounted	8b)	**20,652**	20,644
Plant and equipment		**36**	50
Deferred tax assets	2c)	**393**	466
Total non-current assets		**2,681,948**	2,599,534
Total assets		**2,813,551**	2,748,531
Current liabilities			
Payables		**875**	882
Current tax liabilities		**388**	1,122
Provisions		**47**	61
Total current liabilities		**1,310**	2,065
Non-current liabilities			
Deferred tax liabilities	2d)	**313,119**	309,177
Provisions		**477**	439
Total non-current liabilities		**313,596**	309,616
Total liabilities		**314,906**	311,681
Net assets		**2,498,645**	2,436,850
Shareholders' equity			
Issued capital	12)	**1,504,589**	1,462,552
Capital profits reserve	13b)	**64,971**	78,815
Asset revaluation reserve	13a)	**739,819**	718,044
Retained profits		**189,266**	177,439
Total equity attributable to shareholders of Milton		**2,498,645**	2,436,850

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.

Milton Corporation Limited
Consolidated statement of changes in equity
for the year ended 30 June 2015

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2014	**1,462,552**	**78,815**	**718,044**	**177,439**	**2,436,850**
Profit	**-**	**-**	**-**	**128,009**	**128,009**
Other Comprehensive Income:	**-**	**-**	**7,931**	**-**	**7,931**
Total comprehensive income	**-**	**-**	**7,931**	**128,009**	**135,940**
Net realised losses	**-**	**(13,844)**	**13,844**	**-**	**-**
Transactions with shareholders:					
Share issues	**42,037**	**-**	**-**	**-**	**42,037**
Dividends paid	**-**	**-**	**-**	**(116,182)**	**(116,182)**
Balance at 30 June 2015	**1,504,589**	**64,971**	**739,819**	**189,266**	**2,498,645**

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2013	1,384,438	91,332	512,458	164,165	2,152,393
Profit	-	-	-	120,294	120,294
Other Comprehensive Income:	-	-	193,069	-	193,069
Total comprehensive income	-	-	193,069	120,294	313,363
Net realised losses	-	(12,517)	12,517	-	-
Transactions with shareholders:					
Share issues	78,114	-	-	-	78,114
Dividends paid	-	-	-	(107,020)	(107,020)
Balance at 30 June 2014	**1,462,552**	**78,815**	**718,044**	**177,439**	**2,436,850**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.

Milton Corporation Limited
Consolidated statement of cash flows
for the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Dividends and distributions received		**126,021**	116,640
Interest received		**4,345**	5,254
Distributions received from joint venture entities		**7,133**	6,383
Other receipts in the course of operations		**318**	261
Proceeds from sales of trading securities		**4,019**	935
Payments for trading securities		**(3,119)**	(150)
Other payments in the course of operations		**(3,321)**	(3,248)
Income taxes paid		**(6,402)**	(5,483)
Net cash provided by operating activities	23a)	**128,994**	120,592
Cash flows from investing activities			
Proceeds from disposal of investments		**38,311**	17,821
Proceeds from repayment of capital		**6,568**	1,658
Payments for investments in equities and trusts		**(115,147)**	(94,407)
Payments for investments in joint ventures		**(831)**	(950)
Cash on acquisition of subsidiaries		**-**	118
Payments for acquisition of subsidiaries		**-**	(58)
Payments for plant and equipment		**-**	(15)
Loans repaid by other entities		**209**	202
Loans advanced to other entities		**(671)**	(689)
Net cash used in investing activities		**(71,561)**	(76,320)
Cash flows from financing activities			
Proceeds from issue of shares		**42,117**	64,363
Payments for issue of shares		**(109)**	(226)
Ordinary dividends paid		**(116,182)**	(107,020)
Net cash used in financing activities		**(74,174)**	(42,883)
Net increase (decrease) in cash assets held		**(16,741)**	1,389
Cash assets at the beginning of the year		**116,193**	114,804
Cash assets at the end of the year	9)	**99,452**	116,193

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2015

1. Revenue

Milton's revenue is derived from dividends, distributions, interest income, profit from joint ventures and income arising from the trading.

	2015	2014
	$'000	$'000
a. Ordinary dividends and distributions		
Milton receives ordinary dividend income and trust distributions from its long term investments in companies and trusts listed on the Australian Securities Exchange.		
Investments held in portfolio at 30 June	**119,504**	114,104
Investments sold during the year	**3,390**	177
	122,894	114,281
b. Special dividends and distributions		
This special revenue is received on an ad hoc basis and cannot be relied upon each year.		
Investments held in portfolio at 30 June	**2,915**	3,050
Investments sold during the year	**91**	-
	3,006	3,050

Dividends and distributions are brought to account on the dates that the securities trade "ex-dividend".

Demerger dividends arising from company de-consolidations are treated as a return of capital and not as a dividend.

c. Interest

Milton earns interest on its cash, term deposits and other liquid assets.

	2015 $'000	2014 $'000
Interest from deposits & cash	**3,883**	4,301
Interest income from other liquid securities	**212**	416
	4,095	4,717

Interest on cash and term deposits is brought to account on an accruals basis. Interest on other liquid securities is recognised on the date these securities trade ex dividend.

d. Net gains from trading portfolio

	2015 $'000	2014 $'000
Net gains/(loss) from trading portfolio	**900**	785

Trading securities are recognised initially at cost and subsequently measured at fair value. Changes in fair value are taken directly through the income statement.

Dividends from trading securities are brought to account on the dates the securities trade "ex-dividend".

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2015

2. Tax

This note provides analysis of Milton's income tax expense, shows amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. The note also details the deferred tax assets and liability balances and their movements.

		2015	2014
		$'000	$'000
a.	**Reconciliation of Income Tax Expense to prima facie tax payable**		
	Profit before income tax	**134,195**	126,150
	Prima facie income tax expense calculated at 30% on the profit before income tax expense	**40,259**	37,845
	Increase (decrease) in income tax expense due to:		
	Tax offset for franked dividends	**(34,305)**	(31,892)
	(Over) provision in prior year	**(285)**	(148)
	Other differences	**517**	51
	Income tax expense on profit	**6,186**	5,856
b.	**Tax expense composition**		
	Current tax on profits for the year	**5,997**	5,686
	(Over) provision in prior year	**(285)**	(148)
	Decrease in deferred tax assets (note 2c)	**105**	140
	Increase in deferred tax liabilities (note 2d)	**369**	178
		6,186	5,856
c.	**Deferred tax assets**		
	The balance comprises temporary differences attributable to :		
	Provisions	**336**	332
	Share issue expenses	**42**	37
	Other	**15**	97
	Total deferred tax assets	**393**	466
	Movements:		
	Balance at 1 July	**466**	538
	(charged) to the income statement	**(105)**	(140)
	Credited to equity	**32**	68
	Balance at 30 June	**393**	466
	To be recovered within 12 months	**126**	130
	To be recovered after more than 12 months	**267**	336
		393	466

	2015	2014
	$'000	$'000
d. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	**320,445**	310,440
Realised capital losses	**(23,978)**	(17,667)
Amounts recognised in profit:		
Gains on scrip for scrip rollovers	**16,043**	16,043
Income receivable which is not assessable for tax until receipt	**609**	361
	313,119	309,177
Movements:		
Balance at 1 July	**309,177**	223,282
Charged to income statement	**369**	178
Charged to other comprehensive income	**3,573**	85,717
Balance at 30 June	**313,119**	309,177
To be settled beyond 12 months	**313,119**	309,177

The income tax expense for the period is the tax payable on the current year's taxable income based on the current income tax rate applicable for the year adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and any 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 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Milton Corporation Limited (the parent entity) and its wholly-owned subsidiaries have formed an income tax consolidated group. Each entity in the group recognises its own current and deferred tax, except for any deferred tax assets arising from unused tax losses from subsidiaries, which are immediately assumed by the parent entity. The current tax liability of each group entity is subsequently assumed by the parent entity. There is no tax funding agreement between Milton Corporation Limited and its subsidiaries.

Deferred tax balances attributable to revaluation amounts are recognised directly in equity through the asset revaluation reserve.

e. Offsetting deferred tax balances :

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities.

Deferred tax assets from realised capital losses are offset against deferred tax liabilities from unrealised capital gains

Deferred tax liabilities have been recognised for capital gains tax on the unrealised gains in the investment portfolio at current tax rates.

As Milton does not intend to dispose of the investment portfolio this tax may not be payable at the amount disclosed in Note 2d above. Any tax liability that may arise on disposal of investments is subject to tax legislation relating to the treatment of capital gains and the applicable tax rate at the time of disposal.

Deferred tax assets relating to carried forward capital losses have been recognised based on current tax rates. Utilisation of the tax losses requires the realisation of capital gains in subsequent years and the ability to satisfy certain tests at the time the losses are recouped. The deferred tax assets related to carried forward capital losses have been offset against the related deferred tax liabilities as disclosed in Note 2d.

		2015	2014
		Cents	Cents
3.	**Earnings Per Share**		
	Basic earnings per share	**20.08**	19.27
		$'000	$'000
	Profit attributable to shareholders of the parent entity	**128,009**	120,294
		No.	No.
	Weighted average number of ordinary shares used in the calculation of basic earnings per share	**637,607,867**	624,416,028

Diluted earnings per share and basic earnings per share are the same because there are no potential dilutive ordinary shares.

		2015	2014
		$'000	$'000
4.	**Dividends Paid**		
a.	**Recognised in the current year**		
	An ordinary final dividend of 9.4 cents per share in respect of the 2014 year paid on 3 September 2014 (2014: an ordinary final dividend in respect of the 2013 year of 8.6[(1)] cents per share paid on 4 September 2013)	**59,298**	52,523
	A special dividend of 0.4 cents per share in respect of 2014 year paid on 3 September 2014 (2014: 0.5[(1)] cents paid on 4 September 2013)	**2,523**	3,054
	An ordinary interim dividend of 8.5 cents per share paid on 3 March 2015 (2014: 8.2 cents per share paid on 4 March 2014)	**54,361**	51,443
		116,182	107,020

[(1)]Comparatives adjusted to reflect the increase in number of shares as a result of the share split.

	2015 $'000	2014 $'000
b. Not recognised in the current year		
Since the end of the financial year, the directors declared an ordinary final dividend in respect of the 2015 year of 9.9 cents per share and a special dividend of 0.4 cents per share payable on 3 September 2015 (2014: ordinary final dividend of 9.4 cents per share and special dividend of 0.4 cents per share paid on 3 September 2014)	**65,946**	61,821

5. Dividend Franking Account

	2015 $'000	2014 $'000
The amount of franking credits available to shareholders for the subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability	**121,237**	116,757
Subsequent to year end, the franking account will be reduced by the proposed final and special dividends to be paid on 3 September 2015 (2014: final and special dividends)	**(28,263)**	(26,495)
	92,974	90,262

The franking account balance would allow Milton to frank additional dividend payments up to an amount of $216,940,197 (2014:$210,611,044) which represents 34 cents per share (2014: 33 cents per share).

6. Listed Investment Company capital gains account

	2015 $'000	2014 $'000
Balance of the Listed Investment Company (LIC) capital gain account available to shareholders for the subsequent financial year	**1,255**	1,255

Distributed LIC capital gains may entitle certain shareholders to a special deduction in their income tax return. 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.

7. Investment in equity instruments

Milton is predominantly a long term investor in companies and trusts listed on the Australian Securities Exchange.

		2015	2014
		$'000	$'000
	Investments – non-current		
	Quoted investments - at fair value	**2,656,876**	2,574,894
	Unquoted investments - at fair value	**122**	71
		2,656,998	2,574,965
a.	**Included in quoted investments are:**		
	Shares in other corporations	**2,537,519**	2,487,638
	Stapled securities in other corporations	**95,666**	67,322
	Units in trusts	**23,691**	19,934
		2,656,876	2,574,894
b.	**Included in unquoted investments are:**		
	Units in trusts	**122**	71

Investments are recognised initially at cost and Milton has elected to present subsequent changes in fair value of equity instruments in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long term holdings of equity instruments.

Listed investments are valued continuously at fair value, which is determined by the unadjusted last-sale price quoted on the Australian Securities Exchange at the measurement date. Use of unadjusted last sale price in an active market such as the Australian Securities Exchange falls within the Level 1 fair value hierarchy of measuring fair value under AASB 13.

c. Investments disposed of during the year

The disposals occurred in the normal course of Milton's operations as a listed investment company or as a result of takeovers or mergers.

	2015	2014
Fair value at disposal date		
Equity investments	**38,311**	17,811
Loss on disposal after tax		
Equity investments	**(20,631)**	(12,517)

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the capital profits reserve as disclosed in note 13.

8. Investment in joint venture entities

Milton has a long history of investing in property development joint ventures. Wholly owned subsidiaries of Milton have investments in separate joint venture entities that have non-controlling interests in three property development joint venture partnerships.

	2015	2014
	$'000	$'000
a. Contribution from joint venture entities		
Milton has interests in the following joint venture entities:		
33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax (2014:33.33%)	**6,319**	6,010
23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2014:23.33%)	**648**	682
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture (2014: 50%)	**(657)**	(280)
Share of net profits of joint ventures	**6,310**	6,412
b. Consolidated interest in the assets and liabilities of the joint venture entities		
Current assets	**20,902**	21,750
Non-current assets	**15,083**	11,639
Current liabilities	**(4,537)**	(3,578)
Non-current liabilities	**(10,253)**	(8,624)
	21,195	21,187
Provision for diminution in value	**(543)**	(543)
Net assets	**20,652**	20,644

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures based on rights and obligations arising from the joint arrangement rather than the legal structure of the joint arrangement.

Each joint venture partnership agreement provides that partners have rights to the net assets of the partnership. Accordingly, Milton has assessed the nature of its joint arrangements and determined that all current interests are joint ventures and thus accounted for using the 'Equity Method'.

Under the 'Equity Method', Milton's investments in joint ventures are valued initially at cost and periodically adjusted for changes in value due to Milton's share in the joint ventures' income or losses, distributions and any call payments.

c. Contingencies and capital commitments

Guarantee entered into by the parent company

Milton has agreed to provide a financial guarantee facility totalling $11 million to support prepayments received by a joint venture in which LWP Huntlee Syndicate No 2 has a 23.75% interest. This facility, which is on commercial terms, is secured by a second ranking mortgage over the real property of the joint venture as well as guarantees provided by other related entities of the joint venture. At 30 June 2015, $3.1 million of this facility had been utilised.

Other than the above, the directors are not aware of any material contingent liabilities, contingent assets or capital commitments as at 30 June 2015.

		2015	2014
		$'000	$'000
9.	**Cash**		
	Cash at bank	**2,535**	2,257
	Deposits at call	**9,662**	29,718
	Term deposits	**87,255**	84,218
		99,452	116,193

The weighted average interest rate for cash and deposits at call as at 30 June 2015 is 2.1% p.a. (2014: 3.1% p.a.). Term deposits have an average maturity date of September 2014 (2014: September 2014) and an average interest rate of 2.8% (2014: 3.5% pa).

		2015	2014
10.	**Receivables**		
a.	**Receivables – current**		
	Dividends receivable	**21,707**	22,130
	Interest receivable	**676**	624
	Sundry debtors	**7**	4
		22,390	22,758
b.	**Receivables – non-current**		
	Senior staff share plan loans (refer note 19b)	**3,869**	3,409

c. Terms and conditions

Sundry debtors are due within 30 days and no interest is charged.

11. Other financial assets

Other liquid securities include listed securities such as reset preference shares which are classified as equity instruments and may be realised within 12 months.

	2015	2014
Other liquid securities at fair value	**9,597**	9,857
Prepaid expenses	**164**	189
	9,761	10,046

Other liquid securities are recognised initially at cost and Milton has elected to present subsequent changes in fair value in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability.

On disposal, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the capital profits reserve.

Milton Corporation Limited
Notes to the consolidated financial statements: Capital Management
for the year ended 30 June 2015

Milton offers its shareholders the opportunity to increase their holdings by participation in the Share Purchase Plan and in the Dividend Reinvestment Plan. Milton may also increase its capital through renounceable rights issues and acquisition of investment companies with the consideration being the issue of Milton shares. The last such acquisition was completed in February 2014.

12. Share capital

All capital consists of fully paid ordinary shares which are listed on the ASX and carry one vote per share and the right to receive dividends.

Movement in share capital	No. of shares	2015 $'000	No of shares	2014 $'000
Opening balance	630,825,344	1,462,552	122,147,119	1,384,438
Share Purchase Pan	8,019,673	35,687	3,324,432	63,563
Share Split[(1)]	-	-	501,886,204	-
Share issued as consideration for acquisition	-	-	3,280,382	13,910
Dividend Reinvestment Plan[(2)]	1,410,638	6,426	187,207	799
Less: Transaction costs (net of tax)	-	(76)	-	(158)
Closing balance	640,255,655	1,504,589	630,825,344	1,462,552

[(1)]In October 2013, Milton's shares were split on the basis of 5 shares for each existing share resulting in an increase of 501,886,204 shares.

[(2)]Milton's Dividend Reinvestment Plan (DRP) offers shareholders the option to reinvest all or part of their dividend in new ordinary shares. In the current year, Milton issued 698,365 new shares in September 2014 and 712,273 new shares in March 2015 (2014: 187,207 issued in March 2014) under the DRP.

13. Reserves

Nature and purpose of reserves

Changes in fair value of investments are presented in other comprehensive income through the asset revaluation reserve as referred to in note 7b. Upon disposal of investments, the net gain or loss is transferred from the asset revaluation reserve to the capital profits reserve.

		2015 $'000	2014 $'000
a.	**Asset revaluation reserve**		
	Opening balance	**718,044**	512,458
	Revaluation of investments net of provision for tax	**7,931**	193,069
	Net realised losses	**13,844**	12,517
		739,819	718,044
b.	**Capital profits reserve**		
	Opening balance	**78,815**	91,332
	Net realised losses	**(13,844)**	(12,517)
		64,971	78,815

This section of the notes discusses Milton's exposure to various risks and shows how these could affect Milton's financial position and performance.

14. Critical accounting estimates, judgements and assumptions

Judgements, estimates and assumptions are required to prepare financial statements.

Apart from the below, 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 financial year.

i) Deferred tax liabilities from unrealised capital gains are offset against deferred tax assets from realised capital losses as disclosed in Note 2e.

ii) Classification of joint arrangements as joint ventures as disclosed in Note 8.

15. Management of financial risk

The risks associated with the financial instruments, such as investments and cash, include credit, markets and liquidity risks which could affect Milton's future financial performance.

The Audit & Risk Committee has approved policies and procedures to manage these risks. The effectiveness of these policies and procedures is continually reviewed by management and annually by the Audit & Risk Committee.

a. Credit risk exposures

Milton's principal credit risk exposures arise from the investment in liquid assets, such as cash, bank term deposits and income receivable.

The risk that financial loss will occur because of a counterparty to a financial instrument fails to discharge an obligation is known as credit risk. The credit risk on Milton's financial assets, excluding investments, is the carrying amount of those assets.

Individual bank limits have been approved by the board for the investment of cash.

Income receivable comprises accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue.

All financial assets and their recoverability are continuously monitored by management and reviewed by the board on a quarterly basis.

b. Market risk

Market risk is the risk that changes in market prices will affect the fair value of the financial instrument. The fair value is determined by the unadjusted last sale price quoted on the Australian Securities Exchange at the measurement date.

Milton is exposed to market risk through the movement of the security prices of the companies and trusts in which it is invested.

The market value of individual companies fluctuates daily and the fair value of the portfolio changes continuously, with this change in the fair value recognised through the asset revaluation reserve.

Investments represent 94% (2014: 94%) of total assets. A 5% movement in the market value of investments in each of the companies and trusts within the portfolio would result in a 4.7% (2014: 4.7%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2015 (2014: 30 June 2014). The net asset backing before provision for tax on unrealised capital gains would move by 21 cents per share at 30 June 2015 (2014: 20 cents at 30 June 2014).

Milton's management regularly monitors the performance of the companies within its portfolio and makes portfolio recommendations which are considered by the Investment Committee. The Milton board reviews the portfolio on a quarterly basis.

Milton is not exposed to foreign currency risk as all its investments are quoted in Australian dollars.

The fair value of Milton's other financial instruments is unlikely to be materially affected by a movement in interest rates as they generally have short dated maturities and variable interest rates.

c. Liquidity risk

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

Milton manages liquidity risk by monitoring forecast and actual cashflows.

16. Capital risk management

The parent entity invests its equity in a diversified portfolio of assets that generates a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital may be increased through the issue of shares under the Share Purchase Plan and the Dividend Reinvestment Plan. Shares may also be issued through renounceable rights issues and as consideration for acquisition of unlisted companies.

Milton Corporation Limited
Notes to the consolidated financial statements: Group Structure
for the year ended 30 June 2015

The consolidated financial statements include the financial statements of Milton, being the parent entity and its subsidiaries. Details of subsidiaries are disclosed in Note 17b below. The balances and effects of transactions between subsidiaries included in the consolidated financial statements have been eliminated in full.

17. Subsidiaries

Investments in subsidiaries are carried at net asset value which approximates fair value of the controlled entities.

Income from dividends is brought to account when they are declared.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

a. Basis of Consolidation

The consolidated financial statements include the financial statements of Milton, being the parent entity and its subsidiaries. The balances and effects of transactions between subsidiaries included in the consolidated financial statements have been eliminated in full.

Where entities have come under the control of the parent entity during the year, their operating results have been included in the group from the date control was obtained. Entities cease to be consolidated from the date on which control is transferred out of the group and the consolidated financial statements include the result for the part of the reporting period during which the parent entity had control.

b. Milton Corporation Limited's subsidiaries

The following subsidiaries have been included in the consolidated accounts. The parent entity and all subsidiaries are incorporated in Australia:

Percentage of Interest held	**2015 %**	2014 %
85 Spring Street Properties Pty Ltd	**100**	100
Chatham Investment Co. Pty Limited	**100**	100
Incorporated Nominees Pty Limited	**100**	100
Milhunt Pty Limited	**100**	100

c. Acquisition of subsidiaries

No company acquisitions were made by Milton during the year ended 30 June 2015 (2014: Milton acquired 100% of the shares of an unlisted investment company for a consideration of 3,280,382 new Milton shares with a fair value of $13,909,832. The unlisted investment company acquired during 2014 was placed into voluntary liquidation in June 2014.)

d. Business Combinations

The acquisition method of accounting has been used to account for all business combinations. The business combinations have been accounted from the date Milton attained control of the subsidiaries. The considerations transferred for the acquisitions comprise of the fair values of the identifiable assets transferred and the liabilities assumed.

Costs related to the acquisitions, other than those associated with the issue of equity securities, are expensed to the consolidated income statement as incurred.

		2015 $'000	2014 $'000
18.	**Related party transactions**		
a.	**Directors and Key Management Personnel compensation**		
	Short-term benefits	**1,124**	1,089
	Other long-term benefits	**26**	15
	Post-employment benefits	**109**	100
	Share-based payments	**142**	124
		1,401	1,328

Information regarding individual directors' and executives' compensation and equity instruments disclosures, as permitted by Corporations Regulations 2M.3.03, are provided in the Remuneration Report section of the Directors' Report on pages 11 to 17.

b. Shareholdings of non-executive directors and their related parties – number of shares held

Non-executive directors and their related parties held 12.3% (2014:12.5%) of the voting power of Milton as at year end. All shares acquired by non-executive directors and their related parties during the year were purchased on an arm's length basis. Movements in the number of shares held are given below. There were no amounts outstanding from or due to any non-executive director or their related parties as at 30 June 2015

	No of shares	No of shares
Number of shares at beginning of the year	**78,581,300**	15,639,656
Adjustment for Share Split in October 2013	**-**	62,777,040
Acquired during the year	**194,360**	164,604
Number of shares held at end of year	**78,775,660**	78,581,300

c. Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management are as given below. No loans were granted to related parties of any key management personnel.

	$	$
Balance at beginning of the year	**2,219,538**	1,888,841
Loans advanced	**335,620**	432,460
Loan Repaid	**(114,974)**	(101,763)
Balance at end of the year	**2,440,184**	2,219,538
Notional interest	**141,842**	124,151

Notional interest is based on the applicable FBT benchmark interest rate for the year which averaged 5.85% (2014: 6.27%).

Terms and conditions of the loans are referred to in note 19b and details of loans to individual key management personnel are disclosed on the remuneration report on page 14.

d. Other related party transactions

All non-executive directors have entered into the Deed of Indemnity, Insurance and Access that was approved at the Annual General Meeting held on 10 October 2000. Milton has a Remuneration and Retirement Benefits Deed with each of the non-executive directors except Messrs G.L Crampton and K.J. Eley. During the 30 June 2004 year, Milton and the directors varied the Remuneration and Retirement Benefits Deed, whereby the maximum retirement benefit payable to a non-executive director on retirement will be the provision for the director as at 30 June 2003. Apart from the details disclosed in this note no director has entered into a material contract with the parent entity or Milton since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at the end of the year.

e. Loans to and from subsidiaries

Loans have been made between the parent entity and wholly owned subsidiaries for capital transactions. The loans between the parent and its subsidiaries have no fixed date of repayment and are non-interest bearing.

	2015	2014
	$	$
Balance at beginning of the year	**79,444,127**	84,521,583
Loans advanced from subsidiaries	**3,636,766**	6,466,875
Loan advanced to subsidiaries	**(641,485)**	(11,544,331)
Balance at end of the year	**82,439,408**	79,444,127

f. Other arrangement with non executive director

Mr J.F. Church rented office space from Milton at commercial rates from 1 July 2014 to 30 June 2015 and rental income received by Milton during the financial year was $12,763 (2014: $12,971).

19. Share based payments

Under the Employee Share Plan, shares are acquired for employees as part of their remuneration and the cost of the shares is recorded under employment costs.

Under the Senior Staff Share Plan, shares are acquired for eligible employees as part of their remuneration and held on their behalf by the trustee of the Plan. The purchase of the Plan Shares is financed by a loan from Milton.

a. Employee Share Plan

The Employee Share Plan ("ESP") is available to all eligible employees to acquire ordinary shares in Milton in lieu of a cash bonus of up to $1,000 per year as part of the employee's remuneration. The transaction and administration costs of acquiring the shares and administering the plan are paid by Milton.

During the year, 1,085 shares (2014: 1,250(1) shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of $4,980 (2014: $4,925) with a total market value at 30 June 2015 of $4,882.

Any shares acquired cannot be disposed of or transferred until the earlier of 3 years from the date of issue or acquisition or on the date that the employee's employment ceases with Milton.

b. Senior Staff Share Plan

The Senior Staff Share Plan ("SSSP") was approved by shareholders at Milton's Annual General Meeting on 9 October 2001. Eligible employees are given the opportunity to apply for Plan Shares in Milton which are subscribed for or acquired and held on their behalf by the trustee of the plan. The purchase of these Plan Shares is financed by an interest-free limited recourse loan from Milton with recourse only to Plan Shares. The loan will be repaid partially from any dividends received. Milton administers the SSSP and meets the transactional and administration costs.

During the year, 142,000 shares (2014: 162,500[1] shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of $635,441 (2014: $638,857). The loans to eligible employees are as disclosed in note 10b. The shares acquired by the trustee during the year had a market value of $639,000 at $4.50 per share as at 30 June 2015.

Any shares acquired are held in the name of the trustee and classified as Restricted Shares which cannot become Unrestricted Shares until the earlier of 3 years from the date of issue to the trustee or acquisition by the trustee or on the date that the employee’s employment ceases with Milton. The trustee may transfer Unrestricted Shares to the participant provided that any outstanding loan has been repaid in full.

[1]Shares issued adjusted to account for the increase in number of shares as a result of the share split.

		2015	2014
		$’000	$’000
20.	**Auditors Remuneration**		
	Auditors of the company		
	Audit and review services	**109**	107
	Related practice of the auditor		
	Due diligence	**-**	19
	Liquidation of non-operating subsidiary	**1**	2
		110	128

21. 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 2015 the parent entity is Milton Corporation Limited.

	2015	2014
Profit of the parent entity		
Profit for the year	**123,837**	115,801
Total comprehensive income for the year	**135,940**	308,870

	2015 $'000	2014 $'000
Financial position of the parent entity as at 30 June		
Current assets	**131,591**	141,319
Total assets	**2,898,393**	2,829,893
Current liabilities	**83,904**	80,929
Total liabilities	**399,748**	393,043
Net assets	**2,498,645**	2,436,850
Total equity of the parent entity comprising of		
Issued capital	**1,504,589**	1,462,552
Capital profits reserves	**73,549**	87,394
Asset revaluation reserve	**790,967**	765,020
Retained profits	**129,540**	121,884
Total equity attributable to shareholders of the parent entity	**2,498,645**	2,436,850

22. Summary of other accounting policies

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian accounting interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity ("Milton") consisting of Milton Corporation Limited and its subsidiaries.

These financial statements have been prepared on an accruals basis and are based on the historical cost basis except as modified by the revaluation of certain financial assets and liabilities measured at fair value.

New and amended standards adopted:

AASB 2015-2 Amendments to AASB 101 (Presentation of Financial Statements) which applies to annual reporting periods commencing on or after 1 January 2016 has been early adopted for the preparation of the 2015 financial statements and notes. This standard removed certain minimum disclosure requirements from AASB 101 including the removal of reference to a 'summary of significant accounting policies', allowing re-organisation and grouping of notes to the financial statements giving prominence to the areas most relevant to understanding the organisation and encouraging companies to no longer disclose information that is not material.

AASB-9 *Financial Instruments* Standard which applies to annual reporting periods commencing on or after 1 January 2018 was early adopted by Milton since the 2010 financial year. No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2015, will result in any material change in relation to the financial statements of Milton.

b. Rounding of amounts

Unless otherwise stated under the option available in ASIC Class Order 98/100, the financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000).

c. Operating segments

The consolidation entity operates in Australia and engages in investment as its principal activity. As such Milton considers the business to have a single operating segment.

		2015	2014
		$'000	$'000
23.	**Cash flow information**		
a.	**Reconciliation of net profit to net cash provided by operating activities**		
	Net profit	**128,009**	120,294
	Share of net profits of joint ventures – equity accounted	**(6,310)**	(6,412)
	Distributions received from joint venture entities	**7,133**	6,383
	Depreciation of non-current assets	**14**	17
	Acquisition related costs of subsidiaries	**-**	58
	Decrease/(Increase) in receivables	**369**	(155)
	(Decrease)/Increase in payables and provisions	**(6)**	34
	(Decrease)/Increase in income taxes payable	**(215)**	373
	Net cash provided by operating activities	**128,994**	120,592

b. Non-cash financing and investing activities

During the year ended 30 June 2015, Milton did not engage in any material non-cash investing or financing transaction (2014: Issued 3,280,382 shares to acquire an unlisted investment company with a fair value of $13,909,832).

24. Contingent liabilities

Apart from the contingent liability relating to the Huntlee joint venture disclosed in Note 8c, the directors are not aware of any other material contingent liabilities

25. Events subsequent to reporting date

Since the end of the financial year, the directors declared a fully franked ordinary final dividend of 9.9 cents per share and a fully franked special dividend of 0.4 cents per share payable on 3 September 2015.

This financial report was authorised for issue in accordance with a resolution of directors on 6 August 2015.

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2015

The following holdings are valued at fair value through Other Comprehensive Income.

	2015 Market value $'000	2014 Market value $'000
Investments in equity instruments		
Adelaide Brighton Limited	**11,792**	8,135
AGL Energy Limited	**41,641**	37,012
ALS Limited	**62,777**	99,542
Amalgamated Holdings Limited	**10,884**	7,291
Amcor Limited	**16,389**	12,459
AMP Limited	**12,769**	11,242
A.P. Eagers Limited	**54,539**	33,307
APA Group	**16,528**	11,753
ARB Corporation Limited	**10,594**	9,116
Argo Investments Limited	**7,857**	7,521
Arrium Limited	**-**	3,380
ASX Limited	**21,265**	17,712
Austbrokers Holdings Limited	**9,403**	11,058
Australand Property Group	**-**	3,697
Australia & New Zealand Banking Group Limited		
- ordinary shares	**98,099**	99,021
- convertible preference shares	**1,960**	2,007
- capital notes 2	**191**	208
Australian Foundation Investment Company Limited	**7,924**	8,002
Auswide Bank Limited (formerly Wide Bay Australia)	**2,190**	2,385
Automotive Holdings Group Limited	**12,203**	8,188
Aveo Group (formerly FKP Property Group)	**3,866**	3,086
Bank of Queensland Limited	**93,299**	89,061
Bendigo & Adelaide Bank Limited	**70,001**	69,658
BHP Billiton Limited	**98,378**	121,418
BKI Investment Company Limited	**2,038**	2,013
Blackmores Limited	**28,453**	10,282
Boral Limited	**9,749**	8,749
Bradken Limited	**1,186**	3,141
Brambles Limited	**14,840**	11,772
Brickworks Limited	**44,637**	44,217
BT Investment Management Limited	**2,114**	-
BWP Trust	**4,847**	3,928
Cardno Limited	**3,891**	7,614
Carlton Investments Limited	**11,306**	9,669
Carsales.com Limited	**8,835**	3,516
CIMIC Limited (formerly Leighton Holdings)	**17,209**	14,953
Coca-Cola Amatil Limited	**13,418**	13,872
Cochlear Limited	**2,709**	2,085
Commonwealth Bank of Australia		
- ordinary shares	**258,205**	245,315
- PERLS V	**-**	102
Cover-More Group Limited	**4,359**	-
Crown Resorts Limited	**3,261**	4,042
CSL Limited	**51,207**	39,411
David Jones Limited	**-**	1,403
Diversified United Investment Limited	**1,330**	1,364
Dulux Group Limited	**6,880**	2,236
Equity Trustees Limited	**9,995**	9,265
Federation Centres (formerly CFS Retail Trust Property Group)	**18,844**	16,006
Finbar Group Limited	**3,311**	4,535
Fletcher Building Limited	**5,791**	6,570
Fleetwood Corporation Limited	**-**	532
Goodman Group	**6,950**	3,264
Graincorp Limited	**3,094**	3,043

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2015

The following holdings are valued at fair value through Other Comprehensive Income.

	2015 Market value $'000	2014 Market value $'000
Gresham Private Equity Co-Investment Fund	**21**	21
GWA Group Limited	**1,863**	5,983
Insurance Australia Group Limited		
- ordinary shares	**28,605**	28,114
- convertible preference shares	**305**	319
IAG Finance(NZ) Limited Perpetual Reset Exchangeable Notes	**1,237**	1,284
Incitec Pivot Limited	**6,201**	4,671
InvoCare Limited	**22,577**	18,571
IOOF Holdings Limited	**8,766**	5,897
Lend Lease Group	**6,982**	6,090
Lindsay Australia Limited	**3,377**	1,088
Macquarie Group Limited	**45,246**	27,808
McMillan Shakespeare Limited	**2,797**	917
Metcash Limited	**-**	10,686
MyState Limited	**2,149**	2,065
National Australia Bank Limited		
- ordinary shares	**158,483**	144,380
- convertible preference shares	**-**	31
New Hope Corporation Limited	**2,438**	3,457
Noni B Limited	**-**	343
Orica Limited	**4,022**	3,681
Origin Energy Limited	**8,405**	9,199
Orora Limited	**2,497**	1,702
Perpetual Limited	**65,735**	64,403
Premier Investments Limited	**7,526**	5,017
QBE Insurance Group Limited	**35,793**	28,462
Qube Holdings Limited	**9,064**	5,855
Ramsay Health Care Limited	**10,422**	6,982
Reece Australia Limited	**6,426**	4,024
Regis Healthcare Limited	**2,353**	-
Rio Tinto Limited	**31,369**	33,665
Santos Limited	**13,182**	20,317
Scentre Group	**6,501**	5,336
Schaffer Corporation Limited	**335**	408
Sedgman Limited	**1,385**	1,011
Select Harvests Limited	**1,780**	832
Seven Group Holdings Limited		
- TELYS4 preference shares	**537**	617
Seven West Media Limited	**-**	3,155
Sims Group Limited	**8,263**	7,677
Sonic Healthcare Limited	**13,162**	10,674
South32 Limited	**6,496**	-
Stockland Group	**10,943**	8,346
Suncorp Group Limited	**41,294**	41,632
Sydney Airport	**12,996**	6,134
Tankstream Ventures	**101**	50
Tatts Group Limited	**8,608**	7,272
Telstra Corporation Limited	**89,737**	70,909
Toll Holdings Limited	**-**	6,688
TPG Telecom Limited	**33,472**	20,561
Transfield Services Limited	**2,001**	1,648
Transurban Group	**30,951**	20,271
Treasury Wine Estates Limited	**5,257**	5,279
UGL Limited	**3,077**	9,926
Washington H. Soul Pattinson & Company Limited	**123,306**	135,326
WDS Limited	**-**	1,006

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2015

The following holdings are valued at fair value through Other Comprehensive Income.

	2015 Market value $'000	2014 Market value $'000
Wesfarmers Limited	**110,670**	119,791
Westfield Corporation	**6,931**	5,434
Westpac Banking Corporation	**336,009**	354,090
Woodside Petroleum Limited	**29,621**	33,815
Woolworths Limited	**78,291**	95,991
Worley Parsons Limited	**4,425**	6,896
	2,656,998	2,574,965
Other liquid securities		
APT Pipelines Limited	**1,039**	1,074
Bank of Queensland Limited - convertible preference shares	**5,250**	5,425
Colonial Group - subordinated notes	**1,010**	1,032
Commonwealth Bank of Australia - Perls III	**986**	977
Goodman Funds Management .-.perpetual listed unsecured securities	**1,108**	1,139
Woolworths Limited notes II	**204**	210
	9,597	9,857

DIRECTORS' DECLARATION

1. In the opinion of the directors of Milton Corporation Limited:

(a) the consolidated financial statements and notes that are set out on pages 19 to 44 and the Remuneration report, that is set out on pages 14 to 17 in the Directors' report are in accordance with the Corporations Act 2001, including:

  (i) giving a true view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

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

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.

Signed in accordance with a resolution of the directors.

R. D. MILLNER
Chairman
Sydney, 6 August 2015

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ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MILTON CORPORATION LIMITED

We have audited the accompanying financial report of Milton Corporation Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Milton Corporation Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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..

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 controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 controls. 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given the directors of Milton Corporation Limited a written Auditor's Independence Declaration, a copy of which is included in the financial report

Auditor's Opinion

In our opinion, the financial report of Milton Corporation Limited and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Milton Corporation Limited's consolidated financial position as at 30 June 2015 and of their performance for the year ended on that date; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2015. The directors of Milton Corporation Limited 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 Milton Corporation Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001.*

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

Melina Alexander

Melissa Alexander
Partner

Dated in Sydney this 6th day of August 2015.

DIRECTORY

DIRECTORS

R. D. MILLNER - Chairman

J. F. CHURCH

G.L. CRAMPTON

K.J. ELEY

F. G. GOOCH - Managing director

I. A. POLLARD

MANAGEMENT

F.G. GOOCH - Managing director

D.N. SENEVIRATNE - CFO, secretary

REGISTERED OFFICE

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SYDNEY NSW 2000

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WEBSITE: www.milton.com.au

AUDITORS

MOORE STEPHENS SYDNEY

CHARTERED ACCOUNTANTS

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SYDNEY NSW 2000

WEBSITE: www.moorestephens.com.au

SHARE REGISTRY

LINK MARKET SERVICES LIMITED

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SYDNEY SOUTH NSW 1235

PHONE: (02) 8280 7111

FAX: (02) 9261 8489

TOLL FREE: 1800 641 024

EMAIL: milton@linkmarketservices.com.au

WEBSITE: www.linkmarketservices.com.au

ASX INFORMATION

TOP 20 SHAREHOLDERS AS AT 31 JULY 2015

NAME	***SHARES HELD***	***%***
Washington H soul Pattinson & Company Limited	33,592,590	5.25
Argo Investments Limited	32,583,552	5.09
Myora Pty Limited	22,780,400	3.56
Australian Foundation Investment Company Limited	14,402,925	2.25
Griffinna Pty Ltd <Wood Dragon a/c>	6,355,020	0.99
Danwer Investments Pty Ltd	6,075,915	0.95
Bortre Pty Limited	6,075,915	0.95
Otterpaw Pty Ltd <Penguin a/c>	5,777,235	0.90
JBF holdings Pty Ltd	5,253,920	0.82
Chickenfeed Pty Ltd	4,214,860	0.66
Jamama Nominees Pty Limited	4,195,685	0.66
J S Millner Holdings Pty Limited	3,739,925	0.58
Macdawley Proprietary Limited	3,479,615	0.54
Gartfern Pty Limited	3,309,995	0.52
Hexham Holdings Pty Limited	3,226,490	0.50
Millane Pty Limited	3,161,680	0.49
A V L Investments Proprietary Limited	2,979,080	0.47
Redemptorists <Central Investment Fund>	2,900,000	0.45
Ms Julia Jane Drew	2,875,000	0.45
T N Phillips Investments Pty Ltd	2,871,672	0.45
Yerong Pty Limited	2,768,670	0.43

On 31 July 2015, there were 22,593 holders of ordinary shares in the capital of Milton. Holders of ordinary shares are entitled to one vote per share.

Number of shares held	Number of shareholders
1-1,000	2,657
1,001 – 5,000	6,058
5,001 – 10,000	4,543
10,001 – 100,000	8,735
100,001 and over	600
The number of holders of less than a marketable parcel of 25 shares	564

SUBSTANTIAL SHAREHOLDINGS As at 31 July 2015 the names and holdings of substantial shareholders as disclosed in notices received by Milton are as follows:-

Substantial shareholders	***Date of Notice***	***No. of shares***
Washington H. Soul Pattinson & Company Limited	20 December 2010	33,585,220
Brickworks Limited[(1)]	7 January 2014	33,589,220
Argo Investment Limited	15 October 2014	36,412,935

[(1)](Technical relevant interest as a result of its holding in Washington H. Soul Pattinson & Company Limited)

OTHER INFORMATION

Milton is taxed as a public company.

There is no current on-market buy-back.

The total number of transactions in securities undertaken by Milton was 461 and the total brokerage paid or accrued was $519,014.

SHARE ISSUES HISTORY

Share Purchase Plan history

Date	Issue price per share	Date	Issue price per share
10.11.1999	$ 8.75	16.10.2006	$19.60
13.11.2000	$ 8.86	19.10.2007	$22.48
13.11.2001	$10.79	03.10.2008	$17.85
08.11.2002	$11.70	09.10.2009	$16.08
31.10.2003	$13.21	30.09.2013	$19.12
29.10.2004	$14.10	22.10.2013	5 for 1 share split
21.10.2005	$17.11	01.10.2014	$ 4.45

Acquisition of unlisted companies

Date	Shares issued	Date	Shares issued
21.06.2002	2,287,200	23.03.2007	1,895,976
31.12.2002	1,739,112	14.05.2007	2,424,582
11.03.2004	2,742,777	20.06.2007	252,477
01.04.2004	496,809	24.09.2007	1,223,252
17.08.2006	1,000,322	19.02.2009	3,555,958
23.08.2006	1,476,254	26.02.2010	4,132,711
28.08.2006	382,404	20.08.2010	2,446,521
21.09.2006	278,103	21.02.2013	521,464
10.11.2006	1,888,353	24.02.2014	3,280,382

Acquisition of listed investment companies

Date	Company	Shares issued
31.12.2001	Cambooya Investments Limited	8,273,505
16.12.2010	Choiseul Investments Limited	23,803,854

Dividend Reinvestment Plans

Date	Shares issued	Price
04.03.2014	187,207	$4.27
03.09.2014	698,365	$4.55
03.03.2015	712,273	$4.56

Share Split

Date	Ratio	
22.10.2013	Five shares for one	The number of shares issued prior to this date have not been adjusted for the share split.

A full list of issues to shareholders since commencement of Capital Gains Tax in September 1985 can be found on the company's website at www.milton.com.au

"CPI" FOR CAPITAL GAINS TAX

	March	June	September	December
1985	-	-	71.3	72.7
1986	74.4	75.6	77.6	79.8
1987	81.4	82.6	84.0	85.5
1988	87.0	88.5	90.2	92.0
1989	92.9	95.2	97.4	99.2
1990	100.9	102.5	103.3	106.0
1991	105.8	106.0	106.6	107.6
1992	107.6	107.3	107.4	107.9
1993	108.9	109.3	109.8	110.0
1994	110.4	111.2	111.9	112.8
1995	114.7	116.2	117.6	118.5
1996	119.0	119.8	120.1	120.3
1997	120.5	120.2	119.7	120.0
1998	120.3	121.0	121.3	121.9
1999	121.8	122.3	123.4	

NOTES