Product Disclosure Statements
Intermediate Portfolio

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

iShares Australian Equity Index Fund
Product Disclosure Statement

Dated: 31 August 2017

iShares Australian Equity Index Fund
(previously called the 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

iShares Australian Equity Index 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 into account your individual objectives, financial situation, needs or circumstances. You should therefore assess whether the information is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and 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. 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.

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.

Responsible Entity contact details

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

Incorporation by Reference

The Corporations Act 2001 (Cth) (**Corporations Act**) allows us to provide certain information to you separately to this PDS. Where you see references to "Additional information incorporated by reference" additional information concerning the topic has been incorporated by reference forms part of the PDS. This information can be found in the BlackRock Additional Fund Information No. 1 document, available at www.blackrock.com.au/individual/funds-information/offer-documents. You should read this information before making an important 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.

Information subject to change

Information in this PDS, as well as the terms and features of the 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 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 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 is available 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 Investor Directed Portfolio Service (**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 shown on the right of this page.

Investing through an IDPS, superannuation fund or master trust

If you have invested through an IDPS, superannuation fund or master trust, you can use this PDS for information purposes; however, if you wish to make any change to your investment you should contact the operator of such service and complete their required documentation. The operator of such service may process unitholder transactions and requests in accordance with processes that are different to those set out in this document.

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as **BlackRock**, **Responsible Entity**, **Manager**, **we**, **our** or **us**) is the responsible entity and the issuer of units in the iShares Australian Equity Index Fund (**Fund**). BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by BlackRock Inc, or any BlackRock Inc subsidiary or associated entity (the **BlackRock Group**). Neither BlackRock nor any member of the BlackRock Group 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. An investor in the Fund could lose all or a substantial part of their investment. In particular, the performance of the Fund will depend on the performance and market value of the assets held by the Fund.

2. How the iShares Australian Equity Index Fund works

2.1 The interests that members acquire

The Fund is structured as a unitised registered managed investment scheme. When you invest in the Fund, you are allocated a number of units. 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 in the Fund you generally need a minimum amount of $500,000 or such other amount as we may determine from time to time. There is no minimum investment for subsequent applications. While there is no minimum redemption amount, we generally require a minimum balance in your Fund account of $500,000.

2.3 How investors can increase or decrease their investment

Investors can increase or decrease their investment by acquiring units (refer to section 8.1 of this PDS titled "How to invest") or redeeming all or part of their investment (refer to section 2.4 of this PDS titled "How to redeem your investment").

2.4 How to redeem your investment

Redemption requests can be made in writing (including by facsimile). You will normally be able to redeem 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. A list of public holidays affecting the Fund is available on our website at www.blackrock.com.au.

Investor transaction requests are required to be received by 1.00 pm (Sydney time) on any Business Day (**Transaction Cut-off Time**). Transaction requests received before this time will generally be executed on the same day (**Trade Date**). Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Following receipt of a redemption request, we will deposit redemption proceeds into your nominated Australian bank account, generally within four Business Days of our having received the redemption request, although we are allowed longer periods under the Fund's constitution.

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

2.5 Frequency of distributions and how they are calculated

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. 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. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected.

Distributions (if any) are generally determined at the end of March, June, September and December each year. Distributions (if any) are usually paid within 21 Business Days of the end of the distribution period.

Additional information incorporated by reference

You should read the information about the acquisition and disposal of interests before making an important decision. Go to section 2 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

3. Benefits of investing in the iShares Australian Equity Index Fund

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 incorporated by reference

You should read the information about the other features and benefits of the Fund before making an important decision. Go to section 3 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

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

The specific investment risks of investing in the Fund include:

Derivative risk. The Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. 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.

Equity security risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Index related risk. In order to meet its investment objective, the Fund 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, a fund 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 fund 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 a fund 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 fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Liquidity risk. The Fund may be exposed to securities with limited liquidity, 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. The Fund may also be exposed to other funds that may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Tracking error risk. The NAV of the Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match.

Underlying fund risk. The Fund may implement some or all of its investment strategy through an investment in an underlying fund. The Fund and underlying fund are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying fund will meet its investment objective, continue to be managed according to its current investment strategy or be open to investments in the future. Changes to the underlying fund may be made without unitholder approval. Should the underlying fund change its investment objective or investment strategy, we will review such changes with consideration to the investment objective and strategy of the Fund. Further, if the underlying fund were to be suspended, closed or terminated for any reason, the Fund would be exposed to those changes.

Other risks more generally associated with investing in a fund include:

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund 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. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way that is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Fund risk. The price of units in a fund 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. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

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 value of a fund will change with changes in the market value of the securities to which it is exposed.

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.

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.

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 TR Index (**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 the most appropriate investment strategy to track the performance of 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 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 when new listings and issues may enter the Index and on the prices at which they may enter, before deciding to take controlled positions in floats or placements.

To achieve its investment objective the Fund invests substantially all of its assets in units of the iShares Wholesale Australian Equity Index Fund (**Underlying Fund**), another fund managed by us which has the same investment strategy as the Fund. The Underlying Fund invests in the Australian stocks that form the Index. 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 Underlying Fund.

The Fund and Underlying Fund may also hold a small allocation of cash (or cash equivalents that may include units in other BlackRock funds) for cash flow management purposes.

The Fund's investment strategy aims to remain fully exposed to the Australian stock market, with cash exposure being maintained at a minimum, which may be, wherever practicable, equitised using index futures.

While the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into, 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 Australian stocks. 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 timeframe described above. The minimum suggested timeframe for holding investments in the Fund is 5 year.

Additional information incorporated by reference

You should read the information about how we invest your money, our consideration of labour standards or environmental, social or ethical issues, switching your investment, changes to the investment option and important information in respect of the Index provider, before making an important decision. Go to section 5 of the document titled "BlackRock Additional Fund Information No. 1", 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 funds fee calculator to help you check out different fee options.

6.1 Fee table and example

The table below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (**GST**), any applicable stamp duty and take 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 Fund account or deducted from investment returns.

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund[1]	
Establishment fee	**Nil**
Contribution fee	**Nil**
Withdrawal fee	**Nil**
Exit fee	**Nil**
Management costs	
The fees and costs for managing your investment.	
Management fee [2]	0.20% p.a.
Indirect costs (estimated) [3]	0.00% p.a.
Total management costs	**0.20% p.a.**

1. 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. Fee can be negotiated with certain "wholesale clients" investors (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.
3. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained. Indirect costs are a reasonable estimate of certain costs incurred within the Fund or any underlying fund that reduce returns.

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.

6.2 Example of annual fees and costs

The table 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.

Example of annual fees and costs		
Balance of $50,000 with a contribution of $5,000 during year		
Contribution Fees	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 an estimated $100 each year.
EQUALS		
Cost of the Fund [1]		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 estimated costs of $100.[2] **What it costs you will depend on the fees you negotiate.**

1. Costs include management fee and estimated indirect costs.
2. 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. 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. 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.

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 Fund account balances.

6.3 Additional explanation of fees and costs

Can the fees and charges change?

All fees can change. The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, we have no present intention to do so. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide investors 30 days' notice of any proposed increase to our fees and charges.

Additional information incorporated by reference
You should read the information about fees and costs before making an important decision. Go to section 6 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au /individual/funds-information/offer-documents.*

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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 generally do not pay tax on behalf of investors. 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 incorporated by reference

You should read the information about taxation before making an important decision. Go to section 7 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

8. How to invest

8.1 How to invest

To make your initial investment complete and send to us (including by facsimile) the Fund's Application Form that accompanies this PDS or is available from our website at www.blackrock.com.au or by calling our Client Services Centre (refer to page 2 of this PDS for contact details). You will normally be able to invest in the Fund on any Business Day. A list of public holidays affecting the Fund is available on our website at www.blackrock.com.au. We have absolute discretion to accept, reject, or limit any application request.

If you choose to send us your completed Fund Application Form by facsimile, you will need to send us your original Fund Application Form for our records.

Investor transaction requests are required to be received prior to the Transaction Cut-off Time. Transaction requests received before this time will generally be executed on the relevant Trade Date. Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Your investment amount can either be:

- deposited into the application bank account (as shown the Fund's Application Form). **If you choose to deposit your investment amount in the application bank account, you must provide us with verification from your financial institution that the money has been banked**; or
- you can complete and send to us a Direct Debit Request Form (which follows the Fund Application Form) authorising us to deduct the investment amount by direct debit from your nominated Australian bank account.

In order for us to be able to process your investment, you must ensure that BlackRock receives cleared money by the relevant Trade Date. You may also need to complete an Investor Identification Form (which follows the Fund Application Form) for the purpose of Anti-Money Laundering and Counter-Terrorism Financing legislation.

Refer to section 2.4 of this PDS titled "How to redeem your investment" for details of the Fund's Business Day, Transaction Cut-off Time and Trade Date.

8.2 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.

8.3 Enquiries and complaints

If you have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre (refer to page 2 of this PDS for contact details). We have established procedures for dealing with enquiries and complaints. 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:

- Telephone: 1800 367 287;
- 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:

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

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iShares Australian Listed Property Index Fund
Product Disclosure Statement

Dated: 31 August 2017

iShares Australian Listed Property Index Fund
(previously called the 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

iShares Australian Listed Property Index Fund

Important information

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Responsible Entity contact details

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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

Incorporation by Reference

The Corporations Act 2001 (Cth) (**Corporations Act**) allows us to provide certain information to you separately to this PDS. Where you see references to “Additional information incorporated by reference” additional information concerning the topic has been incorporated by reference and forms part of the PDS. This information can be found in the BlackRock Additional Fund Information No. 1 document, available 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.

Information subject to change

Information in this PDS, as well as the terms and features of the 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 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 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 is available 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 Investor Directed Portfolio Service (**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 shown on the right of this page.

Investing through an IDPS, superannuation fund or master trust

If you have invested through an IDPS, superannuation fund or master trust, you can use this PDS for information purposes; however, if you wish to make any change to your investment you should contact the operator of such service and complete their required documentation. The operator of such service may process unitholder transactions and requests in accordance with processes that are different to those set out in this document.

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as **BlackRock**, **Responsible Entity**, **Manager**, **we**, **our** or **us**) is the responsible entity and the issuer of units in the iShares Australian Listed Property Index Fund (**Fund**). BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by BlackRock Inc, or any BlackRock Inc subsidiary or associated entity (the **BlackRock Group**). Neither BlackRock nor any member of the BlackRock Group 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. An investor in the Fund could lose all or a substantial part of their investment. In particular, the performance of the Fund will depend on the performance and market value of the assets held by the Fund.

2. How the iShares Australian Listed Property Index Fund works

2.1 The interests that members acquire

The Fund is structured as a unitised registered managed investment scheme. When you invest in the Fund, you are allocated a number of units. 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 in the Fund you generally need a minimum amount of $500,000 or such other amount as we may determine from time to time. There is no minimum investment for subsequent applications. While there is no minimum redemption amount, we generally require a minimum balance in your Fund account of $500,000.

2.3 How investors can increase or decrease their investment

Investors can increase or decrease their investment by acquiring units (refer to section 8.1 of this PDS titled "How to invest") or redeeming all or part of their investment (refer to section 2.4 of this PDS titled "How to redeem your investment").

2.4 How to redeem your investment

Redemption requests can be made in writing (including by facsimile). You will normally be able to redeem 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. A list of public holidays affecting the Fund is available on our website at www.blackrock.com.au.

Investor transaction requests are required to be received by 1.00 pm (Sydney time) on any Business Day (**Transaction Cut-off Time**). Transaction requests received before this time will generally be executed on the same day (**Trade Date**). Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Following receipt of a redemption request, we will deposit redemption proceeds into your nominated Australian bank account, generally within four Business Days of our having received the redemption request, although we are allowed longer periods under the Fund's constitution.

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

2.5 Frequency of distributions and how they are calculated

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. 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. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected.

Distributions (if any) are generally determined at the end of March, June, September and December each year. Distributions (if any) are usually paid within 21 Business Days of the end of the distribution period.

Additional information incorporated by reference

You should read the information about the acquisition and disposal of interests before making an important decision. Go to section 2 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

3. Benefits of investing in the iShares Australian Listed Property Index Fund

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 incorporated by reference

You should read the information about the other features and benefits of the Fund before making an important decision. Go to section 3 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

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

The specific investment risks of investing in the Fund include:

Derivative risk. The Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. 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.

Index related risk. In order to meet its investment objective, the Fund 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, a fund 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 fund 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 a fund 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 fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Liquidity risk. The Fund may be exposed to securities with limited liquidity, 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. The Fund may also be exposed to other funds that may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Property risk: 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 affecting 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, may have limited financial resources and may trade less frequently and in limited volume. Listed property securities are valued daily according to their last quoted market price.

Tracking error risk. The NAV of the Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match.

Underlying fund risk. The Fund may implement some or all of its investment strategy through an investment in an underlying fund. The Fund and underlying fund are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying fund will meet its investment objective, continue to be managed according to its current investment strategy or be open to investments in the future. Changes to the underlying fund may be made without unitholder approval. Should the underlying fund change its investment objective or investment strategy, we will review such changes with consideration to the investment objective and strategy of the Fund. Further, if the underlying fund were to be suspended, closed or terminated for any reason, the Fund would be exposed to those changes.

Other risks more generally associated with investing in a fund include:

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund 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. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way that is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Fund risk. The price of units in a fund 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. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

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 value of a fund will change with changes in the market value of the securities to which it is exposed.

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.

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.

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 TR Index (**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 the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

We believe that full replication is the most appropriate investment strategy to track the performance of 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 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 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 when new listings and issues may enter the Index and on the prices at which they may enter, before deciding to take controlled positions in floats or placements.

To achieve its investment objective the Fund invests substantially all of its assets in units of the iShares Wholesale Australian Listed Property Index Fund (**Underlying Fund**), another fund managed by us that has the same investment strategy as the Fund. The Underlying Fund invests in the Australian real estate investment trusts (**REITs**) that form the Index. 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 Underlying Fund.

The Fund and Underlying Fund may also hold a small allocation of cash (or cash equivalents that may include units in other BlackRock funds) for cash flow management purposes.

The Fund's investment strategy aims to remain fully exposed to the Australian REIT market, with cash exposure being maintained at a minimum, which may be, wherever practicable, equitised using index futures.

While the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into, 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 Australian REITS. 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 timeframe described above. The minimum suggested timeframe for holding investments in the Fund is 5 year.

Additional information incorporated by reference

You should read the information about how we invest your money, our consideration of labour standards or environmental, social or ethical issues, switching your investment, changes to the investment option and important information in respect of the Index provider, before making an important decision. Go to section 5 of the document titled "BlackRock Additional Fund Information No. 1", 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 funds fee calculator to help you check out different fee options.

6.1 Fee table and example

The table below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (**GST**), any applicable stamp duty and take 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 Fund account or deducted from investment returns.

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund[1]	
Establishment fee	**Nil**
Contribution fee	**Nil**
Withdrawal fee	**Nil**
Exit fee	**Nil**
Management costs	
The fees and costs for managing your investment.	
Management fee [2]	0.20% p.a.
Indirect costs (estimated) [3]	0.00% p.a.
Total management costs	**0.20% p.a.**

1. 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. Fee can be negotiated with certain "wholesale clients" (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.
3. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained. Indirect costs are a reasonable estimate of certain costs incurred within the Fund or any underlying fund that reduce returns.

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.

6.2 Example of annual fees and costs

The table 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.

Example of annual fees and costs		
Balance of $50,000 with a contribution of $5,000 during year		
Contribution Fees	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 an estimated $100 each year.
EQUALS		
Cost of the Fund [1]		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 estimated costs of $100.[2] **What it costs you will depend on the fees you negotiate.**

1. Costs include management fee and estimated indirect costs.
2. 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. 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. 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.

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 Fund account balances.

6.3 Additional explanation of fees and costs

Can the fees and charges change?

All fees can change. The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, we have no present intention to do so. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide investors 30 days' notice of any proposed increase to our fees and charges.

Additional information incorporated by reference
You should read the information about fees and costs before making an important decision. Go to section 6 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au /individual/funds-information/offer-documents.*

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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 generally do not pay tax on behalf of investors. 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 incorporated by reference

You should read the information about taxation before making an important decision. Go to section 7 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au /individual/funds-information/offer-documents.*

8. How to invest

8.1 How to invest

To make your initial investment complete and send to us (including by facsimile) the Fund's Application Form that accompanies this PDS or is available from our website at www.blackrock.com.au or by calling our Client Services Centre (refer to page 2 of this PDS for contact details). You will normally be able to invest in the Fund on any Business Day. A list of public holidays affecting the Fund is available on our website at www.blackrock.com.au. We have absolute discretion to accept, reject, or limit any application request.

If you choose to send us your completed Fund Application Form by facsimile, you will need to send us your original Fund Application Form for our records.

Investor transaction requests are required to be received prior to the Transaction Cut-off Time. Transaction requests received before this time will generally be executed on the relevant Trade Date. Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Your investment amount can either be:

- deposited into the application bank account (as shown the Fund's Application Form). **If you choose to deposit your investment amount in the application bank account, you must provide us with verification from your financial institution that the money has been banked**; or
- you can complete and send to us a Direct Debit Request Form (which follows the Fund Application Form) authorising us to deduct the investment amount by direct debit from your nominated Australian bank account.

In order for us to be able to process your investment, you must ensure that BlackRock receives cleared money by the relevant Trade Date. You may also need to complete an Investor Identification Form (which follows the Fund Application Form) for the purpose of Anti-Money Laundering and Counter-Terrorism Financing legislation.

Refer to section 2.4 of this PDS titled "How to redeem your investment" for details of the Fund's Business Day, Transaction Cut-off Time and Trade Date.

8.2 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.

8.3 Enquiries and complaints

If you have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre (refer to page 2 of this PDS for contact details). We have established procedures for dealing with enquiries and complaints. 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:

- Telephone: 1800 367 287;
- 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:

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

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iShares International Equity Index Fund
Product Disclosure Statement

Dated: 31 August 2017

iShares International Equity Index Fund
(previously called the 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

iShares International Equity Index 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 into account your individual objectives, financial situation, needs or circumstances. You should therefore assess whether the information is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and 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. 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.

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.

Responsible Entity contact details

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

Incorporation by Reference

The Corporations Act 2001 (Cth) (**Corporations Act**) allows us to provide certain information to you separately to this PDS. Where you see references to "Additional information incorporated by reference" additional information concerning the topic has been incorporated by reference and forms part of the PDS. This information can be found in the BlackRock Additional Fund Information No. 1 document, available at www.blackrock.com.au/individual/funds-information/offer-documents. You should read this information before making an important 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.

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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 is available 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 Investor Directed Portfolio Service (**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 shown on the right of this page.

Investing through an IDPS, superannuation fund or master trust

If you have invested through an IDPS, superannuation fund or master trust, you can use this PDS for information purposes; however, if you wish to make any change to your investment you should contact the operator of such service and complete their required documentation. The operator of such service may process unitholder transactions and requests in accordance with processes that are different to those set out in this document.

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as **BlackRock**, **Responsible Entity**, **Manager**, **we**, **our** or **us**) is the responsible entity and the issuer of units in the iShares International Equity Index Fund (**Fund**). BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by BlackRock Inc, or any BlackRock Inc subsidiary or associated entity (the **BlackRock Group**). Neither BlackRock nor any member of the BlackRock Group 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. An investor in the Fund could lose all or a substantial part of their investment. In particular, the performance of the Fund will depend on the performance and market value of the assets held by the Fund.

The investment strategy of the Fund is managed by the BlackRock Group's Global Equity Index team.

2. How the iShares International Equity Index Fund works

2.1 The interests that members acquire

The Fund is structured as a unitised registered managed investment scheme. When you invest in the Fund, you are allocated a number of units. 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 in the Fund you generally need a minimum amount of $500,000 or such other amount as we may determine from time to time. There is no minimum investment for subsequent applications. While there is no minimum redemption amount, we generally require a minimum balance in your Fund account of $500,000.

2.3 How investors can increase or decrease their investment

Investors can increase or decrease their investment by acquiring units (refer to section 8.1 of this PDS titled "How to invest") or redeeming all or part of their investment (refer to section 2.4 of this PDS titled "How to redeem your investment").

2.4 How to redeem your investment

Redemption requests can be made in writing (including by facsimile). You will normally be able to redeem 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). A list of public holidays affecting the Fund is available on our website at www.blackrock.com.au.

Investor transaction requests are required to be received by 3.00 pm (Sydney time) on any Business Day (**Transaction Cut-off Time**). Transaction requests received before this time will generally be executed on the next Business Day (**Trade Date**). Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Following receipt of a redemption request, we will deposit redemption proceeds into your nominated Australian bank account, generally within six Business Days of our having received the redemption request, although we are allowed longer periods under the Fund's constitution.

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

2.5 Frequency of distributions and how they are calculated

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. 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. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected.

Distributions (if any) are generally determined at the end of June, each year. Distributions (if any) are usually paid within 21 Business Days of the end of the distribution period.

Additional information incorporated by reference

You should read the information about the acquisition and disposal of interests before making an important decision. Go to section 2 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au/individual/funds-information/offer-documents.*

3. Benefits of investing in the iShares International Equity Index Fund

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 incorporated by reference

You should read the information about the other features and benefits of the Fund before making an important decision. Go to section 3 of the document titled "BlackRock Additional Fund Information No. 1", 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.

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

The specific investment risks of investing in the Fund include:

Derivative risk. The Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. 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.

Equity security risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Foreign investment risk. Exposure to securities or derivative instruments issued in foreign markets may include certain risks associated with:

- differences between countries in relation to accounting, financial reporting, taxation, legal, regulatory, pricing and liquidity requirements; and settlement and clearance procedures;
- currency risk, the risk that foreign currencies change in value relative to the Australian dollar, which may affect a fund's investment returns. Currency exposures are generally unhedged; and
- the countries to which the Fund is exposed may be subject to considerable degrees of economic, political and social instability, which may reduce or preclude the ability to trade security exposures or negatively affect a security's value.

Index related risk. In order to meet its investment objective, the Fund 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, a fund 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 fund 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 a fund 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 fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Liquidity risk. The Fund may be exposed to securities with limited liquidity, 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. The Fund may also be exposed to other funds that may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Tracking error risk. The NAV of the Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match.

Underlying fund risk. The Fund may implement some or all of its investment strategy through an investment in an underlying fund. The Fund and underlying fund are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying fund will meet its investment objective, continue to be managed according to its current investment strategy or be open to investments in the future. Changes to the underlying fund may be made without unitholder approval. Should the underlying fund change its investment objective or investment strategy, we will review such changes with consideration to the investment objective and strategy of the Fund. Further, if the underlying fund were to be suspended, closed or terminated for any reason, the Fund would be exposed to those changes.

Other risks more generally associated with investing in a fund include:

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund 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. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way that is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Fund risk. The price of units in a fund 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. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

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 value of a fund will change with changes in the market value of the securities to which it is exposed.

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.

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.

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 Net TR Index (unhedged in AUD) (**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 the most appropriate investment strategy to track the performance of 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 substantially all of its assets in units of the iShares Wholesale International Equity Index Fund (**Underlying Fund**), another fund managed by us that has the same investment strategy as the Fund. The Underlying Fund invests in the international developed market stocks that form the Index. 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 Underlying Fund.

The Fund and Underlying Fund may also hold a small allocation of cash (or cash equivalents that may include units in other BlackRock funds) for cash flow management purposes.

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

While the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into, 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 stock markets. 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 timeframe described above. The minimum suggested timeframe for holding investments in the Fund is 5 year.

Additional information incorporated by reference

You should read the information about how we invest your money, our consideration of labour standards or environmental, social or ethical issues, switching your investment, changes to the investment option and important information in respect of the Index provider, before making an important decision. Go to section 5 of the document titled "BlackRock Additional Fund Information No. 1", 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 funds fee calculator to help you check out different fee options.

6.1 Fee table and example

The table below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (**GST**), any applicable stamp duty and take 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 Fund account or deducted from investment returns.

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund[1]	
Establishment fee	**Nil**
Contribution fee	**Nil**
Withdrawal fee	**Nil**
Exit fee	**Nil**
Management costs	
The fees and costs for managing your investment.	
Management fee [2]	0.20% p.a.
Indirect costs (estimated) [3]	0.00% p.a.
Total management costs	**0.20% p.a.**

1. 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. Fee can be negotiated with certain "wholesale clients" (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.
3. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained. Indirect costs are a reasonable estimate of certain costs incurred within the Fund or any underlying fund that reduce returns.

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.

6.2 Example of annual fees and costs

The table 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.

Example of annual fees and costs		
Balance of $50,000 with a contribution of $5,000 during year		
Contribution Fees	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 an estimated $100 each year.
EQUALS		
Cost of the Fund [1]		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 estimated costs of $100.[2] **What it costs you will depend on the fees you negotiate.**

1. Costs include management fee and estimated indirect costs.
2. 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. 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. 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.

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 Fund account balances.

6.3 Additional explanation of fees and costs

Can the fees and charges change?

All fees can change. The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, we have no present intention to do so. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide investors 30 days' notice of any proposed increase to our fees and charges.

Additional information incorporated by reference

You should read the information about fees and costs before making an important decision. Go to section 6 of the document titled "BlackRock Additional Fund Information No. 1", 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.

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 generally do not pay tax on behalf of investors. 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 incorporated by reference

You should read the information about taxation before making an important decision. Go to section 7 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at www.blackrock.com.au /individual/funds-information/offer-documents.*

8. How to invest

8.1 How to invest

To make your initial investment complete and send to us (including by facsimile) the Fund's Application Form that accompanies this PDS or is available from our website at www.blackrock.com.au or by calling our Client Services Centre (refer to page 2 of this PDS for contact details). You will normally be able to invest in the Fund on any Business Day. A list of public holidays affecting the Fund is available on our website at www.blackrock.com.au. We have absolute discretion to accept, reject, or limit any application request.

If you choose to send us your completed Fund Application Form by facsimile, you will need to send us your original Fund Application Form for our records.

Investor transaction requests are required to be received prior to the Transaction Cut-off Time. Transaction requests received before this time will generally be executed on the relevant Trade Date. Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Your investment amount can either be:

- deposited into the application bank account (as shown the Fund's Application Form). **If you choose to deposit your investment amount in the application bank account, you must provide us with verification from your financial institution that the money has been banked**; or
- you can complete and send to us a Direct Debit Request Form (which follows the Fund Application Form) authorising us to deduct the investment amount by direct debit from your nominated Australian bank account.

In order for us to be able to process your investment, you must ensure that BlackRock receives cleared money by the relevant Trade Date. You may also need to complete an Investor Identification Form (which follows the Fund Application Form) for the purpose of Anti-Money Laundering and Counter-Terrorism Financing legislation.

Refer to section 2.4 of this PDS titled "How to redeem your investment" for details of the Fund's Business Day, Transaction Cut-off Time and Trade Date.

8.2 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.

8.3 Enquiries and complaints

If you have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre (refer to page 2 of this PDS for contact details). We have established procedures for dealing with enquiries and complaints. 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:

- Telephone: 1800 367 287;
- 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:

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

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

iShares Australian Equity ETFs
Product Disclosure Statement

Dated: 29 September 2017

iShares Core S&P/ASX 200 ETF
ASX: IOZ / ARSN: 146 083 141

iShares Edge MSCI Australia Minimum Volatility ETF
ASX: MVOL / ARSN: 614 057 662

iShares Edge MSCI Australia Multifactor ETF
ASX: AUMF / ARSN: 614 058 141

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

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

iSHARES CALL CENTRE

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Monday to Friday AEST
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FUND REGISTRAR

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

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

1.1 The issuer of this product disclosure statement

Investment in the:

- iShares Core S&P/ASX 200 ETF;
- iShares Edge MSCI Australia Minimum Volatility ETF;
- iShares Edge MSCI Australia Multifactor ETF;
- iShares S&P/ASX 20 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) is 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**). We are the issuer of this PDS and of Units in the Funds.

BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by BlackRock, Inc or any BlackRock, Inc subsidiary or associated entity (collectively the **BlackRock Group**). Neither BlackRock nor any member of the BlackRock Group 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. 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.

1.2 About this product disclosure statement

This PDS describes the main features of each Fund and is dated 29 September 2017. 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.

The offer in this PDS is only available to Authorised Participants who have, where required, entered into a relevant Authorised Participant Agreement (**AP Agreement**). 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 page 3 of this PDS for contact details).

The information provided in this PDS is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. You should therefore assess whether the information is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

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 outsource any or all investment, management and administration functions, including to related parties, without notice to Unitholders. 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 page 3 of this PDS for contact details).

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

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

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 ETF, please call the iShares Call Centre (refer to page 3 of this PDS for contact details). Alternatively, information on the different iShares ETFs quoted on ASX is available at www.blackrock.com.au or from your financial adviser.

2. About BlackRock and iShares

2.1 About BlackRock

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

At 30 June 2017, the BlackRock Group's assets under management (**AUM**) was US$5.7 trillion. The BlackRock Group 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. The BlackRock Group also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. As of 30 June 2017, the BlackRock Group had approximately 13,000 employees in more than 30 countries and a major presence in 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.

2.2 About iShares

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

With over 800 funds globally across multiple asset classes and strategies and more than US$1.5 trillion in assets under management as of 30 June 2017, 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 the BlackRock Group, trusted to manage more money than any other investment firm (based on US$5.7 trillion in AUM as of 30 June 2017).

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

The information in section 3 of this PDS relates solely to the iShares Core S&P/ASX 200 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 200 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 200 Total Return Index (referred to in this section 3 of the PDS as 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 generally invests 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 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 is recognised as the institutional investable benchmark in Australia. Index constituents are drawn from eligible companies listed on the Australian Securities Exchange. The Index is designed to measure the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalisation. Representative, liquid, and tradable, it 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 quarterly in March, June, September and December. The Index may undergo periodic unscheduled rebalances at other times.

4. About the iShares Edge MSCI Australia Minimum Volatility ETF

The information in section 4 of this PDS relates solely to the iShares Edge MSCI Australia Minimum Volatility 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 Australian equities that, in the aggregate, have lower volatility characteristics relative to the broader Australian equity market.

4.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the MSCI Australia IMI Select Minimum Volatility Index (referred to in this section 4 of the PDS as the **Index**).

We believe that an optimisation investment strategy is the most appropriate investment strategy to track the performance of the Index as it takes into account liquidity and transaction cost impact and overall risk relative to the Index.

Optimisation is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the Index. The securities selected are expected to have, in 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 securities to which the Fund is exposed may or may not include all of the securities in its Index and the weighting of such securities may differ to the weighting of securities in the Index.

4.3 What do the Funds invest in?

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

The Fund may hold some securities that 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 small amounts of cash (or cash equivalents, that may include units in other BlackRock 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 aims to reflect the performance characteristics of a subset of securities within the MSCI Australia IMI Index (referred to in this section 4 of the PDS as the **Parent Index**).

The constituents of the Index are selected using a minimum volatility strategy that optimises the Parent Index using the Barra multi-factor equity model (referred to in this section 4 of the PDS as the **Model**).

The Model estimates the risk profile and expected volatility of each constituent and the correlation between all constituents in the Parent Index. Using the Model, the minimum volatility strategy aims to select a subset of constituents from the Parent Index with the lowest absolute volatility of returns, subject to certain risk diversification constraints, for example, minimum and maximum constituent and sector weights relative to the Parent Index. Volatility of returns measures the movements in the daily price of the Parent Index constituents over a period of time.

Due to the Model being applied to the Parent Index, the Index will comprise a smaller number of securities with different weightings compared to the Parent Index and will, therefore, have a different performance and risk profile to the Parent Index. The diversification constraints of the Index relative to its Parent Index will limit to some extent the divergence of the Index from the Parent Index.

The Parent Index is designed to measure the performance of the large-, mid- and small-capitalisation segments of the Australian market. The Parent Index includes approximately 220 constituents and covers approximately 99% of the free float-adjusted market capitalisation in Australia.

The Index rebalances semi-annually in May and November, when the Model is applied to the Parent Index. The Index may also be updated in February and August, to take into account changes to the Parent Index. The Index may undergo periodic unscheduled rebalances at other times.

5. About the iShares Edge MSCI Australia Multifactor ETF

The information in section 5 of this PDS relates solely to the iShares Edge MSCI Australia Multifactor 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 Australian equities that have favourable exposure to target style factors subject to constraints.

5.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the MSCI Australia IMI Diversified Multiple-Factor Index (referred to in this section 5 of the PDS as the **Index**).

We believe that an optimisation investment strategy is the most appropriate investment strategy to track the performance of the Index as it takes into account liquidity and transaction cost impact and overall risk relative to the Index.

Optimisation is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the Index. The securities selected are expected to have, in 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 securities to which the Fund is exposed may or may not include all of the securities in its Index and the weighting of such securities may differ to the weighting of securities in the Index.

5.3 What do the Funds invest in?

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

The Fund may hold some securities that 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 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 aims to reflect the performance characteristics of a subset of equity securities within the MSCI Australia IMI Index (referred to in this section 5 of the PDS as the **Parent Index**), which are selected and weighted on account of their higher aggregate exposure to four "style" factors compared to other securities within the Australian Parent Index:

- **Value:** Companies are scored based on three main equally weighted indicators of whether equity securities of a company provide good value, namely:
  - the forward share price of an equity relative to estimated future earnings (based on a consensus of analysts' views published by an industry recognised third party source);
  - the price of an equity relative to the book value (i.e. the value of shareholder equity on the balance sheet) of the company; and
  - enterprise value (a measure of a company's value, incorporating debt and equity) of a company relative to its operating cash flow (i.e. a measure of the amount of cash generated by a company's normal business operations). Due to their capital structure, enterprise value is not used as an indicator of good value for financial sector companies.
- **Momentum:** Companies are given a higher momentum score if their share prices have outperformed the market in the last 2 years and have increased over the last 6 months and last 12 months (using data from one month prior to each application of the momentum factor to the Australian Parent Index).
- **Size:** Companies have a higher size score if they have lower market capitalisation than other companies.
- **Quality:** Companies are scored on the basis of three main equally weighted indicators of whether a company is demonstrating high quality characteristics which are high percentage of company earnings allocated to shareholders; low levels of debt; and low year on year earnings variability.

The constituents of the Index are selected from the Parent Index using the Barra multi-factor equity model (**Model**) to maximise the exposure to the four targeted style factors while maintaining market risk similar to the Parent Index. The Model is subject to certain risk diversification constraints, for example, minimum and maximum constituent and sector weights relative to the Parent Index and the anticipated volatility of the Index may not exceed the anticipated volatility of the Parent Index. In addition, the Model ensures that the exposure to style factors other than the chosen four factors that are present in the Parent Index (e.g. volatility) is restricted in the Index. Turnover in the Index is also limited to 20% at each application of the Model to the Parent Index.

Due to the Model being applied to the Parent Index, the Index will comprise a smaller number of securities with different weightings compared to the Parent Index and will, therefore, have a different performance and risk profile to the Parent Index. The diversification constraints of the Index relative to its Parent Index will limit to some extent the divergence of the Index from the Parent Index.

The Parent Index is designed to measure the performance of the large-, mid- and small-capitalisation segments of the Australian market. The Parent Index includes approx. 220 constituents and covers approximately 99% of the free float-adjusted market capitalisation in Australia

The Index rebalances semi-annually in May and November, when the Model is applied to the Parent Index. The Index may also be updated in February and August, to take into account changes to the Parent Index. The Index may undergo periodic unscheduled rebalances at other times.

6. About the iShares S&P/ASX 20 ETF

The information in section 6 of this PDS relates solely to the iShares S&P/ASX 20 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 the 20 largest 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 20 Total Return Index (referred to in this section 6 of the PDS as 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.

6.3 What does the Fund invest in?

The Fund generally invests 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.

6.4 About the Index

The Index is designed to measure actively traded and highly liquid securities that are among the 20 largest securities listed on the ASX. The Index is the narrowest market capitalisation-based index in the S&P/ASX Index series.

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

7. About the iShares S&P/ASX Dividend Opportunities ETF

The information in section 7 of this PDS relates solely to the iShares S&P/ASX Dividend Opportunities ETF (referred to in this section 7 of the PDS as the Fund).

7.1 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.

7.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX Dividend Opportunities Total Return Index (referred to in this section 7 of the PDS as 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.

7.3 What does the Fund invest in?

The Fund generally invests 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.

7.4 About the Index

The Index offers exposure to 50 high yielding common stocks from the Australian equity market. 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 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 semi-annually in January and July. The Index may undergo periodic unscheduled rebalances at other times.

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

The information in section 8 of this PDS relates solely to the iShares S&P/ASX Small Ordinaries ETF (referred to in this section 8 of the PDS as the Fund).

8.1 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.

8.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX Small Ordinaries Total Return Index (referred to in this section 8 of the PDS as 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.

8.3 What does the Fund invest in?

The Fund generally invests 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.

8.4 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.

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 quarterly 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.

9. Additional information about the Funds

9.1 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.

9.2 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.

9.3 Additional information about the Index

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.

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.

S&P Dow Jones Indices LLC (**S&P**) is the provider of the index for the iShares Core S&P/ASX 200 ETF, iShares S&P/ASX 20 ETF, iShares S&P/ASX Dividend Opportunities ETF and iShares S&P/ASX Small Ordinaries ETF. S&P is not a related body corporate of BlackRock.

Further details regarding the Index of the aforementioned Funds is available on the index provider's website at spdji.com.

MSCI Inc. (**MSCI**) is the provider of the index for the iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF. MSCI is not a related body corporate of BlackRock.

The Parent Index for the iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF is based on the MSCI Global Investable Market Indexes (**GIMI**) Methodology, a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability. The Parent Index is generally reviewed quarterly, in February, May, August and November, with the objective of reflecting changes in the underlying equity market in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the Parent Index is rebalanced and the large, mid and small capitalisation cut-off points are recalculated.

Further details regarding the Index of the aforementioned Funds is (including information on the Model) and the Parent Index is available on the index provider's website at www.msci.com.

9.4 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.

9.5 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.

9.6 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.

Investment Stewardship

The BlackRock Group's Investment Stewardship Team, a centralised resource for all portfolio managers, lead a programme focused on protecting and enhancing the economic value of companies in which the BlackRock Group invests on behalf of clients. The program includes providing specialist insight on social, environmental and governance considerations to all investment strategies, whether indexed or actively managed.

The Investment Stewardship Team does this through engagement with boards and management of investee companies and through voting at shareholder meetings.

The BlackRock Group's overarching approach to investment stewardship is set out in the BlackRock Group's Investment Stewardship 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.

9.7 Date of first quotation

Units of the Funds commenced quotation on ASX on:

	Commencement of quotation
iShares Core S&P/ASX 200 ETF	9 December 2010
iShares Edge MSCI Australia Minimum Volatility ETF	14 October 2016
iShares Edge MSCI Australia Multifactor ETF	14 October 2016
iShares S&P/ASX 20 ETF	9 December 2010
iShares S&P/ASX Dividend Opportunities ETF	9 December 2010
iShares S&P/ASX Small Ordinaries ETF	9 December 2010

9.8 Announcements to ASX

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

9.9 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.

9.10 Additional information

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

- each Fund's last calculated NAV;
- each Fund's last calculated NAV per Unit (**NAV Price**). 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 the section 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;
- the performance of each Fund compared to the performance of its Index;
- 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;
- a copy of the latest PDS;
- 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).

9.11 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 significant benefits of investing in the Funds include:

- low cost access to diversified portfolios of Australian shares;
- access to market capitalisation weighted, high dividend, minimum volatility and multiple-factor exposures; and
- benchmarked to institutional-quality indices provided by leading index providers.

Other benefits of investing in iShares ETFs generally 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.
- **Access global markets:** iShares ETFs let you achieve international diversification by investing in overseas equity and bond markets. With iShares ETFs you can gain exposure by asset class, market capitalisation, country and sector.
- **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.

10. About 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

11.1 What are the risks of investing?

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.

11.2 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.

11.3 What about the specific risks of the Funds?

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

Derivative risk. The Funds may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. 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.

Equity security risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Factor investing risk. Regular index tracking ETFs generally represent a passively managed, diversified portfolio that delivers the general performance trend of the relevant market by tracking standard market indices. The iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF, while still passively managed, are structured to track an index which seeks to deliver a specific investment outcome. There is no guarantee that the intended investment outcome of each index will be achieved.

While the index of the iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF selects securities that are components of its parent index, each index will look and behave differently to its parent index. Each index is likely to have fewer constituents, country exposures and sector exposures and in different weightings from its parent index. Each index is likely to perform differently and have a different risk and return profile from that of its parent index. The iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF may therefore, in different market conditions, provide different returns than a fund tracking the parent index. Such returns may include both positive and negative returns.

Additionally, the iShares Edge MSCI Australia Multifactor ETF may be more exposed to factor related market movements, both positive and negative as a result of tracking its index.

Index methodology risk. The Index of the iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF implements a Model, which seeks to create an index consisting of securities with certain characteristics. There is no guarantee that the Model used by each Index will be successful in achieving its intended outcome. For example, there is no guarantee that the Model used by the MSCI Australia IMI Select Minimum Volatility Index will be fully successful in estimating the expected volatility of the constituents of the Parent Index or that the constituents of the MSCI Australia IMI Select Minimum Volatility Index will have lower volatility than that of the Parent Index.

Each Index is constructed with the use of a Model, which may rely on various sources of information to assess the criteria of issuers to be included in the Index (or its parent index), including information that may be based on assumptions and estimates. There can no assurance that the Model used in each Index's calculation methodology or the sources of information will provide an accurate assessment of included issuers.

Liquidity risk. The Funds may be exposed to securities with limited liquidity, 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. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Small cap securities risk. The iShares Edge MSCI Australia Minimum Volatility ETF, iShares Edge MSCI Australia Multifactor ETF and iShares S&P/ASX Small Ordinaries Index may may be exposed to securities of smaller capitalisation companies. Smaller capitalisation companies may, from time to time, and especially in falling markets, become less liquid and experience short-term price volatility. They may also be less financially secure than larger, more established companies and depend on a small number of key personnel, which increases the risk of the company's failure if a product fails, management changes or if there are other adverse developments.

11.4 Risks of investing in ETFs and managed funds

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

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way which is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

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.

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund 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. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Fund risk. The price of units in a fund 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. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. There can be no assurance that the distribution yield of a fund is the same as that of its index due to factors such as expenses incurred by the fund. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Index related risk. In order to meet their investment objective, the Funds 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, a fund 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 fund 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 a fund 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 fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

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 value of a fund will change with changes in the market value of the securities to which it is exposed.

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. Refer to the section of this PDS, titled "Redemption rights of non-Authorised Participant Unitholders" for further information on the redemption rights of secondary market investors when the trading in Units on the ASX has been 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 maker, 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 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 each Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match. Funds that employ an optimisation strategy may incur tracking error risk to a greater extent than a fund that seeks to fully replicate an index.

11.5 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.

12. Fees and other costs

12.1 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 funds fee calculator to help you check out different fee options.

12.2 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 Fund account, 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.

<table>
<tr><th>Type of fee or cost</th><th colspan="2">Amount</th><th>How and when paid</th></tr>
<tr><td colspan="4">Fees when your money moves in or out of a Fund. [1]</td></tr>
<tr><td>Establishment fee. The fee to open your investment.</td><td colspan="2">Nil for all Funds</td><td>Not applicable.</td></tr>
<tr><td>Contribution fee. The fee on each amount contributed to your investment.</td><td rowspan="2">If you are BUYING/ SELLING ON EXCHANGE

Nil</td><td rowspan="2">If you are an Authorised Participant creating/ redeeming Units

$205 to $2,050</td><td rowspan="2">These fees are only applicable to Authorised Participants, as only Authorised Participants are able to create/redeem Units.

These fixed fees are payable at the time of creating/redeeming Units. Refer to the section of this PDS titled “Additional explanation of fees and costs” for details of the contribution/withdrawal fee charged by each Fund.</td></tr>
<tr><td>Withdrawal fee. The fee on each amount you take out of your investment.</td></tr>
<tr><td>Exit fee. The fee to close your investment.</td><td colspan="2">Nil for all Funds</td><td>Not applicable.</td></tr>
<tr><td colspan="4">Management costs. The fees and costs for managing your investment.</td></tr>
<tr><td>Management fees</td><td colspan="2">0.15% to 0.55% p.a.</td><td rowspan="3">The management fee is calculated in relation to the NAV of a Fund on a daily basis. This cost is deducted from the assets of a Fund and is generally paid to us monthly in arrears. The deduction of management fees is reflected in each Fund’s NAV price.

Indirect costs are a reasonable estimate of certain costs incurred within a Fund that reduce returns. Indirect costs are reflected in each Fund’s NAV price.

Refer to the section of this PDS titled “Additional explanation of fees and costs” for details of the management fee and indirect costs of each Fund.</td></tr>
<tr><td>Indirect costs (estimated) [2]</td><td colspan="2">0.00% p.a. for all Funds</td></tr>
<tr><td>Total management costs</td><td colspan="2">0.15% to 0.55% p.a.</td></tr>
<tr><td colspan="4">Service fees.</td></tr>
<tr><td>Switching fee. The fee for changing investment options.</td><td colspan="2">Nil for all Funds</td><td>Not applicable.</td></tr>
</table>

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.

1. A buy-sell spread may apply when Authorised Participants create or redeem units of a Fund. Refer to the section of this PDS titled “Additional explanation of fees and other costs” for further information.
2. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained.

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 Fund account or deducted from investment returns.

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.

12.3 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		
Balance of $50,000 with a contribution of $5,000 during year		
Contribution fees [1]	Nil for all Funds	For every additional $5,000 you put in, you will be charged $0.
PLUS		
Management costs [2]	And, for every $50,000 you have in a Fund you will be charged:	
iShares Core S&P/ASX 200 ETF	0.15% p.a.	$75 each year
iShares Edge MSCI Australia Minimum Volatility ETF	0.30% p.a.	$150 each year
iShares Edge MSCI Australia Multifactor ETF	0.30% p.a.	$150 each year
iShares S&P/ASX 20 ETF	0.24% p.a.	$120 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:	
iShares Core S&P/ASX 200 ETF	$75 each year	
iShares Edge MSCI Australia Minimum Volatility ETF	$150 each year	
iShares Edge MSCI Australia Multifactor ETF	$150 each year	
iShares S&P/ASX 20 ETF	$120 each year	
iShares S&P/ASX Dividend Opportunities ETF	$150 each year	
iShares S&P/ASX Small Ordinaries ETF	$275 each year	
What it costs you will depend on whether you are an Authorised Participant and the fees you negotiate.		

1. Authorised Participants may incur a fixed contribution fee to create Units in a Fund. Additionally, Authorised Participants may also incur transaction costs when creating units in a Fund by way of a Non-Standard Transaction. These fees/costs are not applicable to investors buying on exchange. Refer to the section of this PDS titled "Additional explanation of fees and costs" for further information.
2. Costs include management fees and indirect costs (estimated).

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 or certain other costs that may be incurred within a Fund. Management costs will also be charged in relation to additional contributions. Customary brokerage fees and commissions associated with buying Units on exchange are also not taken into account.

12.4 Additional explanation of fees and other costs

Management costs

The management costs include:

- **Management fees**

	Management fee
iShares Core S&P/ASX 200 ETF	0.15% p.a.
iShares Edge MSCI Australia Minimum Volatility ETF	0.30% p.a.
iShares Edge MSCI Australia Multifactor ETF	0.30% p.a.
iShares S&P/ASX 20 ETF	0.24% p.a.
iShares S&P/ASX Dividend Opportunities ETF	0.30% p.a.
iShares S&P/ASX Small Ordinaries ETF	0.55% p.a.

The table on the left shows the management fee charged by each Fund.

Management fees are the fees for managing a Fund's investments. Management fees are not deducted directly from your Fund account. Instead, they are accrued daily within a Fund's NAV price and are deducted from the assets of a Fund. Management fees 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.

Where an investment is made through a fund managed by us or another company in the BlackRock Group the management fees of the underlying fund will generally either be rebated or not charged.

▶ 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 indirect costs and transaction costs (see below for further information) will be paid for by the Responsible Entity and no additional expenses will be recovered from a Fund.

Expense recovery costs are generally calculated with consideration to the actual costs incurred during the previous full financial year of a Fund. In the case of a new fund, expense recovery costs are disclosed as a reasonable estimate of any such costs we expect to be incurred over the next twelve months.

The Funds are not expected to incur any expense recovery costs.

Expense recovery costs are dependent upon a number of factors and therefore may change from year to year. Expense recovery costs for future periods may be higher or lower than the expense recovery costs currently disclosed.

▶ 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.

Abnormal costs are generally calculated with consideration to the actual costs incurred during the previous full financial year of a Fund. In the case of a new fund, abnormal costs are disclosed as a reasonable estimate of any such costs we expect to be incurred over the next twelve months.

The Funds are not expected to incur any abnormal costs.

Abnormal costs are dependent upon a number of factors and therefore may change from year to year. Abnormal costs for future periods may be higher or lower than the abnormal costs currently disclosed.

▶ Indirect costs (estimated)

Indirect costs include any amount that we know, reasonably ought to know or, where this is not the case, may reasonably estimate, will reduce the return of a Fund. Indirect costs may be incurred directly by a Fund or, where applicable, indirectly through an underlying fund.

Indirect costs may include, but is not limited to:

- **Over the counter (OTC) derivative costs:** Where applicable, costs of investing in OTC derivatives, excluding such costs disclosed as transaction costs, see below for further information).

Indirect costs exclude certain transaction costs (see below for further information).

Indirect costs reduce the investment return of a Fund (or where applicable underlying fund). Indirect costs are reflected in each Fund's NAV Price and are not charged separately to an investor.

Indirect costs are generally calculated with consideration to the previous full financial year of a Fund. In the case of a new fund, indirect costs are disclosed as a reasonable estimate of the costs we expect to be incurred over the next twelve months. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained.

The Funds are not expected to incur any indirect costs.

Indirect costs are dependent upon a number of factors and therefore may change from year to year. Indirect costs for future periods may be higher or lower than the indirect costs currently disclosed.

Contribution/withdrawal fee for Authorised Participants

These fees are only applicable only to Authorised Participants, as only Authorised Participants are able to create/redeem Units.

A contribution/withdrawal fee may be payable by an Authorised Participant with every creation/redemption of Units. The contribution/withdrawal fee applicable to each Fund is detailed in the following table.

	Contribution/ Withdrawal fee
iShares Core S&P/ASX 200 ETF	$2,050
iShares Edge MSCI Australia Minimum Volatility ETF	$985
iShares Edge MSCI Australia Multifactor ETF	$1,025
iShares S&P/ASX 20 ETF	$205
iShares S&P/ASX Dividend Opportunities ETF	$510
iShares S&P/ASX Small Ordinaries ETF	$2,020

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 may be 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 (estimated)

Transaction costs include, but are not limited to:

- explicit transaction costs, such as brokerage, settlement costs, clearing costs (including custody movement charges), stamp duty and, where applicable, buy-sell spreads applied to transactions in underlying funds;
- implicit transaction costs, the cost of a bid-ask spread applied to security transactions; and
- where applicable, OTC derivative transaction costs, the costs of investing in OTC derivatives, excluding such costs disclosed as indirect costs.

Transaction costs may be incurred when Authorised Participants create or redeem Units in a Fund or when transacting to manage a Fund's investment strategy.

Transaction costs incurred when an Authorised Participant creates or redeems Units may be recovered through the contribution or withdrawal fee. Additionally, where an Authorised Participant creates/redeems Units by way of a Non-Standard Creation/Redemption Basket or cash only creation/redemption (**Non-Standard Transactions**), actual brokerage incurred (and GST payable, after taking into account expected reduced input tax credits) in acquiring or realising securities (as applicable) may be charged to the transacting Authorised Participant.

Transaction costs that are not recovered (the "net transaction costs" in the below table) reduce the investment return of a Fund. Net transaction costs are reflected in each Fund's NAV Price and are not charged separately to the investor.

Transaction costs are generally calculated with consideration to the previous full financial year of a fund. In the case of a new fund, transaction costs are disclosed as a reasonable estimate of the costs we expect to be incurred over the next twelve months. Certain amounts or figures used to calculate transaction costs may include estimates in circumstances where actual figures could not be obtained.

The below table provides details of the transaction costs and any applicable transaction cost recovery attributable to each Fund as a percentage of each Fund's average AUM for the last financial year.

Transaction costs are dependent upon a number of factors and therefore may change from year to year. Transaction costs for future periods may be higher or lower than the transaction costs currently disclosed.

Can the fees change?

All fees 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. Under special circumstances, we may elect to vary the frequency of our fee collection.

The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, 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 ASX investors

Investors buying and selling Units on the ASX will incur customary brokerage fees and commissions. These fees and charges 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 page 3 of this PDS 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.

Estimated transaction costs and transaction cost recovery [1]

Fund name	Total transaction costs	Transaction cost recovery	Net transaction cost
iShares Core S&P/ASX 200 ETF	0.00% p.a.	0.01% p.a.	0.00% p.a.
iShares Edge MSCI Australia Minimum Volatility ETF	0.02% p.a.	0.00% p.a.	0.02% p.a.
iShares Edge MSCI Australia Multifactor ETF	0.02% p.a.	0.00% p.a.	0.02% p.a.
iShares S&P/ASX 20 ETF	0.00% p.a.	0.00% p.a.	0.00% p.a.
iShares S&P/ASX Dividend Opportunities ETF	0.03% p.a.	0.00% p.a.	0.03% p.a.
iShares S&P/ASX Small Ordinaries ETF	0.01% p.a.	0.00% p.a.	0.01% p.a.

1. Costs shown with consideration to the previous full financial year of the Fund and as a percentage of the Fund's average AUM. Net transaction costs equal total transaction costs minus transaction cost recovery.

13.1 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;
- minimum Unit creation and redemption sizes; 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 page 3 of this PDS for contact details).

13.2 Minimum Unit creation and redemption size

Except in respect of a distribution reinvestment, Units of a Fund may only be created or redeemed with consideration to a minimum Unit creation or redemption size, as specified in the Operating Procedures. 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.

13.3 Unit creation requests

To make an initial investment in a Fund, Authorised Participants may, subject to the minimum unit creation size, request the creation of Units 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, minimum Unit creation size 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 may be payable by Authorised Participants in relation to Unit creation requests (refer to the section of this PDS titled "Fees and other costs" for further information).

Refer to the section 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 the section 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 page 3 of this PDS 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.

13.4 Unit redemption requests

An Authorised Participant may, subject to the minimum unit redemption size, request the redemption of Units 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 on page 3 of this PDS), 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 Units through CHESS.

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.

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

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

Refer to the section of the 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 the section 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. Refer to the section of this PDS titled "Redemption rights of non-Authorised Participant Unitholders" for further information on the redemption rights of non-Authorised Participants.

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.

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

13.6 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 page 3 of this PDS 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/ishares.

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

13.7 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).

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.

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

13.8 Indemnity

Authorised Participants acknowledge that, upon receipt of a 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.

13.9 Redemption rights of non-Authorised Participant Unitholders

Generally, only Authorised Participants are eligible to transact directly with a Fund, with all other investors acquiring and disposing of Units in a Fund through their broker by buying and selling Units on the ASX.

However, in accordance with the requirements of ASIC Class Order CO [13/721], when Units of a Fund are suspended from trading on ASX for more than five consecutive trading days, non-Authorised Participant Unitholders will have a right to redeem Units directly with a Fund and receive the cash proceeds from the redemption within a reasonable period time unless:

- a Fund is being wound up;
- a Fund is not liquid for the purpose of the Corporations Act; or
- BlackRock, as responsible entity for a Fund, has suspended the redemption of Units in accordance with the provisions of the Fund's constitution.

In the event that this direct redemption right is triggered BlackRock will post further information on its website at www.blackrock.com.au at that time. This will include a non-Authorised Participant Redemption Form for Unitholders to complete, together with instructions on how to complete and submit the form and anticipated processing and payment timeframes. Non-Authorised Participant Unitholders may request to redeem in these circumstances by completing and returning the form as per these instructions.

13.10 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.

14. Distributions

14.1 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.

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 iShares Core S&P/ASX 200 ETF, iShares S&P/ASX 20 ETF and iShares S&P/ASX Dividend Opportunities ETF generally distribute quarterly, with distributions being determined as at the end of March, June, September and December each year.

The iShares Edge MSCI Australia Minimum Volatility ETF, iShares Edge MSCI Australia Multifactor ETF and iShares S&P/ASX Small Ordinaries ETF generally distribute semi-annually, with distributions being determined as 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. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. There may be periods in which no distributions are made.

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/ishares.

14.2 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 the section 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.

14.3 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 the section 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.

14.4 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.

15. Taxation

15.1 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.

15.2 Taxation of a Fund

The Responsible Entity intends to manage the Funds such that the Funds are not subject to Australian tax. Recent changes in the tax law (refer to the section of this document titled “Taxation reform” for further information) have introduced a new elective taxation regime that is available to certain eligible management investment trusts, known as “Attribution Managed Investment Trusts” (**AMITs**). The AMIT regime is generally available from 1 July 2016, with the existing tax rules for managed funds applying unless an election to enter the regime is made.

As at the date of this document, the Responsible Entity intends to make an irrevocable election for all eligible funds to enter the AMIT regime from the 1 July 2017 to 30 June 2018 year, on the basis that entry into the AMIT regime is in the best interest of unitholders.

The Responsible Entity does not expect the Funds to be subject to tax on the income of the Funds (other than in relation to withholding tax or other tax payable in respect of non-resident investors) as it is intended that:

- for eligible funds that enter the AMIT regime: all taxable income will be ‘attributed’ to the unitholders in each financial year; and
- for funds that do not enter the AMIT regime: unitholders will continue to be presently entitled to all the income of a Fund in each financial year, with the existing tax rules for managed funds continuing to apply.

Under the AMIT regime the Responsible Entity intends to continue to allocate income to unitholders in the same overall manner as previously under the tax rules for managed funds.

15.3 Investment portfolio taxes

A Fund may be subject to withholding or other taxes on income and/or gains arising from its investment portfolio. A Fund may not be able to recover such taxes and any unrecovered taxes could have an adverse effect on the NAV of that Fund. Where a Fund invests in securities that are not subject to withholding or other taxes at the time of acquisition, there can be no assurance that tax may not be imposed in the future, as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof.

15.4 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 have been attributed or which 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 2016/2017, even if the cash is received in July 2017.

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.

15.5 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.

Capital/revenue (MIT) election for Managed Investment Trusts

Under the current tax laws, trusts which are managed investment trusts (**MITs**) (which include Australian managed investment schemes that are widely held or that are taken to be widely held and that satisfy certain closely held restrictions) may be eligible to make the MIT election to apply the CGT provisions of the Income Tax Assessment Acts to tax gains and losses from certain eligible assets (shares, units and real property interests). Where a MIT is eligible to make an election and it does not do so, any gains and losses on the disposal of those eligible assets (excluding land or interests in land) will be taxed on the revenue account. When a Fund qualifies to make a MIT election, certain investors may obtain the benefit of the CGT discount and other tax concessions on distributions of capital gains.

Non-resident and temporary resident investors will generally not be subject to tax on capital gains made by managed investment funds which are 'fixed trusts' for tax purposes, unless those gains relate to certain direct or indirect interests in Australian real property. The new elective AMIT regime may impact on the status of the Fund as a 'fixed trust', which will be relevant for this concession. You should seek advice in relation to the availability of this concession.

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.

15.6 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 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.

15.7 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.

15.8 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.

15.9 Taxation reform

The Australian government has enacted legislation introducing a new regime for taxing managed funds, the AMIT rules. Eligible funds will be able to elect into the regime, which is available from the 2016-2017 income year. The AMIT rules include a new attribution method that provides a formal mechanism to allocate taxable income to unitholders that is not dependent on the amount of income distributed. As at the date of this document, for all eligible funds, the Responsible Entity will elect to enter into the AMIT regime from the 1 July 2017 to 30 June 2018 year.

Reforms to the taxation of funds are generally ongoing and investors should seek their own advice and monitor the progress of such legislative changes.

15.10 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. Under the AMIT regime the redeeming Authorised Participant may be attributed a portion of income earned and gains realised by a Fund, and a cost base adjustment equal to the attributed amount, 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.

15.11 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 or attribution of AMIT cost base adjustments or 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. Under the AMIT regime, AMIT cost base adjustments may increase or decrease the cost base of that Fund's Units for CGT purposes.

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.

15.12 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.

16.1 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.

16.2 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.

16.3 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.

16.4 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 page 3 of this PDS 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.

16.5 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 page 3 of this PDS for contact details).

16.6 Auditor

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

16.7 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 page 3 of this PDS for contact details).

16.8 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 page 3 of this PDS for Computershare's contact details.

16.9 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. The designated market maker appointed by BlackRock in respect of each Fund has the experience to meet the requirements of the AQUA Rules and 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 portfolio composition file is published, which provides details of the securities that make up a Unit Creation/Redemption Basket.

Market makers apply a bid and ask 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 each Fund 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.

16.10 Conflicts of interest and related party information

The Responsible Entity 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 and may act as the seed, lead or only investor in an underlying strategy or fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment in an underlying fund may allow the BlackRock Group to establish a track record for that fund that it is then able to sell to other clients. 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.

The investment choices of a BlackRock Group entity for its fund or client accounts may, at times, be restricted as a result of aggregation limits. For example, with respect to certain industries and markets, corporate and/or regulatory requirements may limit the aggregate amount of investment in certain issuers by affiliated investors. Exceeding these limits without reporting or the grant of a license, exemption or other corporate or regulatory consent may result in fines or other adverse consequences to the relevant BlackRock Group entity its funds and/or its clients. As a consequence of these limits, the ability of a fund or a client to achieve its investment objective may be affected. A BlackRock Group entity, in order to avoid exceeding these limits may, among other actions, limit purchases, sell existing investments and/or transfer, outsource or limit voting rights.

In circumstances where ownership thresholds or limitations must be observed, the BlackRock Group has established policies and procedures which seek to equitably allocate limited investment opportunities amongst the relevant BlackRock Group accounts.

16.11 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 that 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, at either 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 page 3 of this PDS for contact details).

16.12 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 page 3 of this PDS for contact details). If you make a complaint to us, the complaint 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: 1800 367 287;
- 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).

16.13 ASIC relief

Equal treatment relief in relation to withdrawals

BlackRock relies upon the relief granted by ASIC in ASIC Class Order [CO13/721] from the equal treatment requirement in section 601FC(1)(d), to the extent necessary to permit the Responsible Entity to not treat Unitholders equally to the extent that it restricts the redemption of Units by Authorised Participants as described in this PDS. For the purposes of this relief, except in exceptional circumstances outlined below, it is important to note that only Authorised Participants are able to redeem Units in each Fund, but other Unitholders may sell their Units on ASX.

Unitholders, including non-Authorised Participant Unitholders, may withdraw from a Fund directly where units in that Fund have been suspended from trading on ASX for a period of five consecutive trading days (refer to the section of this PDS titled "Redemption rights of non-Authorised Participant Unitholders" for further information).

Ongoing disclosure relief

Under ASIC Class Order [CO13/721], ASIC has granted relief from the ongoing disclosure requirements in section 1017B on condition that BlackRock complies with the continuous disclosure requirements in section 675 of the Corporations Act as if each Fund were an unlisted disclosing entity.

Declaration – Relevant Interest

The below relates to the iShares Core S&P/ASX 200 ETF, iShares Edge MSCI Australia Minimum Volatility ETF, iShares Edge MSCI Australia Multifactor ETF and iShares S&P/ASX Small Ordinaries ETF.

ASIC Class Order [CO13/721] modifies section 609 of the Corporations Act, to ensure that the ability to lodge a Unit redemption request by an Authorised Participant does not by itself give rise to that Authorised Participant holding a relevant interest in the securities held by a Fund for the purposes of the takeovers provisions of Chapter 6 and the substantial holding provision of Chapter 6C of the Corporations Act.

This ASIC relief only applies while a Fund's Units are able to be traded on the ASX and will not apply once an Authorised Participant has made a Unit redemption request in respect of any Fund Units it holds.

This ASIC relief applies to the aforementioned Funds, which, at the date of this PDS employ an investment strategy the implementation of which would not be likely to lead to the scheme property of the Fund including securities in a class of securities that:

- would represent more than 10% by value of scheme property; and
- were, or would result in the Responsible Entity having a relevant interest in, securities in a listed company; an unlisted company with more than 50 members; a listed body that is formed or incorporated in Australia; or a listed scheme.

For the purposes of this ASIC relief, we confirm that the investment strategy for each Fund is to make investments that are expected to result in the value of a Fund Unit changing in proportion to the value of the Fund's Index, ignoring the effect of fees and expenses in relation to 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

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.

16.14 Index provider disclaimers

S&P

The iShares Core S&P/ASX 200 ETF, iShares S&P/ASX 20 ETF, iShares S&P/ASX Dividend Opportunities ETF 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.

MSCI

The iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF are not sponsored, endorsed, sold or promoted by MSCI or any affiliate of MSCI. Neither MSCI nor any other party makes any representation or warranty, express or implied, to the owners of the Funds or any member of the public regarding the advisability of investing in funds generally or in the Funds or the ability of the Indexes to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of the MSCI Indices, which is determined, composed and calculated by MSCI without regard to the issuer of the Funds or the Funds. MSCI has no obligation to take the needs of the issuer of the Funds or the owners of the Funds into consideration in determining, composing or calculating the Indexes. MSCI is not responsible for, and has not participated in, the determination of the timing of, prices at, or quantities of the Funds to be issued or in the determination or calculation of the equation by which the Funds are redeemable for cash. Neither MSCI nor any other party has any obligation or liability to owners of the Funds in connection with the administration, marketing or trading of the Funds.

ALTHOUGH MSCI SHALL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE INDEXES FROM SOURCES WHICH MSCI CONSIDERS RELIABLE, NEITHER MSCI NOR ANY OTHER PARTY GUARANTEES THE ACCURACY AND/OR THE COMPLETENESS OF THE INDEXES OR ANY DATA INCLUDED THEREIN. NEITHER MSCI NOR ANY OTHER PARTY MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, LICENSEE'S CUSTOMERS AND COUNTERPARTIES, OWNERS OF THE FUNDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEXES OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE RIGHTS LICENSED HEREUNDER OR FOR ANY OTHER USE. NEITHER MSCI NOR ANY OTHER PARTY MAKES ANY EXPRESS OR IMPLIED WARRANTIES, AND MSCI HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE INDEXES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL MSCI OR ANY OTHER PARTY 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.

17. Glossary

ABN	means Australian Business Number.
AFSL	means Australian Financial Services Licence.
AMIT, AMITs	means Attribution Managed Investment Trust(s).
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 and its affiliates.
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.
Corporations Act	means the Corporations Act 2001 (Cth).
Cut-off Time	means the deadline by which BlackRock must receive Unit creation or redemption requests, as defined in the Operating Procedures.
DRP	means the distribution reinvestment plan for the Funds, as described in the section of this PDS titled "Distribution reinvestment plan".
DRP Rules	means the terms and conditions of the DRP Plan.
ETF, ETFs	means exchange traded fund(s).
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, iShares Edge MSCI Australia Minimum Volatility ETF, iShares Edge MSCI Australia Multifactor ETF, iShares S&P/ASX 20 ETF, iShares S&P/ASX Dividend Opportunities ETF, and/or iShares S&P/ASX Small Ordinaries ETF.
GIMI	means the MSCI Global Investable Market Indexes.
GST	means Goods and Services Tax.
IGA	means the intergovernmental agreement between the U.S. and Australia to implement FATCA in Australia.

Index, Indexes	means, as applicable, MSCI Australia IMI Select Minimum Volatility Index, MSCI Australia IMI Diversified Multiple-Factor Index, S&P/ASX 20 Total Return Index, S&P/ASX 200 Total Return Index, S&P/ASX Dividend Opportunities Total Return Index and/or S&P/ASX Small Ordinaries Total Return Index.
IWF	means Investable Weight Factor, the "float factor" assigned to issues in the indexes issued by S&P.
MIT, MITs	means managed investment trust(s).
Model	means either the minimum volatility model or multi-factor model applied to the Parent Index to create the MSCI Australia IMI Select Minimum Volatility Index and MSCI Australia IMI Diversified Multiple-Factor Index.
MSCI	means MSCI Inc. and its affiliates.
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,
Non-Standard Transaction	means any Unit create/redeem request by way of Non-Standard Creation Basket, Non-Standard Redemption Basket or cash only.
Operating Procedures	means the iShares Authorised Participant Operating Procedures, as amended from time to time.
OTC	means over the counter.
Parent Index	means the MSCI Australia IMI Index.
PDS	means this product disclosure statement dated 29 September 2017 and any supplementary or replacement product disclosure statement in relation to this document.
Registrar	means the registrar of the Funds, as appointed by BlackRock, being Computershare.
S&P	means S&P Dow Jones Indices LLC and its affiliates.
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.

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Prospectus | 28 April 2017

Vanguard US Total Market Shares Index ETF
ASX Code: VTS

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 Capital Markets 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]	0.04% p.a.
Structure	CDI : CHESS Depositary Interest
Objective	Track the performance of the benchmark Index
Index	CRSP US Total Market Index
Listing location	ASX
Commencement date	8 May 2009
Prospectus date	28 April 2017
Expiry date	28 May 2018
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 Captial Markets Team on 1300 655 888

1 Refer to the section 'Fees and expenses'.
2 US ETF Securities are issued and redeemed in large blocks known as creations units to Authorised Participants only. Refer to section '3. How to transact with Vanguard'.
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 section '2. Risks'), 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 28 April 2017.

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 under the AQUA Rules ofthe 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 Capital Markets 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 Capital Markets Team on 1300 655 888:

- Details of the Net Asset Value (NAV) for the ETF - available monthly
- Details of the NAV price per unit for the ETF- available daily
- Pricing Basket - 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 via the ASX Market Announcements Platform ("ASX MAP")
- Annual and half yearly financial reports for the US Fund
- Total number of ETF securities on issue – monthly via ASX MAP

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 28 May 2018 (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 28 May 2018.

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.	0.04% p.a.

* Refer to the section 'Fees and expenses'.

The CRSP US Total Market Index was not created by, and is not managed by, a related body corporate of Vanguard.

The Vanguard US Total Market Shares Index ETF referred to in the above table is the name given to the CDIs that are quoted under the AQUA Rules of the ASX (refer to page 9 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, NYSE MKT LLC, 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	0.04%
Distribution fee	None
Other expenses	None
Total annual fund operating expenses* (Management Costs)	0.04%

* 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 under the AQUA Rules of the ASX (in this case, it is the CDIs that are quoted for trading under the AQUA Rules 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' 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 more than AUD$5.4 trillion in assets under management as of 31 December 2016, including over AUD $880 billion in ETFs. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for 20 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 under the AQUA Rules 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

Quotation under the AQUA Rules 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:

- ETF trading risks
- Stock market risk
- Index sampling risk

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'.

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' 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 under the AQUA Rules of the ASX. 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 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 Capital MarketsTeam 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 section '4. Investor taxation' 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 US 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 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 US Total Market 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 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.

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 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 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.

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.

Investors should not generally be subject to U.S. federal income tax on a sale or transfer of CDIs.

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. Outlined below is a summary of the financial accounts:

US Fund	Vanguard Total Stock Market Index Fund
Date	31 December 2016
Net assets of Fund	USD 498.4 billion*
Net assets of ETF class	USD 69.9 billion*
Outstanding ETF shares	606.6 million*
AV price per ETF share	USD 115.21

*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
Colin Kelton	Director	2015
Carl R. Comegys	Director	2014
James M. Norris	Director	2008
Glenn W. Reed	Director	2008
Lucy Carr	Director	2016

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 16 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 Capital Markets 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

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information. Vanguard is committed to respecting the privacy of your personal information. Vanguard's privacy policy states how Vanguard manages personal information.

Vanguard may collect personal information from external sources, such as the share registrar – Computershare or through third parties such as brokers, and may collect additional personal information from you in the course of managing your investment. Some information must be collected for the purposes of compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).

Vanguard may be required to disclose personal information to regulators, including authorities investigating criminal or suspicious activity and to the Australian Transaction Reports and Analysis Centre ("AUSTRAC") in connection with anti-money laundering and counter-terrorism financing.

Vanguard may provide an investor's personal information to its service providers such as Computershare for certain related purposes (as described under the Privacy Act 1988 (Cth)) such as account administration and the production and mailing of statements. Vanguard may also use an investor's personal information and disclose it to its service providers to improve customer service (including companies conducting market research) and to keep investors informed of Vanguard's products and services, or to their financial adviser or broker to provide financial advice and ongoing service.

Vanguard will assume consent to personal information being used for the purposes of providing information on services offered by Vanguard and being disclosed to market research companies for the purposes of analysing Vanguard's investment base, unless otherwise advised.

For a complete description of how personal information may be handled (including other potential uses), please see Vanguard's privacy policy at www.vanguard.com.au or contact the Vanguard ETF Capital Markets Team on 1300 655 888. You may request to update or access any personal information we hold about you.

US Foreign Account Tax Compliance Act (FATCA) and Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard (CRS)

FATCA 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). Similarly, the OECD has established CRS, also known as the Standard for Automatic Exachange of Financial Account Information (AEOI), which requires participating jurisdictions to obtain information from their financial institutions and exchange it with other participating jurisdictions. CRS/AEOI will take effect in Australia on 1 July 2017.

Under FATCA, 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 and AEOI status, including self-certification forms. The US Fund or its authorised agents may disclose this information to the IRS or ATO (who may share this information with other tax authorities) as necessary to comply with FATCA, the IGA, AEOI 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 and AEOI.

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 or terrorist financing 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 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 Capital Markets 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)

PDSVTS_042017

Vanguard®

Prospectus 27 February 2017

Vanguard All-World ex-US Shares Index ETF
ASX code: VEU

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 Capital Markets 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 All-World ex-US Shares Index ETF
ASX code	VEU
SEDOL	B42HLZ8
ISIN	AU000000VEU9
Management Costs[1]	0.11% 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 2017
Expiry date	27 March 2018
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 Capital Markets Team on 1300 655 888

1 Refer to the section 'Fees and expenses'.

2 US ETF Securities are issued and redeemed in large blocks known as creation units to Authorised Participants only. Refer to section '3. How to transact with Vanguard'.

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), 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 2017.

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. If you do not have access to the internet, please contact Vanguard ETF Capital Markets 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 All-World ex-US Shares Index ETF, will provide regular reporting and disclosure through the ASX Market Announcements Platform (MAP) and Vanguard's website. The following information can be obtained by visiting Vanguard's website or by contacting the Vanguard ETF Capital Markets Team on 1300 655 888:

- details of the Net Asset Value (NAV) for the ETF - available monthly
- details of the NAV price per unit for the ETF- available daily
- pricing Basket - 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 and half yearly Reports and Financial Statements for the US Fund
- total number of ETF securities on issue – monthly to the ASX via MAP

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 2018 (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 2018.

The ETF offered in this Prospectus is:

ETF 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 float-adjusted, market-capitalisation-weighted index designed to measure equity market performance of international markets, excluding the United States. The index includes approximately 2,426 stocks of companies located in 46 countries, including both developed and emerging markets.	0.11% p.a.

* Refer to the section 'Fees and expenses'.

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	0.08%
Distribution fee	None
Other expenses	0.03%
Total annual fund operating expenses* (Management Costs)	0.11%

* 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' 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 more than AUD$5.4 trillion in assets under management as of 31 December 2016, including over AUD$880 billion in ETFs. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for more than 20 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: Understanding 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;
- 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'.

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' 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 Capital Markets 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 All-World ex-US Shares Index ETF offered in this Prospectus.
Please refer to the section ‘4. Investor taxation' 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.

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.

Investors should not generally be subject to U.S. federal income tax on a sale or transfer of CDIs.

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. Outlined below is a summary of the financial accounts:

US Fund	Vanguard FTSE All-World ex-US Index Fund
Date	31 October 2016
Net assets of Fund	USD 24.8 billion*
Net assets of ETF class	USD 13.9 billion*
Outstanding ETF shares	313.5 million*
NAV price per ETF share	USD 44.60

*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
Colin Kelton	Director	2015
Carl R. Comegys	Director	2014
James M. Norris	Director	2008
Glenn W. Reed	Director	2008
Lucy Carr	Director	2016

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 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 Capital Markets Team on 1300 655 888 or by visiting Vanguard's website. 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.

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 policy

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information. Vanguard is committed to respecting the privacy of your personal information. Vanguard's privacy policy states how Vanguard manages personal information.

Vanguard may collect personal information from external sources, such as the share registrar – Computershare or through third parties such as brokers, and may collect additional personal information from you in the course of managing your investment. Some information must be collected for the purposes of compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)*.

Vanguard may provide personal information to an investor's financial adviser if written consent is provided to Vanguard. Vanguard may be required to disclose personal information to regulators, including authorities investigating criminal or suspicious activity and to the Australian Transaction Reports and Analysis Centre ("AUSTRAC") in connection with anti-money laundering and counter-terrorism financing.

Vanguard may provide an investor's personal information to its service providers such as Computershare for certain related purposes (as described under the *Privacy Act 1988 (Cth)*) such as account administration and the production and mailing of statements. Vanguard may also use an investor's personal information and disclose it to its service providers to improve customer service (including companies conducting market research) and to keep investors informed of Vanguard's products and services, or to their financial adviser or broker to provide financial advice and ongoing service.

Vanguard will assume consent to personal information being used for the purposes of providing information on services offered by Vanguard and being disclosed to market research companies for the purposes of analysing Vanguard's investment base, unless otherwise advised.

For a complete description of how personal information may be handled (including other potential uses), please see Vanguard's privacy policy at www.vanguard.com.au or contact the Vanguard ETF Capital Markets Team on 1300 655 888. You may request to update or access any personal information we hold about you.

US Foreign Account Tax Compliance Act (FATCA) and Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard (CRS)

FATCA 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). Similarly, the OECD has established CRS, also known as the Standard for Automatic Exachange of Financial Account Information (AEOI), which requires participating jurisdictions to obtain information from their financial institutions and exchange it with other participating jurisdictions. CRS/AEOI will take effect in Australia on 1 July 2017.

Under FATCA, 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 and AEOI status, including self-certification forms. The US Fund or its authorised agents may disclose this information to the IRS or ATO (who may share this information with other tax authorities) as necessary to comply with FATCA, the IGA, AEOI 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 and AEOI.

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;
- 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 or terrorist financing 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 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.

FTSE Disclaimer

The Vanguard All-World ex-US Shares Index ETF is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited (FTSE) or the London Stock Exchange Group companies (LSEG) (together the "Licensor Parties") and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the FTSE All-World ex US Index (the "Index") (upon which the Vanguard All-World ex-US Shares Index ETF is based); (ii) the figure at which the Index is said to stand at any particular time on any particular day or otherwise; or (iii) the suitability of the Index for the purpose to which it is being put in connection with the Vanguard All-World ex-US Shares Index ETF. None of the Licensor Parties have provided or will provide any financial or investment advice or recommendation in relation to the Index to Vanguard or its clients. The Index is calculated by FTSE or its agent. None of the Licensor Parties shall be (a) liable (whether in negligence or otherwise) to any person for any error in the Index or (b) under any obligation to advise any person of any error therein.

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 Capital Markets 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 022017

Argo Investing in Australia

2017
Annual Report

Directory

Argo Investments Limited
ABN 35 007 519 520

Non-executive Directors

G. Ian Martin AM, Chairman
Anne B. Brennan
Christopher E. Cuffe AO
Roger A. Davis
Russell A. Higgins AO
Joycelyn C. Morton

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
invest@argoinvestments.com.au
www.argoinvestments.com.au

Sydney Office

Level 37, 259 George Street,
Sydney, New South Wales 2000
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

Monday 23 October 2017
Adelaide Oval, War Memorial Drive, North Adelaide

Information meetings

Melbourne:
24 October 2017
RACV Club
501 Bourke Street, Melbourne

Sydney:
25 October 2017
Swissotel Sydney
68 Market Street, Sydney

Brisbane:
26 October 2017
Marriott Hotel
515 Queen Street, Brisbane

Perth:
27 October 2017
Hyatt Regency
99 Adelaide Terrace, Perth

Canberra:
3 November 2017
Park Hyatt
120 Commonwealth Avenue, Yarralumla

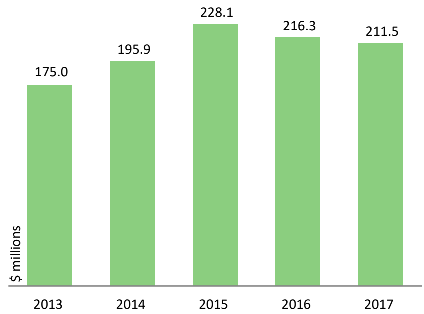
2017 Highlights

- Profit of $211.5 million, compared with $216.3 million last year.
- Earnings per share of 30.7 cents, compared with 32.0 cents last year.
- Dividends of 31.0 cents per share fully franked (including LIC capital gain component of 5.0 cents), compared with 30.5 cents per share fully franked (no LIC capital gain component) last year.
- Year-end net tangible asset backing of $7.71 per share, compared with $7.11 per share at 30 June 2016.
- Management expense ratio at 0.16% of average assets at market value, compared with 0.17% last year.
- Total portfolio return for the year of +12.9% after deducting all costs and tax, which compares with the one year S&P ASX 200 Accumulation Index return of +14.1% without taking into account any costs or tax.
- Capital raisings of $60.5 million from the Share Purchase Plan and $39.1 million from the Dividend Reinvestment Plan.

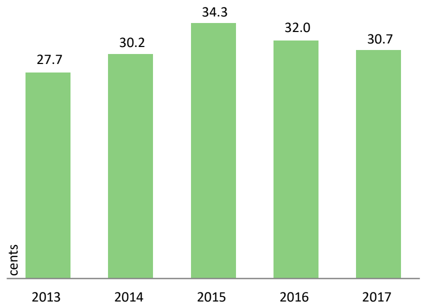
Contents

Five year summary

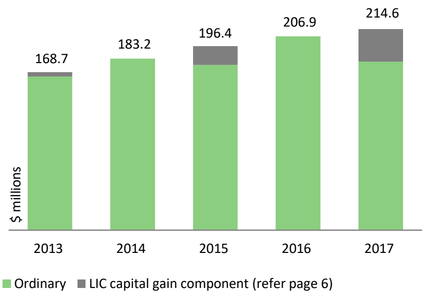
Profit



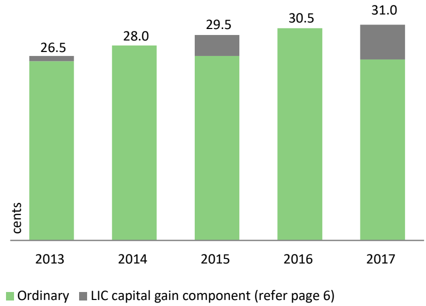
Earnings per share



Total dividends

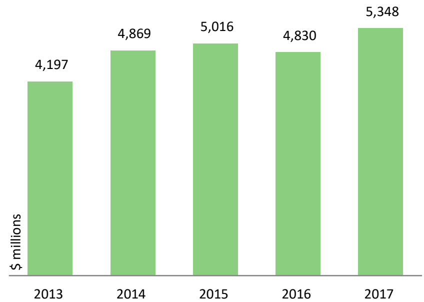


Dividends per share

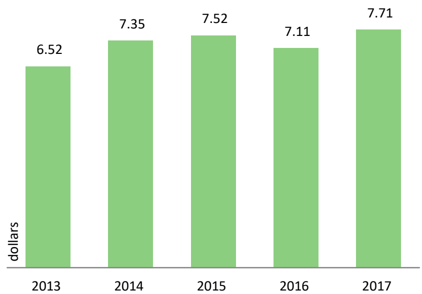


Shareholders' equity

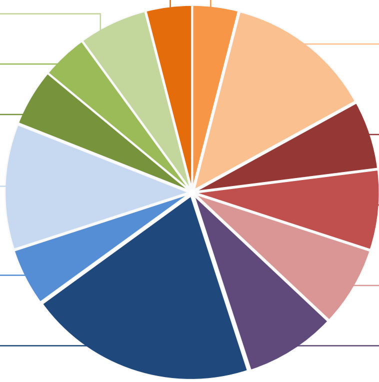
before provision for deferred income tax



Net tangible assets per share



Portfolio sector allocation as at 30 June 2017



20 largest investments as at 30 June 2017

	$m	% of total assets
Westpac Banking Corporation	339.2	6.3
Australia and New Zealand Banking Group	280.4	5.2
Commonwealth Bank of Australia	265.3	4.9
Wesfarmers	218.3	4.0
Macquarie Group	217.5	4.0
BHP Billiton	196.2	3.6
Telstra Corporation	189.3	3.5
National Australia Bank	179.2	3.3
CSL	153.7	2.8
Rio Tinto	150.0	2.8
Australian United Investment Company	122.1	2.3
Milton Corporation	116.9	2.2
Woolworths	105.6	2.0
Ramsay Health Care	105.2	1.9
Sydney Airport	102.5	1.9
APA Group	94.2	1.7
AGL Energy	92.9	1.7
Amcor	79.7	1.5
Origin Energy	75.2	1.4
Sonic Healthcare	72.2	1.3
	3,155.6	**58.3**
Cash and Short-term Deposits	**249.5**	**4.6**

Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation at 30 June 2017 of $5.3 billion.

Argo shares offer investors a low cost, professionally managed entry to the Australian sharemarket.

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

Argo seeks to provide long-term capital growth and a regular income stream to over 81,000 shareholders.

Argo's total assets were $5.4 billion at 30 June 2017 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange (ASX).

Argo's Board of Directors and management team are both experienced and highly qualified, which are considered essential qualities for the effective surveillance of a long-term investment portfolio. The Board currently consists of six Non-executive Directors and the Managing Director.

The investment philosophy followed by Argo is straightforward. Rather than attempt to gain spectacular rewards in the short term from high-risk situations, management aims to provide consistent tax-effective income combined with long-term capital growth, by investing in a diversified portfolio of securities. The portfolio contains investments in 98 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is judged to be good quality management and prospects for sound earnings growth.

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

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

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

We encourage investors to visit the Argo website at www.argoinvestments.com.au to obtain further, up to date information about 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 2017, total operating costs were 0.16% 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. Overseas shareholders also benefit, since withholding tax is not deducted from franked dividends. 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.

Share Purchase Plan

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

Dividend Reinvestment Plan

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

New share issues

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

Share price performance

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

	15 years to 30 June 2017
Compound annual growth rate:	
Argo shares	8.1% p.a.
S&P ASX 200 Accumulation Index	8.6% p.a.
Consumer Price Index	2.6% p.a.

A $10,000 investment in Argo shares on 1 July 2002 would have grown to a value of $32,165 at 30 June 2017.

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

Directors' Report

The Directors present their Seventy First 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 2017, including the Independent Auditor's Report.

DIRECTORS

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

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), Chairman of UniSuper Ltd and Vice Chairman, Asia Pacific, of Berkshire Capital.

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 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.

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

Christopher Edgar Cuffe AO BCom, FCA, FFin, FAICD

Non-executive Director – Independent

Mr. Cuffe was appointed to the Board on 25 August 2016. He is a member of the Audit & Risk Committee.

He is well known in the wealth management and philanthropic sectors. He is a former Chief Executive Officer of Colonial First State and Challenger Financial Services Group, and a former Chairman of UniSuper Ltd.

Mr. Cuffe is also a Non-executive Director of Global Value Fund Limited (since 2014) and Antipodes Global Investment Company Limited (since 2016).

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

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

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

Mr. Davis is also Chairman of Bank of Queensland Limited (Director since 2008 and appointed Chair in 2013), a Non-executive Director of Ardent Leisure Limited (since 2008), Chairman of AIG Australia Limited and a consulting Director at Rothschild Australia Limited. He was previously a Non-executive Director of Aristocrat Leisure Limited (2005 to 2017).

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 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.

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

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 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.

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

Jason Beddow BEng, GdipAppFin(SecInst)
Managing Director – Non-independent

Mr. Beddow has an engineering and investment background. He joined the Company in 2001 as an Investment Analyst and became Chief Investment Officer in 2008. He was appointed Chief Executive Officer in 2010 and Managing Director in 2014.

Mr Beddow is also Managing Director of Argo Global Listed Infrastructure Limited (since 2015).

Robert John Patterson FAICD
Non-executive Director – Independent

Mr. Patterson retired from the Board on 26 October 2016, after 46 years of dedicated service as Company Secretary, Chief Executive Officer, Managing Director, and finally as a Non-executive Director. The Board gratefully acknowledges his extraordinary contribution to the development of the Company.

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	279,959	-
J. Beddow	181,903	322,218
A.B. Brennan	13,544	-
C.E. Cuffe AO	6,500	-
R.A. Davis	23,424	-
R.A. Higgins AO	99,668	-
J.C. Morton	22,008	-

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 9 Board meetings, 5 Audit & Risk Committee meetings and 5 Remuneration Committee meetings held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were:

	Board		Audit & Risk Committee		Remuneration Committee	
	No. of meetings held while a Director	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
G.I. Martin AM	9	9	-	4[a]	5	5
J. Beddow	9	9	-	5[a]	-	5[a]
A.B. Brennan	9	9	5	5	-	-
C.E. Cuffe AO[b]	7	7	3	3	-	-
R.A. Davis	9	9	-	4[a]	5	4
R.A. Higgins AO	9	9	-	4[a]	5	5
J.C. Morton	9	9	5	5	-	-
R.J. Patterson[c]	4	3	2	1	-	-

(a) By invitation
(b) C.E. Cuffe appointed 25 August 2016
(c) R.J. Patterson retired 26 October 2016

SECRETARY

Timothy Campbell Agar Binks BEc, CA, AGIA, GAICD 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.

PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS

The principal activities of the Company during the financial year were the investment of funds in Australian listed securities and short-term interest bearing securities. The Company's wholly owned subsidiary also provides management services to an external listed investment company under an Australian Financial Services Licence. More details are provided in the Operating and Financial Review below.

OPERATING AND FINANCIAL REVIEW

Summary of business model

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

Argo generates the majority of its revenue by 'harvesting' the dividends and distributions received from the companies and trusts in its investment portfolio. Additional income is derived from interest earned on cash deposits, premium income from selling exchange-traded options, a small amount of share trading activity and fee income from managing an external listed investment company. Dividends and distributions made up 95% of Argo's income from operating activities for the financial year, with the portfolio's top 20 equity investments generating 61% of that income.

Argo's costs of operation are relatively stable and are lower than those of most other managed investment products, due to its internally managed listed investment company structure, which requires few employees to administer its business. In the 2017 financial year the Company's total operating costs were equivalent to 0.16% of average assets, which is very low by industry standards. Argo's main expense items are 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. At balance date there were 98 different stocks in the portfolio, providing the Company with dividend income from a diverse range of industries.

The majority of Argo's profit is paid out as dividends to its shareholders, with fully franked dividends a priority. Argo has paid dividends every year since it was established in 1946.

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 external investment manager.

For the last 15 years, the Company's investment portfolio has produced a compound return of 8.4% per annum, as measured by the movement in net tangible asset backing (NTA) per share assuming dividends paid are reinvested. This return is after payment of all costs and tax and compares to a return of 8.6% 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 shareholder return based on the share price over the same period was 8.1% per annum, and 9.9% including the franking credits attached to the dividend payments.

Investment process

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

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

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

Review of activities and events during the year ended 30 June 2017

The Company's assets are invested primarily in Australian companies and trusts which are listed on the ASX. The capital growth of Argo's shares is therefore closely linked to the fortunes of the Australian equity market. In a year characterised by strong global equity markets despite a number of significant political changes, the S&P ASX 200 Accumulation Index, which includes dividend income, returned +14.1%.

During the year, $159 million was outlaid on long-term investment purchases and $218 million was received due to disposals and takeover proceeds. This contributed to an increased cash balance of $249 million at year end, reflecting our view that sections of the Australian equity market have become relatively expensive. The larger movements in the long-term portfolio during the year included:

Purchases	*Sales*
Boral	Asciano (takeover)*
CBL Corporation	ASX*
CSL	Australian United Investment Co.
Estia Health	Downer EDI
QANTM Intellectual Property	DUET Group (takeover)*
Rural Funds Group	Milton Corporation
Tabcorp Holdings	Rio Tinto
Tassal Group	
Vocus Group	

* Sale of complete position and removal from portfolio. Other stocks exited during the year were Sims Metal Management, Reliance Worldwide Corporation, Surfstitch Group and Macquarie Group income securities.

The takeovers of DUET Group and Asciano resulted in substantial capital gains being crystallised in the Company's portfolio. As a long-term, capital account, listed investment company (LIC), Argo is able to pass on the benefit of the capital gains tax discount for long-term holdings to its shareholders, in the form of an 'LIC capital gain' component of the final dividend. Most shareholders will be able to claim a tax deduction relating to this component of the dividend. Details will be in the dividend statement provided to shareholders in September.

Most sectors of the Australian market recorded healthy gains for the year. The best performing sectors were Chemicals, Diversified Financials, Food & Beverages, Metals & Mining and Pharmaceuticals. The only sectors to record negative returns were Telecommunications and Property.

The Company added a number of new smaller investments to the portfolio, primarily in industries where it is anticipated that growth opportunities may be superior to those in many of the larger companies in the broader index. The new investments during the financial year were QANTM Intellectual Property, oOh!media, Speedcast International, Murray River Organics Group and MotorCycle Holdings. In addition, 26 existing holdings were added to.

The best performing stocks in Argo's portfolio were Downer EDI, South32, Orica, Aristocrat Leisure, iSelect, Challenger, Computershare, Alumina, WorleyParsons and ALS. The worst performing stocks were Vocus Group, MMA Offshore, McGrath, Santos, Estia Health, A.P. Eagers and Asaleo Care.

Over the course of the year, Argo's investment portfolio returned +12.9% after deducting all costs and tax (measured by the movement in NTA assuming dividends paid are reinvested) and Argo's share price performance returned +8.4% for the financial year, with the share price moving from a premium to a slight discount to NTA.

In addition to managing Argo's portfolio and operations, the Company's wholly owned subsidiary, Argo Service Company Pty Ltd, manages an external listed investment company, Argo Global Listed Infrastructure Limited (AGLI). The management activities are carried out by Argo personnel and include administration, financial reporting, company secretarial duties and supervision of AGLI's share registry, asset custodian and its US-based portfolio manager, Cohen & Steers.

During the year, there was one change to the composition of the Board of Directors. Mr. Robert Patterson retired at the 2016 Annual General Meeting and Mr. Chris Cuffe AO was appointed as a Non-executive Director in August 2016.

Discussion of results and financial position

Argo's profit for the year ended 30 June 2017 was 2.2% lower than the prior year and earnings per share fell 4.1%. In the first half, profit fell 8.9% but rebounded in the second half to be 5.2% higher than the previous year's second half.

Dividend income was slightly lower than last year, following dividend cuts from Rio Tinto, BHP Billiton, Woolworths, Origin Energy and ANZ Banking Group. These cuts were partly offset by increased dividends from Macquarie Group, AGL Energy and Sydney Airport, and special dividends received from Asciano (due to its takeover) and Crown Resorts. Income from option writing and trading declined this year, although interest received on cash deposits was higher, reflecting higher cash balances on hand.

Expenses increased by only 0.5% on last year, and include the costs of managing the external listed investment company, AGLI, for which Argo received $1.7 million in management fee income.

Dividends are important to Argo shareholders, and the Company again increased annual dividends this year to a record 31.0 cents per share fully franked.

Argo's total assets increased from $4.9 billion to $5.4 billion, chiefly due to the impact of the stronger equity market on the portfolio value. During the year, shareholders contributed $39.1 million through the Dividend Reinvestment Plan and $60.5 million through the Share Purchase Plan offered in September 2016. The number of Argo shareholders has increased again this year, with 81,445 holders on the register at 30 June 2017.

The cash assets at year end were $249.5 million, representing 4.6% of the Company's total assets. Although cash on hand fluctuates throughout the year according to the timing of dividends received, dividends paid, capital raisings, and investment purchases and disposals, the Company has generally held higher levels of cash than in recent years, reflecting our cautious approach when we perceive equity market valuations to be relatively high.

One measure of the financial position of a listed investment company is its net tangible asset backing (NTA) per share. As a long-term investor, Argo does not intend to dispose of its long-term investment portfolio. Therefore, when calculating NTA, Argo values its portfolio using the market price of each listed holding, without providing for estimated tax on gains that would be realised if the entire portfolio was to be sold. At 30 June 2017, this valuation resulted in a NTA per share of $7.71, an 8.4% increase on the 30 June 2016 level of $7.11. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share at 30 June 2017 would have been $6.80, compared with $6.34 at 30 June 2016. 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 our investee companies, their resulting share price movements, and the dividends and distributions we receive from them. 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 generally help to reduce the volatility of Argo’s earnings and capital fluctuations.

Argo will continue to focus on controlling costs, growing dividends to shareholders and achieving long-term capital growth.

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.

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.

DIVIDENDS

A fully franked interim dividend of 15.0 cents per share was paid on 10 March 2017.

On 14 August 2017, the Directors declared a fully franked final dividend of 16.0 cents per share to be paid on 15 September 2017, which includes a 5.0 cents per share listed investment company (LIC) capital gain component. The LIC capital gain component of the dividend will give rise to an attributable part of 7.14 cents per share, a portion of which eligible shareholders will be able to claim as a deduction in their 2017-2018 income tax returns.

Total fully franked dividends for the year amount to 31.0 cents per share. This compares with 30.5 cents per share last year.

The final dividend paid by the Company for the financial year ended 30 June 2016 of $105.4 million and referred to in the Directors’ Report dated 18 August 2016 was paid on 9 September 2016.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan (DRP) raised $39.1 million of new capital for investment during the year.

The DRP will operate for the 16.0 cents per share dividend payable on 15 September 2017 and the Directors have resolved that the shares will be allotted to participating shareholders at a discount of 2.0% from the market price of Argo shares, as defined by the DRP.

SHARE BUY-BACK

The Company has an on-market share buy-back in place, in order that its shares can be bought back and cancelled where they can be purchased at a significant discount to the net tangible asset backing 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.

INDEMNIFICATION OF DIRECTORS AND OFFICERS AND INSURANCE ARRANGEMENTS

The Company indemnifies its past, present and future Directors against liabilities arising out of their position with 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.

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 65 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 38.

ENVIRONMENTAL REGULATIONS

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

ROUNDING OF AMOUNTS

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

REMUNERATION REPORT

This Report explains how the Board structures remuneration to motivate and reward executives for delivering performance that drives the achievement of Argo’s business objectives and creates value for shareholders.

It provides remuneration information regarding the Key Management Personnel (KMP) for the financial year ended 30 June 2017.

KMP are those people who have authority and responsibility for planning, directing and controlling the activities of Argo. This includes the Non-executive Directors and the key executives. The Non-executive Directors were Mr. G.I. Martin AM (Chairman), Ms. A.B. Brennan, Mr. C.E. Cuffe AO, Mr. R.A. Davis, Mr. R.A. Higgins AO and Ms. J.C. Morton. Mr. J. Beddow (Managing Director) was an executive Director during the financial year. Other key executives were Mr. T.C.A. Binks (Chief Operating Officer) and Mr. A.B. Hill (Chief Financial Officer).

Contents

Section 1 Principles of remuneration

The Board recognises that remuneration plays an important role in the delivery of Argo's business objectives and ongoing performance. The Board seeks to achieve the right balance of motivation, challenge and reward for its executives to encourage sustainable delivery of shareholder returns.

The key principles of Argo's remuneration strategy are:

- Align remuneration structure with shareholder interests
- Attract and retain talent
- Link a significant component of remuneration with the creation of shareholder value through relative outperformance
- Ensure remuneration is competitive and fair

Alignment of the long-term interests of shareholders and executives is achieved by a significant component of executive pay being performance based. This encourages executives to take a long-term approach to decision making and business success without taking excessive risks.

The equity component of any Short-term Incentive (STI) reward is deferred for a two year period and performance under the Long-term Incentive (LTI) is measured over a four year period. The actual remuneration received by executives is therefore reflective of the ongoing performance of the Company over an extended period.

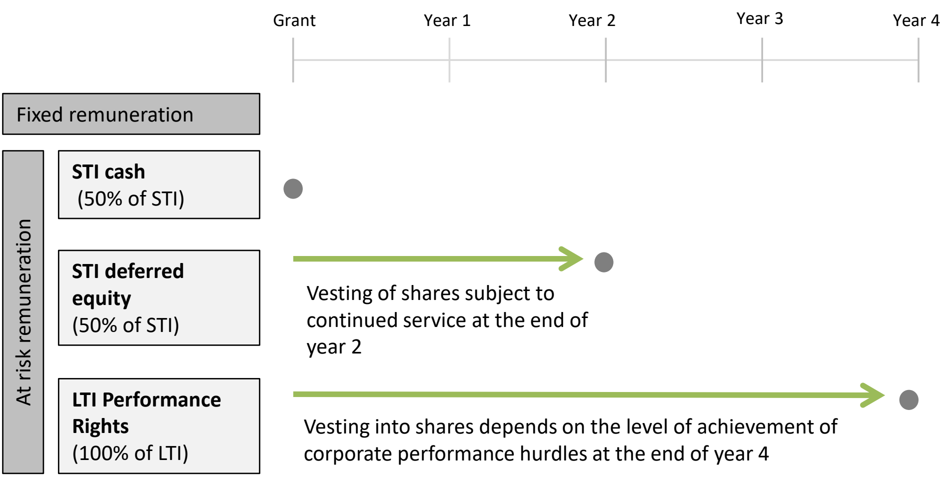
Remuneration reward is measured on a relative basis, reflecting the Company's profitability relative to its peer group and its investment performance relative to the ASX 200 share market index.

Section 2 Executive remuneration structure

The remuneration structure to reward the Company's executives includes a mix of fixed remuneration and short and long-term performance based 'at risk' remuneration which reflects both Company and individual performance.

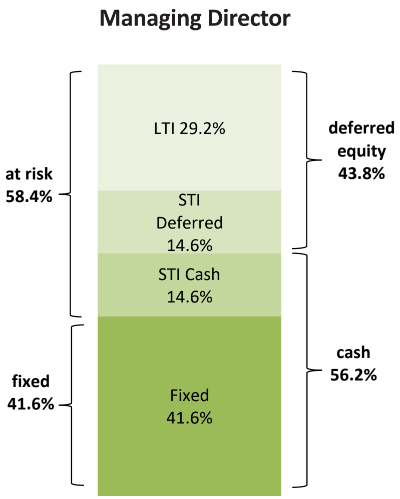
	Fixed	**At risk**	
	Fixed annual remuneration	Short-term Incentive (STI)	Long-term Incentive (LTI)
Description	Base salary including superannuation	Reward for strong individual and Company performance over ONE year	Reward for strong Company performance over FOUR years
Designed to	Attract and reward talented executives	Motivate superior executive performance during the year and retain talent	Align executive and shareholder interests over the long-term and retain talent
Achieved by	Ensuring competitive and appropriate compared to market benchmarks	Setting challenging key Company and individual performance indicators that align with business objectives	Only vesting into shares to the extent that the Company outperforms the ASX200 Index and its peer group over a four year period

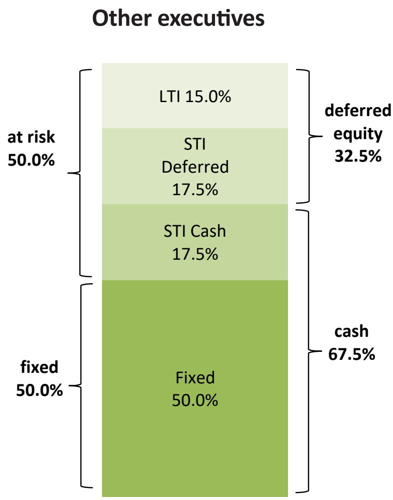
Remuneration structure



Total target remuneration mix for year ended 30 June 2017

The following illustration is modelled on the executives' maximum remuneration opportunity for the year under review. Actual remuneration for executives will differ due to the variable nature of the 'at risk' remuneration components.





Fixed annual remuneration

What is fixed annual remuneration (FAR)?	All executives are offered a FAR component that is not performance based and is inclusive of statutory superannuation and any agreed salary sacrifice arrangement
How is FAR assessed?	The Board and Remuneration Committee review the levels of FAR annually, taking into account industry benchmarking, market factors and independent advice

Performance linked remuneration

The Short-term Incentive (STI) and Long-term Incentive (LTI) are described as 'at risk' because the amount earned (if any) depends on the extent that key performance conditions are met or exceeded.

Short-term incentive (STI)

What is the STI?	The STI is performance linked remuneration awarded annually to executives and is determined by reference to both the Company's financial performance and an executive's individual performance
What is the performance period?	One year
What is the value of the STI?	The STI ranges from 0-70% of an executive's fixed annual remuneration and is awarded 50% in cash and 50% in deferred STI Performance Rights
What does deferred mean?	The STI Performance Rights vest into Argo shares two years after grant, subject to continued service with the Company
What are the performance indicators?	Performance indicators comprise both key Company financial and individual objectives
What are the Company financial performance indicators?	1. TPR Performance: the Total Portfolio Return (TPR)* of the Company, adjusted for franking credits, must exceed the movement in the S&P ASX 200 Accumulation Index over the performance period, also adjusted for franking credits 2. EPS Performance: the Company must achieve a superior one year earnings per share (EPS)** performance relative to its approved listed investment company (LIC) peer group * 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 ** the Company's non-dilutive earnings per share which is measured as the net profit of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis

What are the individual performance indicators?	Individual performance indicators are uniquely set for each executive, depending on their role and responsibilities Indicators may include strategic direction, analyst stock recommendations, risk management, succession planning, marketing, communication with internal and external stakeholders and management of external listed investment companies
How does the STI align with shareholder interests?	The STI is designed to challenge, motivate and reward executives to improve the Company's performance by meeting or exceeding business objectives, both financial and non-financial The STI supports the retention of high performing executives as 50% of the award comprises deferred STI Performance Rights which vest into shares two years later, subject to continued service The STI provides executives with the opportunity to hold equity in the Company, better aligning their interests with those of shareholders
How is STI achievement assessed?	STI achievement is measured annually by the Board and Remuneration Committee

Long-term incentive (LTI)

What is the LTI?	The LTI is performance linked remuneration offered annually to executives and is determined by reference to the Company's financial performance over the performance period It is issued in two equal tranches, each subject to different performance hurdles
What is the performance period?	Four years
What is the value of the LTI?	LTI performance rights are granted to the value of 70% of the Managing Director's fixed annual remuneration and 30% of the other executives' fixed annual remuneration The quantity of LTI Performance Rights that actually vest into shares for each executive will depend upon the Company's performance against the performance hurdles of each tranche over the performance period and includes an ongoing service condition

How is the LTI aligned with shareholder interests?	The LTI is designed to create a strong link between the long-term performance of the Company relative to the ASX 200 Index and relative to the performance of its listed investment company peer group LTI grants are based solely on financial performance, closely aligning shareholder value and executive reward
What are the Performance hurdles?	Tranche 1- TPR Performance: the Total Portfolio Return (TPR) of the Company, adjusted for franking credits, must exceed the movement in the S&P ASX 200 Accumulation Index over the performance period, adjusted for franking credits Tranche 2- EPS Performance: the Earnings Per Share (EPS) 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 * 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 ** the Company's non-dilutive earnings per share which is measured as the net profit of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis
Why were these performance hurdles chosen?	The ASX 200 is the benchmark index that tracks the combined movements of the largest 200 listed companies in Australia. It is the most appropriate measure of the Company's investment performance relative to the broader market EPS gauges how profitable the Company is per share and is therefore indicative of the Company's ability to pay dividends that will grow over time
How does the LTI vest?	The LTI is tested four years after grant, and any Performance Rights that do not vest at the performance measurement date, lapse without value

Level of performance condition achieved	*% of Performance Rights to vest into shares*
Underperform condition	Nil
Achieve (match) condition	25% vesting
Outperform condition by 0-30%	25-100% straight-line pro-rata vesting
Outperform condition by >30%	100% maximum vesting

The vesting proportions may be reduced in the event of negative absolute returns as follows:

– If the Company's absolute TPR is negative, only 50% of the TPR Performance Rights will vest
– If the Company's absolute EPS growth is negative, none of the EPS performance rights will vest

Upon vesting, shares are purchased on market and allocated to executives

Other remuneration benefits

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.

Non-monetary benefits

Prior to 2004, interest free loans were issued to KMP to assist the purchase of shares in the Company. Table H sets out the remaining balances of those KMP loans and the benefit of the interest not charged to the executives.

Additional conditions applying to Performance Rights

Service condition discretion

A service condition applies to the STI and LTI Performance Rights, which means vesting is subject to the individual executives remaining in service. The Board has discretion however to allow the Performance Rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement.

Clawback of executive remuneration

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

Prohibition of hedging

The Company's Securities Trading Policy prohibits executives from entering into arrangements which limit the economic risk of unvested Performance Rights.

Section 3 Relationship between remuneration and Company performance

The Company's remuneration structure includes STI and LTI incentives to align executive remuneration outcomes with the interests of shareholders. The Company's objective of maximising long-term returns to shareholders through a balance of capital and dividend growth is reflected in the STI and LTI performance indicators.

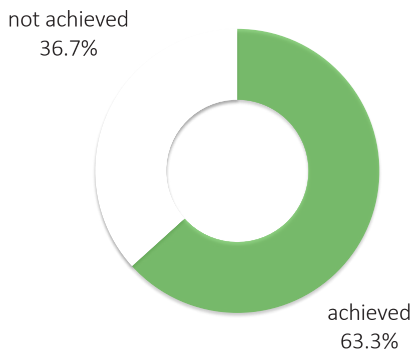
The table and charts below show relevant aspects of the Company's annual results and how they translate into executive remuneration outcomes when measured over the periods applicable to STI and LTI. The Company's relative performance as compared to its Australian listed investment company peers and the ASX 200 share market index is closely linked to remuneration actually received by executives as the STI and LTI performance indicators comprise these relative measures.

Table A: Linking remuneration outcomes to Company performance

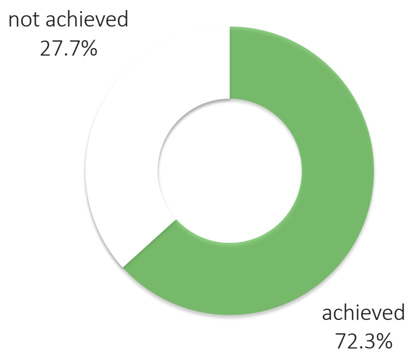
Summary of annual results	**2017**	**2016**	**2015**	**2014**	**2013**
Profit ($m)	211.5	216.3	228.1	195.9	175.0
Earnings per share (cents)	30.7	32.0	34.3	30.2	27.7
Dividends ($m)	214.6	206.9	196.4	183.2	168.7
Dividends per share (cents, fully franked)	31.0	30.5	29.5	28.0	26.5
Management Expense Ratio (% of assets)	0.16	0.17	0.15	0.15	0.18
Share price at 30 June ($)	7.67	7.37	7.97	7.63	6.46
Share price movement ($)	+0.30	-0.60	+0.34	+1.17	+1.31

ONE year returns (relate to STI awards)	**2017**	**2016**	**2015**	**2014**	**2013**
Earnings Per Share growth	-4.1%	-6.7%	+13.8%	+8.9%	+3.3%
– relative to peer group	**over**	**over**	**over**	**over**	**under**
Investment (NTA) return after all costs and tax	+12.9%	-1.2%	+6.1%	+17.1%	+23.6%
– relative to ASX 200 accum. index	**under**	**under**	**over**	**under**	**over**
Dividends per share growth	+1.6%	+3.4%	+5.4%	+5.7%	+1.9%
Average % of maximum STI achieved	63.3%	68.4%	89.4%	70.6%	69.7%

STI outcomes - 2017



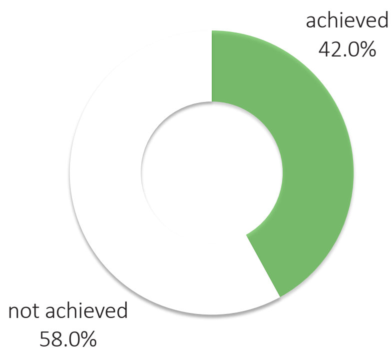
STI outcomes - 5 year average



FOUR year returns * (relate to LTI awards)	**2016**	**2015**	**2014**	**2013**
Earnings Per Share growth (pa)	+4.5%	+5.1%	+5.7%	-0.5%
– relative to peer group	**over**	**under**	**under**	**under**
Investment (NTA) return after all costs and tax (pa)	+12.9%	+9.7%	+10.6%	+9.8%
– relative to ASX 200 accum. index	**over**	**over**	**over**	**over**
Dividends per share growth (pa)	+3.8%	+3.4%	+1.9%	+3.0%
Average % of maximum LTI achieved	42.0%	11.6%	2.8%	13.4%

*2017 LTI outcomes have not yet been tested and will be reported in next year's Annual Report.

LTI outcomes - 2016



LTI outcomes - 4 year average

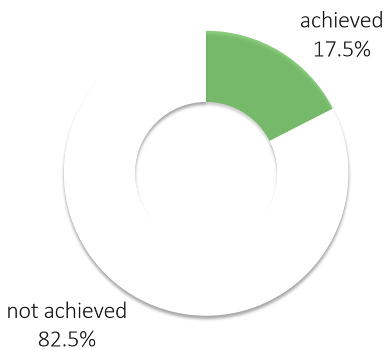


Table B: Actual executive remuneration outcomes (non-statutory disclosure)

		Total fixed remuneration[a] $	Annual STI to 30 June[b] $	Loan repayment[c] $	Prior years rights vested[d] $	Total received $
Managing Director						
J. Beddow	**2017**	**650,000**	**147,875**	**7,562**	**488,375**[e]	**1,293,812**
	2016	630,000	154,350	7,562	164,915	956,827
Other Key Management Personnel						
T.C.A. Binks	**2017**	**255,000**	**59,798**	**-**	**89,098**	**403,896**
	2016	250,000	61,688	-	57,795	369,483
A.B. Hill	**2017**	**210,000**	**51,450**	**12,100**	**93,302**	**366,852**
	2016	202,500	49,613	12,100	61,700	325,913
Total	**2017**	**1,115,000**	**259,123**	**19,662**	**670,775**	**2,064,560**
	2016	1,082,500	265,651	19,662	284,410	1,652,223

(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 2017 will be issued on 23 October 2017 as STI performance rights and will vest two years after grant, subject to the executive having continued service with the Company (2016: issued 26 October 2016).

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

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

(e) The main factors contributing to the increase in vesting value compared to the prior year were:

- The LTI Plan was restructured in 2012 to remove the benefit of re-testing and increase the Managing Director's LTI opportunity from 50% to 70% of his fixed annual remuneration. This year was the first year of vesting under the revised structure
- The level of achievement of the LTI criteria increased from 11.6% in the prior year to 42.0% this year, due primarily to Argo outperforming both the TPR and EPS benchmarks over the four year measurement period

This table clarifies payments actually received by the executives for the year under review.

These amounts are different to the statutory remuneration as Accounting Standards require a value to be placed on performance rights at the time of grant which is expensed over the life of the rights, even though the executives may not realise all (or any) actual value from the performance rights if performance and/or service conditions are not met, or are only partly met. Remuneration details prepared in accordance with statutory obligations and Accounting Standards are contained in Section 6 of this Report.

Section 4 Non-executive Directors’ remuneration

Non-executive Directors (NEDs) are awarded fixed fees, allowing for objectivity and independence in their assessment of Company and executive performance. However, the Board has a policy that all NEDs should within three years of their initial appointment, establish and maintain a shareholding in the Company which is at least equivalent in value to one year's directors’ fees, to further align their interests with those of other shareholders.

The Board, after taking into account the recommendations of the Remuneration Committee, determines the amount of Board and Committee fees having regard to the level of fees paid to NEDs of companies of comparable size and complexity. The fees are within the aggregate annual limit approved by shareholders at the Annual General Meeting held in October 2015 ($1,100,000).

For the year ended 30 June 2017, the fee for the Chairman was $204,100 inclusive of Committee and subsidiary company appointments and the base fee for each of the other NEDs was $95,600 with additional fees of $3,200 for Committee membership and subsidiary company board appointments, and $6,400 for Committee Chairs. Statutory superannuation payments are contributed on behalf of NEDs. Further details of the Non-executive Directors' remuneration are provided in Section 6, Table C of this report.

Following a review of NED remuneration, a 2% increase is being applied for the year ending 30 June 2018.

A performance evaluation process for NEDs is undertaken each year and is described in the Corporate Governance Statement, which is available on the Company’s website.

Section 5 Remuneration governance

Remuneration Committee

The Remuneration Committee provides support and advice to the Board on setting appropriate remuneration levels, determining the remuneration structure and assessing performance.

External advice

The Remuneration Committee periodically engages independent external advisers to review and assist with aspects of the remuneration structure.

In 2015, the Financial Institutions Remuneration Group (FIRG) was engaged by the Remuneration Committee to assist it with a comprehensive review of executive remuneration compensation. No changes were recommended to the Board as a result of this review.

The Company's membership of FIRG provides it with access to up to date industry remuneration data on an ongoing basis.

Executive service agreements

Key features of the service agreements for the executives include:

- Employment continues until terminated by either the executive or Argo
- Notice periods are six months for the Managing Director and three months for other executives
- A lump sum in lieu of notice may be paid
- If an executive commits a breach such as serious misconduct, wilful neglect or criminal offence, their services may be terminated immediately, without notice
- If the Company commits any serious or persistent breach, an executive may terminate immediately
- Unless stated otherwise above, no termination payments are provided for under the service agreements
- Comply with policies of the Company including the Code of Conduct

Introduction of face value methodology next year

After consultation with the Australian Shareholders' Association and a review of emerging remuneration practices used by other listed companies, the Board has decided that executive performance rights will be awarded in the future based on the 'face' value of Argo shares, rather than the currently used 'fair' value which is discounted for the value of the dividends foregone over the life of the performance rights.

In order to ensure there is no change to the executives' potential equity vesting opportunities, the maximum percentage opportunities for equity-based incentive remuneration will be increased to compensate for the higher face value per performance right.

This change will be reflected in next year's Remuneration Report, as all executive performance rights will be issued at face value. There will be no change to the quantum of potential equity-based incentive outcomes for executives due to this simplification.

Section 6 Remuneration disclosure tables

Table C: Non-executive Directors' remuneration

		Short-term		Post-employment		
				Superannuation		
		Directors' fees $	Committee fees $	Salary sacrifice $	Other[b] $	Total $
Non-executive Directors						
G.I. Martin AM	**2017**	**204,100**	**-**	**-**	**19,389**	**223,489**
	2016	198,200	-	-	18,829	217,029
A.B. Brennan	**2017**	**95,600**	**9,600**	**-**	**9,994**	**115,194**
	2016	92,800	8,783	-	9,650	111,233
C.E. Cuffe AO*	**2017**	**81,314**	**2,207**	**-**	**7,935**	**91,456**
	2016	-	-	-	-	-
R.A. Davis	**2017**	**95,600**	**3,200**	**-**	**9,386**	**108,186**
	2016	92,800	3,100	-	9,111	105,011
R.A. Higgins AO	**2017**	**95,600**	**6,400**	**-**	**9,690**	**111,690**
	2016	92,800	6,200	-	9,405	108,405
J.C. Morton	**2017**	**95,600**	**3,200**	**-**	**9,386**	**108,186**
	2016	92,800	3,100	-	9,111	105,011
R.J. Patterson **	**2017**	**30,767**	**1,030**	**-**	**3,021**	**34,818**
	2016	70,825[a]	3,100	21,975[a]	9,111	105,011
Total	**2017**	**698,581**	**25,637**	**-**	**68,801**	**793,019**
	2016	640,225	24,283	21,975	65,217	751,700

* Appointed 25 August 2016.
** Retired 26 October 2016.

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

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

Table D: Executive remuneration (statutory disclosures)

		Short-term			Post-employment	Share based[f]		
		Salaries[a] $	STI[b] $	Non-monetary benefits[e] $	Superannuation $	STI[g] $	LTI[h] $	Total $
Managing Director								
J. Beddow	**2017**	**660,602**	**147,875[c]**	**777**	**-[c]**	**161,859**	**214,659**	**1,185,772**
	2016	652,271	154,350[c]	1,148	-[c]	140,473	94,517	1,042,759
Other Key Management Personnel								
T.C.A. Binks	**2017**	**245,762**	**59,798[d]**	**-**	**19,616**	**61,892**	**29,537**	**416,605**
	2016	245,666	61,688[d]	-	19,308	50,590	13,262	390,514
A.B. Hill	**2017**	**178,481**	**51,450[d]**	**867**	**35,000**	**54,124**	**27,241**	**347,163**
	2016	174,314	49,613[d]	1,353	35,000	45,996	12,497	318,773
Total	**2017**	**1,084,845**	**259,123**	**1,644**	**54,616**	**277,875**	**271,437**	**1,949,540**
	2016	1,072,251	265,651	2,501	54,308	237,059	120,276	1,752,046

(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 $147,875 was paid $122,875 in cash and $25,000 as a superannuation contribution (2016: $154,350 of which $124,350 was paid in cash and $30,000 as a superannuation contribution).

(d) The STI was paid in cash.

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

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

(g) Argo Investments Limited Executive STI Performance Rights:

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

(h) Argo Investments Limited Executive LTI Performance Rights:

The fair value of the LTI performance rights granted was calculated by estimating the value of dividends an award recipient would not receive during the performance measurement period and subtracting this amount from the value of the grant date share price, and applying the Monte Carlo simulation.

Argo Employee Share Ownership Plan:

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

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

Table E: Executive performance percentages

		Actual STI as % of STI opportunity(1)	% of STI opportunity not achieved	Share based remuneration as proportion of remuneration(2)	Total performance related remuneration
J. Beddow	**2017**	**65.0%**	**35.0%**	**31.8%**	**44.2%**
	2016	70.0%	30.0%	22.5%	37.3%
T.C.A. Binks	**2017**	**67.0%**	**33.0%**	**21.9%**	**36.3%**
	2016	70.5%	29.5%	16.4%	32.1%
A.B. Hill	**2017**	**70.0%**	**30.0%**	**23.4%**	**38.3%**
	2016	70.0%	30.0%	18.3%	33.9%

(1) The maximum STI opportunity is 70% of each executives' fixed annual remuneration (2016: 70%).

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

Table F: Executive Performance Rights[1] - granted

		Number	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Number yet to vest	Accounting value yet to vest Min.[2] $	Accounting value yet to vest Max.[3] $
J. Beddow	STI	25,802	26/10/15	$7.08	26/10/17	9/11/17	25,802	-	17,907
		23,106	26/10/16	$6.46	26/10/18	9/11/18	23,106	-	59,509
		-	-	-	-	-	-	-	103,265[4]
	LTI	67,700	22/11/13	$5.67	22/11/17	6/12/17	67,700	-	10,357
		64,700	20/11/14	$6.33	20/11/18	4/12/18	64,700	-	42,673
		64,950	26/10/15	$6.41	26/10/19	9/11/19	64,950	-	65,672
		75,960	26/10/16	$5.76	26/10/20	9/11/20	75,960	-	102,269
		322,218					322,218	-	401,652
T.C.A. Binks	STI	8,714	26/10/15	$7.08	26/10/17	9/11/17	8,714	-	6,048
		9,235	26/10/16	$6.46	26/10/18	9/11/18	9,235	-	23,785
		-	-	-	-	-	-	-	41,758[4]
	LTI	9,400	22/11/13	$5.67	22/11/17	6/12/17	9,400	-	1,407
		9,400	20/11/14	$6.33	20/11/18	4/12/18	9,400	-	6,035
		11,050	26/10/15	$6.41	26/10/19	9/11/19	11,050	-	10,927
		12,770	26/10/16	$5.76	26/10/20	9/11/20	12,770	-	16,822
		60,569					60,569	-	106,782
A.B. Hill	STI	8,355	26/10/15	$7.08	26/10/17	9/11/17	8,355	-	5,798
		7,427	26/10/16	$6.46	26/10/18	9/11/18	7,427	-	19,128
		-	-	-	-	-	-	-	35,930[4]
	LTI	9,700	22/11/13	$5.67	22/11/17	6/12/17	9,700	-	1,532
		9,400	20/11/14	$6.33	20/11/18	4/12/18	9,400	-	6,401
		8,950	26/10/15	$6.41	26/10/19	9/11/19	8,950	-	9,341
		10,520	26/10/16	$5.76	26/10/20	9/11/20	10,520	-	14,627
		54,352					54,352	-	92,757
Total		**437,139**					**437,139**	**-**	**601,191**

Table G: Executive Performance Rights[1] - vested, exercised and lapsed

		Grant date	Number of rights vested during the year	Number of shares purchased on exercise	Value at exercise date[5]	Number of rights lapsed during the year[6]	Value at lapse date[7]
					$		$
J. Beddow	STI	20/11/14	10,785	10,785	79,809	-	-
	LTI	17/11/11	2,172	2,172	15,877	45,295	199,298
		15/11/12	53,793	53,793	392,689	32,207	142,999
			66,750	66,750	488,375	77,502	342,297
T.C.A. Binks	STI	20/11/14	3,961	3,961	29,311	-	-
	LTI	17/11/11	683	683	4,993	14,251	62,704
		15/11/12	7,506	7,506	54,794	4,494	19,953
			12,150	12,150	89,098	18,745	82,657
A.B. Hill	STI	20/11/14	4,025	4,025	29,785	-	-
	LTI	17/11/11	756	756	5,526	15,778	69,423
		15/11/12	7,944	7,944	57,991	4,756	21,117
			12,725	12,725	93,302	20,534	90,540
Total			**91,625**	**91,625**	**670,775**	**116,781**	**515,494**

(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 23 October 2017 has been determined as the estimated fair value of the STI performance rights yet to be expensed.

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

(6) The 2011 and 2012 LTI performance rights lapsed on 17 November 2016 and 15 November 2016 respectively because the performance condition was not fully satisfied.

(7) The value of LTI performance rights that lapsed during the year represents the benefit forgone, and is calculated at the date the rights lapsed assuming the performance condition had been satisfied. Rights granted 17 November 2011 and 15 November 2012 have a fair value of $4.40 and $4.44 respectively.

Table H: Executive loans

	Opening balance $	Closing balance $	Interest not charged $	Highest balance in period $
J. Beddow	55,122	47,560	777	55,122
A.B. Hill	63,573	51,473	867	63,573
Total	**118,695**	**99,033**	**1,644**	**118,695**

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

Table I: Key Management Personnel equity holdings

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:

(a) **Shareholdings**

	Opening balance	Changes during the year	Closing balance
G.I. Martin AM	264,680	15,279	279,959
J. Beddow	114,916	66,987	181,903
A.B. Brennan	3,544	10,000	13,544
C.E. Cuffe AO (appointed 25.8.16)	n/a	-	6,500
R.A. Davis	16,346	7,078	23,424
R.A. Higgins AO	89,573	10,095	99,668
J.C. Morton	19,092	2,916	22,008
R.J. Patterson (retired 26.10.16)	801,770	27	n/a
T.C.A. Binks	13,277	(9,731)	3,546
A.B. Hill	70,668	13,001	83,669

(b) **STI performance rights holdings**

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	36,587	23,106	(10,785)	-	48,908
T.C.A. Binks	12,675	9,235	(3,961)	-	17,949
A.B. Hill	12,380	7,427	(4,025)	-	15,782

(c) **LTI performance rights holdings**

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	330,817	75,960	(55,965)	(77,502)	273,310
T.C.A. Binks	56,784	12,770	(8,189)	(18,745)	42,620
A.B. Hill	57,284	10,520	(8,700)	(20,534)	38,570

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement for the year ended 30 June 2017 can be accessed on the Company's website at www.argoinvestments.com.au/about/corporate-governance.

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

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

On behalf of the Board

G.I. Martin AM
Chairman
14 August 2017

Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Argo Investments Limited and the entities it controlled during the year.

M T Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
14 August 2017

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Consolidated Statement of Profit or Loss

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Dividends and distributions	2	223,039	223,686
Interest		3,956	2,209
Other revenue		2,840	2,140
Total revenue		229,835	228,035
Net gains on trading investments		4,415	10,743
Income from operating activities		234,250	238,778
Administration expenses	3	(8,168)	(7,998)
Finance costs		(38)	(170)
Profit before income tax expense		226,044	230,610
Income tax expense thereon	4	(14,558)	(14,324)
Profit for the year		211,486	216,286
		cents	cents
Basic and diluted earnings per share	5	30.7	32.0

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2017

	2017 $'000	2016 $'000
Profit for the year	211,486	216,286
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of long-term investments	435,198	(299,781)
Provision for deferred tax (expense)/benefit on revaluation of long-term investments	(131,329)	89,293
Other comprehensive income for the year	303,869	(210,488)
Total comprehensive income for the year	515,355	5,798

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

as at 30 June 2017

	Note	2017 $'000	2016 $'000
Current Assets			
Cash and cash equivalents	6(a)	209,483	93,144
Receivables	7	52,521	41,178
Investments	8	9,129	1,865
Other financial cash assets	9	40,000	-
Current tax assets		-	5,628
Total Current Assets		311,133	141,815
Non-Current Assets			
Receivables	7	99	119
Investments	8	5,087,851	4,712,277
Plant and equipment	10	275	326
Total Non-Current Assets		5,088,225	4,712,722
Total Assets		5,399,358	4,854,537
Current Liabilities			
Payables	11	4,068	1,988
Derivative financial instruments	12	2,987	4,354
Current tax liabilities		27,849	-
Provisions	13	540	467
Total Current Liabilities		35,444	6,809
Non-Current Liabilities			
Deferred tax liabilities	14	647,287	536,369
Provisions	13	113	154
Total Non-Current Liabilities		647,400	536,523
Total Liabilities		682,844	543,332
Net Assets		4,716,514	4,311,205
Shareholders' Equity			
Contributed equity	15	2,671,527	2,572,213
Reserves	16	1,669,531	1,366,037
Retained profits	17	375,456	372,955
Total Shareholders' Equity		4,716,514	4,311,205

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	Total $'000
Balance as at 1 July 2016	2,572,213	1,366,037	372,955	4,311,205
Profit for the year	-	-	211,486	211,486
Other comprehensive income	-	303,869	-	303,869
Total comprehensive income for the year	-	303,869	211,486	515,355
Transactions with shareholders:				
Dividend Reinvestment Plan	39,134	-	-	39,134
Share Purchase Plan	60,458	-	-	60,458
Cost of share issues net of tax	(278)	-	-	(278)
Executive performance rights reserve	-	(375)	-	(375)
Dividends paid	-	-	(208,985)	(208,985)
Total transactions with shareholders	99,314	(375)	(208,985)	(110,046)
Balance as at 30 June 2017	2,671,527	1,669,531	375,456	4,716,514

for the year ended 30 June 2016

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	Total $'000
Balance as at 1 July 2015	2,473,320	1,596,512	341,572	4,411,404
Profit for the year	-	-	216,286	216,286
Other comprehensive income	-	(210,488)	-	(210,488)
Total comprehensive income for the year	-	(210,488)	216,286	5,798
Transactions with shareholders:				
Dividend Reinvestment Plan	38,819	-	-	38,819
Share Purchase Plan	60,355	-	-	60,355
Cost of share issues net of tax	(281)	-	-	(281)
Executive performance rights reserve	-	16	-	16
Dividends paid	-	(20,003)	(184,903)	(204,906)
Total transactions with shareholders	98,893	(19,987)	(184,903)	(105,997)
Balance as at 30 June 2016	2,572,213	1,366,037	372,955	4,311,205

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Dividends and distributions received		218,617	197,207
Interest received		3,519	2,164
Other receipts		2,820	1,860
Proceeds from trading investments		14,478	42,661
Payments for trading investments		(18,694)	(29,235)
Other payments		(8,341)	(7,666)
Income tax paid		(1,372)	(13,139)
Net operating cash inflows	6(b)	211,027	193,852
Cash flows from investing activities			
Proceeds from sale of long-term investments		206,957	116,222
Payments for long-term investments		(151,864)	(188,293)
Proceeds from other financial cash assets		45,000	-
Payments for other financial cash assets		(85,000)	-
Executive share scheme repayments		20	19
Payments for fixed assets		(9)	(166)
Net investing cash inflows/(outflows)		15,104	(72,218)
Cash flows from financing activities			
Proceeds from Share Purchase Plan		60,458	60,355
Cost of share issues		(399)	(402)
Dividends paid – net of Dividend Reinvestment Plan		(169,851)	(166,087)
Net financing cash outflows		(109,792)	(106,134)
Net increase in cash held		116,339	15,500
Cash at the beginning of the year		93,144	77,644
Cash at the end of the year	6(a)	209,483	93,144

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue by the Directors on 14 August 2017. The Directors have the power to amend and reissue the financial statements.

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

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001.* Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. The Company is a 'for profit' entity for the purpose of preparing the financial statements.

These financial statements have been prepared using the conventional historical cost basis except for the fair value accounting of investments detailed in Note 1(d)(ii) and exchange traded options in Note 1(e).

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

(b) Principles of consolidation

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

The Company's wholly owned subsidiary, Argo Service Company Pty Ltd (ASCO), provides services to the Company. The consolidated financial statements incorporate the assets and liabilities of ASCO as at 30 June 2017 and its results for the year then ended. Intercompany transactions and balances between the Company and ASCO are eliminated on consolidation.

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

(c) Investment Entity

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

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

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

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

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

(d) **Investments**

(i) **Classification**

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

Current Assets

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

Non-Current Assets

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

(ii) **Valuation**

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

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

(iii) **Gains and Losses**

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

Current Assets

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

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

Non-Current Assets

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

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

(e) **Derivative Financial Instruments**

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

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

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

(f) **Revenue**

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

(g) **Plant and Equipment**

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

(h) **Income Tax**

The income tax expense is the tax payable on the current year's taxable income based on the company tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

(i) **Employee Entitlements**

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

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

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

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

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

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

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

(l) **Receivables**

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

(m) **Payables**

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

(n) **Operating Leases**

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

(o) **Cash and Cash Equivalents**

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

(p) **Other Financial Cash Assets**

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

(q) **Earnings per Share**

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

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

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

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

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

(s) **Contributed Equity**

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

(t) **Provision for Dividend**

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

(u) **Rounding of Amounts**

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

(v) **New Accounting Standards**

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

Accounting Standards and interpretations that have been issued but are not yet mandatory for adoption, including AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases,* have been assessed and the impact on the Company's financial statements when they become operative is not expected to be material. The Company intends to adopt the Accounting Standards and interpretations at the date at which their application becomes mandatory.

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

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

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

2. DIVIDENDS AND DISTRIBUTIONS

	2017 $'000	**2016** $'000
Received/receivable from:		
Long-term investments held at the end of the year	212,024	221,718
Long-term investments sold during the year	11,015	1,968
	223,039	**223,686**

3. ADMINISTRATION EXPENSES

	2017 $'000	2016 $'000
Employment benefits	5,376	4,921
Depreciation	60	163
Other	2,732	2,914
	8,168	**7,998**

4. INCOME TAX EXPENSE

	2017 $'000	2016 $'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	226,044	230,610
Prima facie tax expense calculated at 30% (2016: 30%)	67,813	69,183
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(52,123)	(52,498)
Other	(1,226)	(1,845)
Under/(over) provision in previous year	94	(516)
Income tax expense	**14,558**	**14,324**
(b) Income tax expense composition:		
Charge for tax payable relating to current year	14,202	15,850
Increase/(decrease) in deferred tax liabilities	262	(1,010)
Under/(over) provision in previous year	94	(516)
	14,558	**14,324**
(c) Amounts recognised directly in other comprehensive income: Increase/(decrease) in deferred tax liabilities	**131,329**	**(89,293)**

5. EARNINGS PER SHARE

	2017 number '000	2016 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	688,734	675,375
	$'000	$'000
Profit for the year	211,486	216,286
	cents	cents
Basic and diluted earnings per share	**30.7**	**32.0**

6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents includes cash on deposit with banks (floating interest rates between 1.0% and 1.5% at 30 June 2017; 2016: between 1.25% and 2.35%) and fixed term deposits with banks (fixed interest rates to maturity between 2.30% and 2.46% at 30 June 2017; 2016: 2.51% and 2.93%), maturing within three months from date of deposit.

	2017 $'000	2016 $'000
Bank deposits	**209,483**	**93,144**
(b) Reconciliation of net cash provided by operating activities to profit for the year:		
Profit for the year	211,486	216,286
Dividends received as securities in dividend reinvestment plan	(4,758)	(23,320)
Depreciation	60	163
Charges to provisions	134	170
Other movements	(375)	16
Increase/(Decrease) in provision for income tax	33,477	(6,507)
Transfer from provision for deferred income tax	(20,889)	8,547
Decrease/(increase) in deferred tax assets	496	(942)
Changes in operating assets and liabilities:		
Increase in current investments	(7,264)	(205)
Increase in other debtors	(112)	(2,892)
(Decrease)/increase in other creditors	(1,228)	2,536
Net cash provided by operating activities	**211,027**	**193,852**
(c) Financing arrangement		
Total line of credit available:		
Loan facility – unsecured	-	100,000
Amount utilised	-	-
Undrawn facility	**-**	**100,000**

The unsecured loan facility for $100 million was cancelled on 31 October 2016.

(d) Non-cash financing activities
Dividends paid totalling $39.1 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2016: $38.8 million).

7. RECEIVABLES

	2017 $'000	2016 $'000
Current		
Dividends and distributions receivable	40,244	40,581
Interest receivable	656	220
Outstanding settlements	11,231	-
Other	390	377
	52,521	**41,178**

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

	2017 $'000	2016 $'000
Non-Current		
Executive share plan loans	**99**	**119**

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

8. INVESTMENTS

	2017 $'000	2016 $'000
Current		
Listed securities at fair value(1)	**9,129**	**1,865**
Non-Current		
Listed securities at fair value(1)	5,082,377	4,707,567
Unlisted securities at fair value(2)	5,474	4,710
	5,087,851	**4,712,277**

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 ASX for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

(2) The fair value of unlisted securities is not based on observable market data in accordance with Level 3 of the fair value measurement hierarchy. The Directors have made valuation judgements to determine the fair value of these securities based on 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:

	2017 $'000	**2016** $'000
Carrying amount at beginning of year	4,710	29,870
Additions	644	750
Transfer to level 1 (listed securities) on listing	-	(26,000)
Fair value gains recognised in other comprehensive income	120	90
Carrying amount at end of year	**5,474**	**4,710**

The fair value of each non-current security (long-term investment) is disclosed in Note 29.

There were 527 investment transactions during the financial year. The total brokerage paid on these transactions was $1.3 million.

9. OTHER FINANCIAL CASH ASSETS

	2017 $'000	**2016** $'000
Bank term deposits	**40,000**	**-**

Other financial cash assets are fixed term deposits with banks (fixed interest rates to maturity between 2.35% and 2.40% at 30 June 2017) maturing from three to six months from date of deposit.

10. PLANT AND EQUIPMENT

	2017 $'000	**2016** $'000
Plant and equipment at cost	1,067	1,058
Accumulated depreciation	(792)	(732)
	275	**326**
Movements		
Carrying amount at beginning of year	326	323
Additions	9	166
Depreciation	(60)	(163)
Carrying amount at end of year	**275**	**326**

11. PAYABLES

	2017 $'000	2016 $'000
Outstanding settlements	3,009	1,069
Other	1,059	919
	4,068	**1,988**

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 $'000	2016 $'000
Exchange traded options at fair value	**2,987**	**4,354**

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

13. PROVISIONS

	2017 $'000	2016 $'000
Current		
Provision for employee entitlements	**540**	**467**
Non-Current		
Provision for employee entitlements	**113**	**154**

14. DEFERRED TAX LIABILITIES

	2017 $'000	2016 $'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	648,032	537,357
Income receivable which is not assessable for tax until receipt	1,371	1,270
Deferred tax (asset)/liability on unrealised gains on trading investments	(296)	40
	649,107	538,667
Offset by deferred tax assets:		
Provisions and payables	(1,619)	(2,115)
Deferred tax on cost of share issues	(201)	(183)
	(1,820)	(2,298)
Net deferred tax liabilities	**647,287**	**536,369**
Movements		
Balance at beginning of year	536,369	618,091
Debited/(credited) to profit or loss	262	(1,010)
Charged/(credited) to other comprehensive income	131,329	(89,293)
Changes to the tax base of investments	(20,673)	8,581
Balance at end of year	**647,287**	**536,369**

The amount of net deferred tax liabilities expected to be settled in the next 12 months is $0.1 million (2016: deferred tax asset $0.2 million).

15. CONTRIBUTED EQUITY

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

	2017 No. of shares	2016 No. of shares	2017 $'000	2016 $'000
Issued and fully paid ordinary shares:				
Opening balance	679,742,854	666,769,679	2,572,213	2,473,320
Dividend reinvestment plan[(a)]	5,296,881	5,185,485	39,134	38,819
Share purchase plan[(b)]	8,373,743	7,787,690	60,458	60,355
Cost of share issues net of tax	-	-	(278)	(281)
Closing balance	**693,413,478**	**679,742,854**	**2,671,527**	**2,572,213**

(a) On 9 September 2016, 2,717,901 shares were allotted at $7.32 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2016.

On 10 March 2017, 2,578,980 shares were allotted at $7.46 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2017.

(b) On 11 October 2016, 8,373,743 shares were allotted at $7.22 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

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

16. RESERVES

	2017 $'000	2016 $'000
Executive Performance Rights Reserve	980	1,355
Investment Revaluation Reserve	1,423,308	1,155,839
Capital Profits Reserve	245,243	208,843
	1,669,531	**1,366,037**
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	1,355	1,339
Accrued entitlement for unvested rights	891	659
Executive performance shares purchased	(1,266)	(643)
Balance at end of year	980	1,355
Investment Revaluation Reserve		
Balance at beginning of year	1,155,839	1,354,931
Revaluation of long-term investments	435,198	(299,781)
Provision for deferred tax (expense)/benefit on revaluation of long-term investments	(131,329)	89,293
Realised (gains)/losses on sale of long-term investments transferred to capital profits reserve	(54,700)	14,951
Income tax expense /(benefit) thereon	18,300	(3,555)
Balance at end of year	1,423,308	1,155,839
Capital Profits Reserve		
Balance at beginning of year	208,843	240,242
Dividend paid	-	(20,003)
Transfer from investment revaluation reserve	36,400	(11,396)
Balance at end of year	245,243	208,843
Total Reserves	**1,669,531**	**1,366,037**

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 $218.2 million (2016: $115.1 million). The cumulative profit after tax on these disposals was $36.4 million (2016: loss $11.4 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

	2017 $'000	**2016** $'000
Balance at beginning of year	372,955	341,572
Dividends paid	(208,985)	(184,903)
Profit for the year	211,486	216,286
Balance at end of year	**375,456**	**372,955**

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 increasing level of dividends and providing attractive total returns over the long term.

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

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

19. DIVIDENDS

	2017 $'000	**2016** $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June 2016 of 15.5 cents fully franked at 30% tax rate paid 9 September 2016 (2016: 15.5 cents fully franked at 30% tax rate)	105,360	103,349
Interim dividend for the year ended 30 June 2017 of 15.0 cents fully franked at 30% tax rate paid 10 March 2017 (2016: 15.0 cents fully franked at 30% tax rate)	103,625	101,557
Total dividends paid	**208,985**	**204,906**

The final dividend paid did not contain a listed investment company (LIC) capital gain component (2016: 3.0 cents per share).

	2017 $'000	**2016** $'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 2017 of 16.0 cents fully franked at 30% tax rate payable 15 September 2017 (2016: 15.5 cents fully franked at 30% tax rate)	**110,946**	**105,360**

The final dividend declared will contain a LIC capital gain component of 5.0 cents per share (2016: nil).

20. FRANKING ACCOUNT

	2017 $'000	2016 $'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	105,388	85,427
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(47,548)	(45,154)
	57,840	**40,273**
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	**134,960**	**93,970**

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

	2017 $'000	2016 $'000
Balance of the LIC capital gain account	38,932	5,401
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(34,671)	-
	4,261	**5,401**
This equates to an attributable amount of	**6,087**	**7,716**

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

	2017 $'000	2016 $'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	404	389
Later than one year but not later than five years	987	1,205
Later than five years	402	721
	1,793	**2,315**

The Company has entered into two property leases, one expiring on 12 December 2018 and the other expiring on 31 January 2024. Lease rentals are subject to review during the term of the leases. The lease expiring on 12 December 2018 provides the Company with a right of renewal.

24. RELATED PARTIES

	2017 $	2016 $
(a) **Key Management Personnel Compensation**		
Short-term	2,069,830	2,004,911
Post-employment (superannuation)	123,417	141,500
Share based	549,312	357,335
	2,742,559	**2,503,746**

Detailed remuneration disclosures are provided in the Remuneration Report.

	2017 $	2016 $
(b) **Key Management Personnel Loans**		
Balance at beginning of year	118,695	138,357
Loan repayments	(19,662)	(19,662)
Balance at end of year	**99,033**	**118,695**
Notional interest not charged	1,644	2,501

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

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

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

The Company purchased 12,500,100 shares in AGLI for a consideration of $25.0 million, and 12,500,000 options were also received for no consideration which were exercisable for $2.00 per option on or before 31 March 2017. The options were not exercised and lapsed on 31 March 2017.

At balance date, the AGLI shares (ASX: ALI) had a fair value of $23.1 million (2016: $22.9 million).

The Company receives a fee for managing the operations of AGLI, via its wholly owned subsidiary, Argo Service Company Pty Ltd. Fees of $3.4 million (2016: $3.3 million) were received or receivable in the financial year ended 30 June 2017 with Cohen & Steers, the Portfolio Manager, receiving 50% of this fee to manage and invest the portfolio. Management fees of $0.30 million (2016: $0.28 million) were receivable at balance date.

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

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 2017 the parent entity is Argo Investments Limited.

	2017 $'000	**2016** $'000
Profit of the parent entity		
Profit for the year	211,487	216,169
Total comprehensive income for the year	515,356	5,681
Financial position of the parent entity as at 30 June		
Current assets	308,605	140,720
Total assets	5,398,504	4,854,224
Current liabilities	34,162	6,387
Total liabilities	682,111	543,140
Net assets	4,716,393	4,311,084
Total equity of the parent entity comprising of:		
Contributed equity	2,671,527	2,572,213
Reserves	1,669,531	1,366,037
Retained profits	375,335	372,834
Total equity attributable to shareholders of the parent entity	4,716,393	4,311,084

Argo Investments Limited has an agreement in place with Argo Service Company Pty Ltd to provide up to $250,000 (2016: $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 2017.

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, 1,716 (2016: 1,547) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $13,016 (2016: $12,957) and had a market value of $13,162 (2016: $11,401) at $7.67 per share (2016: $7.37 per share) at balance date.

(b) Argo Investments Limited Executive Performance Rights Plan

The Argo Investments Limited Executive Performance Rights Plan (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)
20/11/14	20/11/16	4/12/16	41,073	-	(41,073)	-	-
26/10/15	26/10/17	9/11/17	79,831	-	-	(6,886)(2)	72,945
26/10/16	26/10/18	9/11/18	-	78,936(1)	-	(6,661)(2)	72,275
			120,904	**78,936**	**(41,073)**	**(13,547)**	**145,220**

(1) The fair value at grant date of the STI performance rights issued during the year was $6.46 (2016: $7.08) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The following inputs were used to calculate the fair value of the STI performance rights issued:

(a) Share price at valuation date 26 October 2016: $7.26 (26 October 2015: $7.83); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.8% (2016: 5.0%).

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

(3) STI performance rights expense of $472,639 (2016: $465,967) 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 0.7 year (2016: 1.0 year).

During the year, 41,073 (2016: 44,238) shares were acquired by the Company on behalf of eligible employees for exercised STI performance rights at a cost of $303,456 and had a market value of $315,030 at $7.67 per share at balance date.

LTI performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
17/11/11	17/11/15	1/12/16	235,500	-	(29,958)	(205,542)[2]	-
15/11/12	15/11/16	29/11/16	223,900	-	(123,849)	(100,051)[3]	-
22/11/13	22/11/17	6/12/17	171,800	-	-	(31,100)[4]	140,700
22/11/14	22/11/18	4/12/18	129,700	-	-	(10,500)[4]	119,200
26/10/15	26/10/19	9/11/19	142,260	-	-	(9,940)[4]	132,320
26/10/16	26/10/20	9/11/20	-	168,940[1]	-	(11,520)[4]	157,420
			903,160	**168,940**	**(153,807)**	**(368,653)**	**549,640**

(1) The fair value at grant date of the LTI performance rights issued during the year was $5.76 (2016: $6.41) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The Monte Carlo simulation has been used to determine the probabilities of meeting the performance conditions and the expected level of vesting under each performance condition. The following inputs were used to calculate the fair value of the LTI performance rights issued:

(a) Share price at valuation date 26 October 2016: $7.26 (26 October 2015: $7.83); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.8% (2016: 5.0%).

(2) 38,100 LTI performance rights lapsed due to resignation of executives and 167,442 lapsed without vesting.

(3) 25,900 LTI performance rights lapsed due to resignation of executives and 74,151 lapsed without vesting.

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

(5) LTI performance rights expense totalling $418,173 (2016: $192,646) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

(6) The weighted average remaining life of the LTI performance rights outstanding at the end of the year was 2.0 years (2016: 1.5 years).

During the year, 131,877 (2016: 38,980) shares were acquired by the Company on behalf of eligible employees for exercised LTI performance rights at a cost of $962,326 (2016: $299,834) and had a market value of $1,011,497 (2016: $287,283) at $7.67 per share (2016: $7.37 per share) at balance date.

27. AUDITOR'S REMUNERATION

	2017 $	2016 $
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	148,234	141,338
(b) Non-audit services		
Taxation and professional services	18,850	22,552
Total remuneration	**167,084**	**163,890**

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

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

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

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

During the year the Company had a financing arrangement in place which is disclosed in Note 6(c). The unsecured line of credit loan facility for $100 million was cancelled on 31 October 2016.

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 $178.1 million (2016: $164.9 million) and $356.1 million (2016: $329.9 million) respectively, after tax. The investment revaluation reserve at 30 June 2017 has an after tax balance of $1,423.3 million (2016: $1,155.8 million). It would require a 40% (2016: 35%) 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:

	2017	2016
Energy	4%	4%
Materials	13%	12%
Industrials	6%	8%
Consumer Discretionary	7%	7%
Consumer Staples	7%	8%
Health Care	8%	7%
Banks	20%	20%
Cash and Short-term Deposits	5%	2%
Other Financials	11%	10%
Listed Investment Companies	5%	6%
Property	4%	4%
Telecommunication Services & I.T.	6%	7%
Utilities	4%	5%
	100%	100%

The following investments represent over 5% of total assets:

	2017	2016
Westpac Banking Corporation	6.3%	6.7%
Australian and New Zealand Banking Group	5.2%	4.9%

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 $3.0 million (2016: $4.4 million) and is disclosed in Note 12. Investments with a market value of $45.2 million (2016: $47.3 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 1.2% (2016: 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 13 *Fair Value Measurement,* based on the following fair value measurement hierarchy:

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

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

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

29. LONG-TERM INVESTMENTS

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

	2017 No. of shares or units	2017 $'000	2016 No. of shares or units	2016 $'000
Adelaide Brighton Ltd	7,681,385	43,246	7,681,385	42,785
AGL Energy Ltd.	3,642,000	92,871	3,650,000	70,409
ALS Ltd.	5,104,023	38,025	5,104,023	24,959
Alumina Ltd.	12,429,285	23,864	12,429,285	16,096
Amcor Ltd.	4,918,564	79,730	4,918,564	73,434
AMP Ltd.	12,381,674	64,261	12,381,674	63,889
Ansell Ltd.	786,972	18,675	786,972	14,299
APA Group	10,277,940	94,249	10,277,940	94,968
A.P. Eagers Ltd.	4,432,620	37,057	4,312,620	51,450
Argo Global Listed Infrastructure Ltd.	12,500,100	23,125	12,500,100	22,938
Argo Global Listed Infrastructure Ltd. options	-	-	12,500,000	150
Aristocrat Leisure Ltd.	2,485,130	56,065	2,485,130	34,295
Asaleo Care Ltd.	14,534,001	21,365	11,534,001	24,221
Asciano Ltd.	-	-	6,743,086	59,811
ASX Ltd.	-	-	109,101	4,992
Australia and New Zealand Banking Group Ltd.	9,762,275	280,373	9,762,275	235,466
Australian United Investment Company Ltd.	15,094,383	122,114	16,461,022	117,696
Automotive Holdings Group Ltd.	5,943,484	19,911	5,184,593	19,494
BHP Billiton Ltd.	8,428,904	196,225	8,428,904	157,199
Boral Ltd.	4,460,327	30,999	3,075,132	19,127
Brambles Ltd.	5,501,609	53,586	5,501,609	68,165
Brickworks Ltd.	584,009	8,053	584,009	8,386
CBL Corporation Ltd.	9,236,706	29,557	5,592,663	13,926
Challenger Ltd.	4,190,311	55,899	4,190,311	36,162
Coca-Cola Amatil Ltd.	2,200,733	20,313	2,700,733	22,227
Commonwealth Bank of Australia	3,203,731	265,301	3,203,731	238,262
Computershare Ltd.	4,901,166	69,302	4,901,166	44,944
Crown Resorts Ltd.	2,609,184	32,041	2,609,184	32,902
CSL Ltd.	1,113,370	153,678	1,051,952	118,008
Diversified United Investment Ltd.	9,569,575	35,599	10,069,575	32,928

	2017 No. of shares or units	2017 $'000	2016 No. of shares or units	2016 $'000
Downer EDI Ltd.	1,809,538	11,599	2,392,527	9,092
DUET Group	-	-	25,458,221	63,646
DuluxGroup Ltd.	3,881,512	26,937	3,881,512	24,531
Estia Health Ltd.	11,209,250	34,188	4,316,479	19,899
Event Hospitality & Entertainment Ltd.	1,972,387	26,371	1,634,721	23,753
Fletcher Building Ltd.	900,000	6,849	1,350,701	11,022
Genworth Mortgage Insurance Australia Ltd.	3,208,901	9,402	2,208,901	6,074
GPT Group	3,480,667	16,672	3,480,667	18,830
GUD Holdings Ltd.	1,772,013	22,877	1,772,013	16,143
Harvey Norman Holdings Ltd.	5,213,182	19,914	4,213,182	19,423
Iluka Resources Ltd.	1,700,000	14,756	1,700,000	11,033
Incitec Pivot Ltd.	4,095,530	13,966	4,095,530	12,164
Insurance Australia Group Ltd.	6,281,075	42,586	6,981,075	38,047
Intrepica Pty Ltd.	3,030,502	1,394	1,630,435	750
InvoCare Ltd.	2,082,191	30,608	2,082,191	27,360
IRESS Ltd.	791,884	10,049	791,884	8,624
iSelect Ltd.	4,472,554	8,990	4,472,554	5,568
Lendlease Group	3,893,609	64,829	3,893,609	49,059
LEX Property Fund	3,000,000	4,080	3,000,000	3,960
Macquarie Group Ltd.	2,458,151	217,546	2,458,151	169,367
Macquarie Group Ltd. income securities	-	-	15,000	968
Managed Accounts Holdings Ltd.	12,500,000	4,375	12,500,000	5,625
McGrath Ltd.	7,500,000	4,200	6,500,000	5,980
Milton Corporation Ltd.	25,919,808	116,898	28,483,552	121,910
Mirvac Group	6,000,551	12,781	6,000,551	12,121
MMA Offshore Ltd.	7,000,000	1,085	13,862,997	4,228
Monash IVF Group Ltd.	8,211,645	14,617	7,711,645	14,035
MotorCycle Holdings Ltd	300,000	1,182	-	-
Murray River Organics Group Ltd	1,249,998	413	-	-
National Australia Bank Ltd.	6,055,138	179,172	6,055,138	153,982
Navitas Ltd.	3,757,061	18,222	3,623,160	19,891
oOh!media Ltd.	1,005,493	4,143	-	-
Orica Ltd.	2,307,983	47,821	2,557,983	31,540
Origin Energy Ltd.	10,959,203	75,180	10,959,203	63,015
Pact Group Holdings Ltd.	3,237,038	19,390	3,237,038	19,519

	2017 No. of shares or units	2017 $'000	2016 No. of shares or units	2016 $'000
Peet Ltd.	16,152,705	19,302	13,152,705	12,298
Perpetual Ltd.	238,905	13,348	238,905	9,824
Premier Investments Ltd.	1,250,000	15,838	1,250,000	17,825
Primary Health Care Ltd.	6,808,917	24,784	6,808,917	26,895
Programmed Maintenance Services Ltd.	1,572,197	2,932	1,572,197	2,759
QANTIM Intellectual Property Ltd.	4,718,457	5,992	-	-
QBE Insurance Group Ltd.	5,670,491	66,968	5,420,491	56,536
Ramsay Health Care Ltd.	1,393,350	102,551	1,375,437	98,701
Ramsay Health Care Ltd. reset conv. preference	25,000	2,672	25,000	2,575
Reece Ltd.	746,205	31,341	697,806	25,819
Regis Healthcare Ltd.	1,660,959	6,528	1,660,959	7,790
Reliance Worldwide Corporation Ltd.	-	-	400,000	1,236
Rio Tinto Ltd.	2,370,739	149,997	2,510,739	114,239
Rural Funds Group	5,407,750	9,977	800,009	1,264
Santos Ltd.	11,007,714	33,353	10,326,884	47,917
Scentre Group	7,526,662	30,483	8,526,662	41,951
Sims Metal Management Ltd.	-	-	415,772	3,251
Sonic Healthcare Ltd.	2,980,069	72,177	2,936,618	63,284
South32 Ltd.	7,265,004	19,470	8,265,004	12,728
Spark Infrastructure	4,868,363	12,755	4,868,363	11,879
Speedcast International Ltd	1,167,742	4,461	-	-
Steadfast Group Ltd.	9,431,269	25,087	9,431,269	18,627
Stockland	2,817,934	12,343	2,817,934	13,272
Suncorp Group Ltd.	4,260,838	63,146	4,260,838	51,897
Surfstitch Group Ltd.	-	-	8,130,000	1,585
Sydney Airport	14,458,175	102,508	14,458,175	100,340
Tabcorp Holdings Ltd.	4,050,670	17,701	2,850,670	13,028
Tassal Group Ltd.	5,714,975	21,774	4,446,083	17,695
Tatts Group Ltd.	2,052,730	8,580	2,052,730	7,841
Technology One Ltd.	5,964,564	34,356	5,964,564	30,837
Telstra Corporation Ltd.	44,014,800	189,264	43,004,800	239,107
Transurban Group	5,802,689	68,762	5,785,989	69,374
Twenty-First Century Fox, Inc. class B	1,681,687	61,062	1,681,687	61,550
Vocus Group Ltd.	6,152,447	20,734	1,509,770	12,863

	2017 No. of shares or units	2017 $'000	2016 No. of shares or units	2016 $'000
Washington H. Soul Pattinson and Company Ltd.	2,182,606	36,384	2,182,606	37,104
Wesfarmers Ltd.	5,440,027	218,254	5,440,027	218,145
Westfield Corporation	3,724,835	29,910	3,724,835	39,670
Westpac Banking Corporation	11,116,768	339,173	11,116,768	326,833
Woodside Petroleum Ltd.	1,700,873	50,805	1,700,873	45,651
Woolworths Ltd.	4,133,026	105,557	4,133,026	86,339
WorleyParsons Ltd.	797,336	8,946	972,336	7,001
Total long-term investments		**5,087,851**		**4,712,277**

Directors' Declaration

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

(a) the consolidated financial statements and notes set out on pages 39 to 72 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 2017 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 2017.

Dated this 14th day of August 2017

Signed in accordance with a resolution of the Directors

G.I. Martin AM
Chairman

Independent auditor's report

To the shareholders of Argo Investments Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Argo Investments Limited (the Company) and its controlled entities (together, Argo) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Argo's financial position as at 30 June 2017 and of its financial performance for the year then ended

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

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 30 June 2017
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of Argo in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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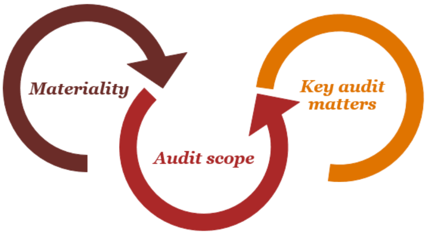
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



Materiality

- For the purpose of our audit we used overall quantitative materiality for Argo of $47.165 million, which represents approximately 1% of net assets of Argo at 30 June 2017.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets as the benchmark because, in our view, net assets is:
  - the benchmark against which the performance of Argo is most commonly measured;
  - the key driver of the business and determinant of Argo's value; and
  - a generally accepted benchmark for listed investment companies.
- We selected a 1% threshold based on our professional judgement, noting that it is within the range of commonly acceptable net asset related thresholds.

Audit scope

- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Argo, its accounting processes and controls and the industry in which it operates.
- Our audit focused on where Argo made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Argo operates out of its Adelaide and Sydney offices with the finance function based in Adelaide. We perform our audit procedures predominantly at the Adelaide office. The investment management and administration operations for Argo are conducted by the Company's subsidiary, Argo Service Company Pty Ltd.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of investments	
Argo has investments of $5.1 billion as at 30 June 2017 (refer notes 1(d) and 8 of the financial report). Investments mostly consist of listed Australian equities and some unlisted Australian securities. Investments are valued by multiplying the quantity held by the respective market price, cost or estimated net tangible asset value per share for unlisted investments. Whilst there is not significant judgement in determining the valuation of Argo's investments, these represent a key measure of Argo's performance and comprise a significant proportion of total assets in the consolidated statement of financial position. The fluctuations in investment valuation will also impact the realised and unrealised gains/(losses) recognised in the consolidated statement of profit or loss and other comprehensive income which also affects the deferred tax provisions. Given the pervasive impact investments have on Argo's key financial metrics, we determined the existence and valuation of investments to be a key audit matter.	Our audit procedures included: 1) Reperforming a reconciliation of the investments balance for the year, including the 1 July 2016 investment balance, purchases, sales, other relevant transactions and the 30 June 2017 investment balance. 2) Verifying the mathematical accuracy of investments equalling quantity by unit price as at 30 June 2017. 3) Performed testing over a sample of investment purchases and sales by agreeing the transaction recorded to purchase and sale confirmations from brokers. 4) Agreeing all the investment quantity holdings at 30 June 2017 to external share registries. 5) For listed investments, agreeing market prices used to value the investments to independent market pricing sources. 6) For unlisted investments, where there was less or little market observable data, agreeing the investment value used to the cost information or net tangible asset information obtained from the unlisted entity. 7) Assessing the design and performing tests of the implementation and operating effectiveness of the key accounting controls over the investments.

Other information

The directors are responsible for the other information. The other information comprises the Five Year Summary, Portfolio Sector Allocation and 20 Largest Investments, Company Profile, Shareholder Benefits, Directors' Report and Shareholding Details included in Argo's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of Argo to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Argo or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 17 to 36 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

M T Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
14 August 2017

Shareholder information as at 31 July 2017

	Ordinary shareholders
Number of shareholders holding:	
1- 1,000 shares	20,806
1,001- 5,000 shares	30,502
5,001- 10,000 shares	13,960
10,001- 100,000 shares	15,882
100,001 or more shares	481
Total number of shareholders (entitled to one vote per share)	**81,631**
Number of shareholders holding less than a marketable parcel	1,627

20 largest shareholders of ordinary shares

	No. of shares	% of issued capital
RCY Pty. Limited	6,166,887	0.89
JIT Pty. Limited	4,950,972	0.71
HSBC Custody Nominees (Australia) Limited	4,123,041	0.59
IOOF Investment Management Limited (IPS Super a/c)	3,788,069	0.55
TRIGT Pty. Limited	2,852,478	0.41
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,829,292	0.41
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,332,605	0.34
McLennan Holdings Pty. Ltd.	2,120,026	0.31
Bougainville Copper Limited	1,937,571	0.28
Donald Cant Pty. Ltd.	1,852,316	0.27
Kalymna Pty. Ltd.	1,620,737	0.23
Salur Holdings Pty. Limited	1,583,097	0.23
Poplar Pty. Ltd.	1,489,889	0.21
Jacaranda Pastoral Pty. Ltd.	1,366,178	0.20
Australian Executor Trustees Limited	1,190,704	0.17
JPMorgan Nominees Australia Limited	1,143,662	0.16
IOOF Investment Management Limited (IPS IDPS a/c)	1,091,927	0.16
Ling Nominees Pty. Ltd. (Ling Family a/c)	1,090,849	0.16
Milton Corporation Limited	985,766	0.14
Maluna Investments Pty. Ltd.	975,796	0.14
	45,491,862	**6.56**

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

Argo

Investing in Australia

MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2017

Profile

Milton was established as a private investment company 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 company for more than 24,000 shareholders and is listed on the Australian Securities Exchange under the code MLT.

Investment philosophy

Milton is predominantly a long term investor in companies and trusts listed on the ASX 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.

Benefits of an investment in Milton Corporation Limited

Shareholders receive fully franked dividends semi-annually – normally March and September.

Ordinary fully franked dividends are paid out of profit after tax excluding special investment revenue and costs associated with the acquisition of subsidiaries. Dividends have been paid every year since listing and they have been fully franked since the introduction of franking. Special fully franked dividends may be paid out of special investment revenue.

The investment portfolio provides shareholders with exposure to diversified assets

Milton's $2.8 billion equity investment portfolio comprises interests in companies and trusts which are listed on the Australian Securities Exchange and are expected to deliver increased 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.

Shareholders have an investment in a low cost, efficiently managed company with total administration costs that represent 0.12% per annum of total assets.

Milton's directors oversee the performance of its executives who are employed by the company to manage the investments for the benefit of shareholders.

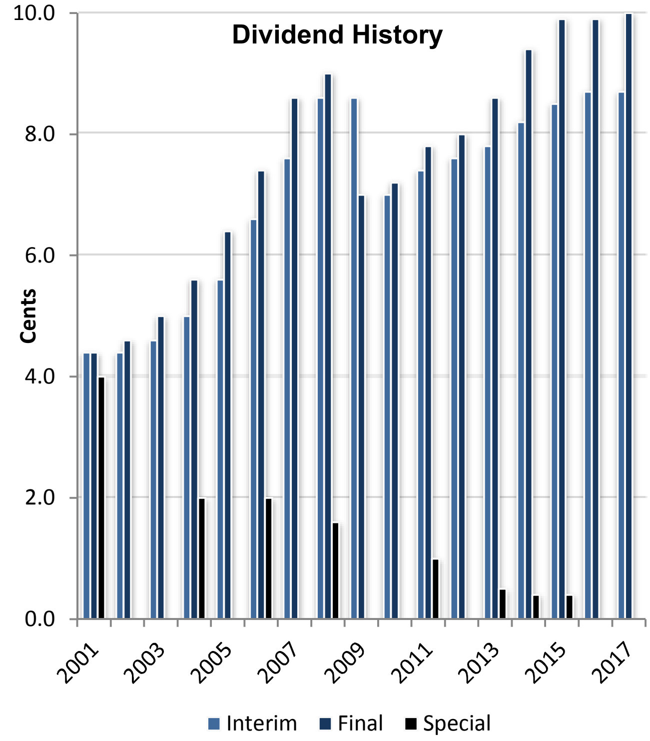
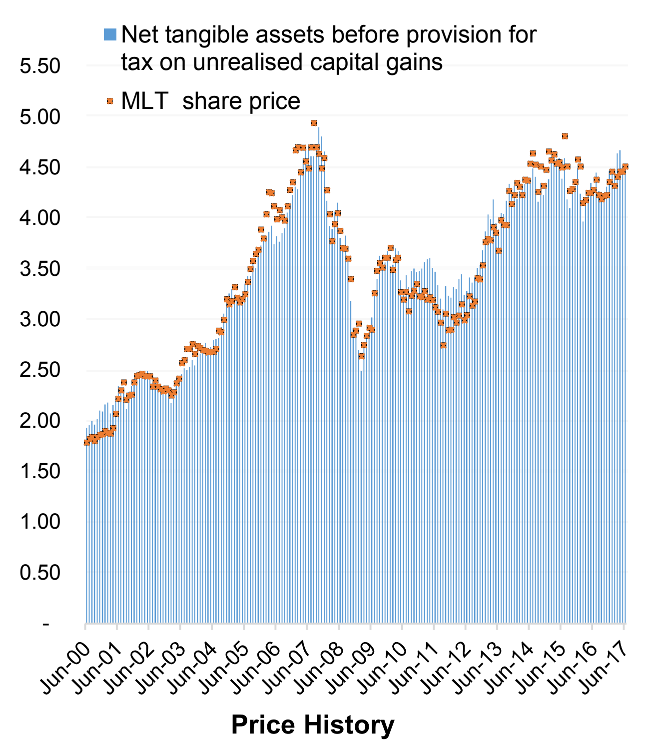
Contents*

*Corporate Governance Statement is available on the company website www.milton.com.au/governance and is lodged with ASX with this Annual Report.

Important dates

Final Dividend:		
- Ex date	10 August 2017	**Company Briefing - Melbourne**
- Payment date	5 September 2017	on 16 October 2017 at 10.30am
- DRP application closing date	14 August 2017	at State Library of Victoria
Annual General Meeting:	**12 October 2017 at 3.00pm**	
- To be held at	Sofitel Sydney Wentworth,	**Company Briefing - Adelaide**
	Level 4, Adelaide Room,	on 17 October 2017 at 10.30am
	61-101 Phillip Street, Sydney	at InterContinental Adelaide

Milton has three objectives:

Increase fully franked dividends paid to shareholders over time	*Provide capital growth in the value of the shareholders' investments*
	

Invest in a diversified portfolio of assets which are predominantly Australian listed companies and trusts

Chairman's Review of the 2017 financial year

The net profit after tax for the 2017 financial year was $122.4 million, including special investment revenue of $0.4 million. Underlying profit was $122 million and dividends declared for the year totalled $121.8 million with the increased final dividend of 10 cents per share bringing full year dividends to 18.7 cents per share.

Underlying profit excludes special investment revenue which tends to fluctuate from year to year. In 2016, special investment revenue totalled $1.5 million and the year before it was $3 million. It is considered that underlying profit may provide a better guide to the ongoing performance of the company.

	1H17 $ m	1H16 $ m	Var. %	2H17 $ m	2H16 $ m	Var. %	FY 17 $ m	FY16 $ m	Var. %
Ordinary Investment income	61.7	65.7	(6.1)	63.3	59.7	6.0	125.0	125.4	(0.3)
Underlying profit	60.6	67.9	(10.7)	61.4	58.5	5.0	122.0	126.4	(3.5)
Special dividends	0.2	0.7	(78.7)	0.2	0.8	(73.1)	0.4	1.5	(75.6)
Net profit	60.8	68.6	(11.4)	61.6	59.3	3.8	122.4	127.9	(4.3)

Underlying profit in the first half of the year was 10.7% lower than the previous corresponding half. This was largely due to a fall in investment income and trading profits. Investment income improved in the second half of the year and lifted the underlying profit to $61.4 million, 5% higher than the previous corresponding half.

Over the full year, the ordinary investment income of $125 million, which was derived from the portfolio of Australian listed equities, was marginally lower than the previous year's income. Dividend cuts, from Top 20 holdings such as BHP Billiton, Woolworths, ANZ Banking Corporation and Rio Tinto, were the main cause of the 6.1% fall in investment income in the first half of the year. In the second half there was an increase in the number of companies that paid higher dividends and the ordinary investment income increased by 6.0% to $63.3 million.

Other income including interest, trading profits and joint venture profits amounted to $4.9 million in 2017.

With administration expenses of $3.6 million, representing 0.12% of average total assets for the year, the company is one of the lowest cost operators in the LIC sector. Milton is able to achieve this as it is internally managed and is not attempting to profit from the provision of fund management services. All executives are investors in Milton and their interests are aligned with shareholders.

The payment of increasing ordinary fully franked dividends over time is one of Milton's key objectives and this year the full year dividend was increased to 18.7 cents per share, even though the company's earnings per share were marginally lower than the previous year.

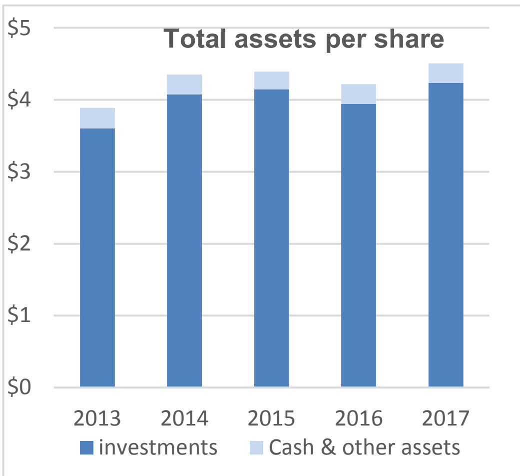
Before declaring the increased dividend, directors considered the results for the 2017 financial year as well as the company's prospects for increased dividend income in 2018 after taking into account internal earnings and dividend forecasts.

This demonstrates one of the advantages of Milton's corporate structure. Milton has a strong balance sheet and profit reserves to support the dividend should the need arise and it has sufficient franking credits to ensure all dividends will be fully franked, at least for the foreseeable future.

Ordinary fully franked full year dividends have been increased every year since 2010 with the 2017 dividend of 18.7 cents per share being 31.7% higher than the 2010 full year dividend of 14.2 cents per share.

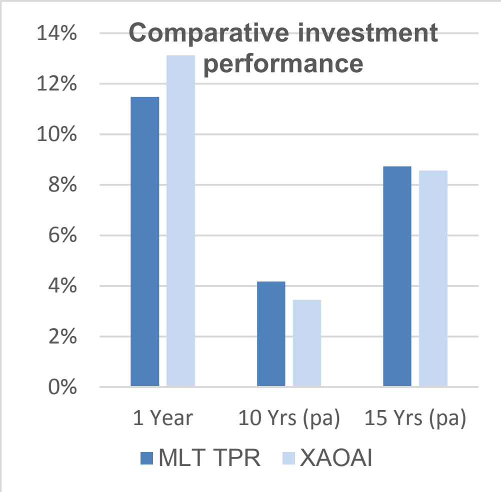
Another key objective is to provide growth in the value of the shareholders' investments. Over the 2017 financial year, Milton's Net Tangible Asset backing before provision for tax on unrealised capital gains (NTA), increased by 6.9% to $2.9 billion. The resultant NTA per share increased to $4.51 from $4.22 and the share price also increased to $4.51 from $4.28

With Milton paying out more than 90% of its profits and with long term investments in Australian listed companies representing more than 90% of the total assets, the movement in the NTA largely reflects the change in the underlying market values of the investments. Over the last five years, cash and other assets have remained reasonably constant whilst the value of the investments has increased to $2.8 billion from $2.2 billion.



The composition of the equity portfolio reflects the emphasis Milton has always placed on investing in companies that pay dividends as Milton aims to fund its dividend payments from the dividend income that it receives. Consequently, the portfolio is not aligned with any index and its investment performance may differ from that of any index, particularly over short term periods. Milton's track record indicates that its investment returns, net of all administration expenses and tax, have exceeded the index returns, as measured by the Accumulation Return of the All Ordinaries Index (XAOAI), over the longer term periods.

One indicator of investment performance, net of expenses and tax, that is commonly used by LICs is the Total Portfolio Return (TPR), which combines the change in value of the NTA per share and dividends paid in the period. The TPR for 2017 was 11.5% which was marginally below Index return of 13.1%. Over the longer term periods of 10 and 15 years the TPR has exceeded that of the accumulation return of the Index. Milton's relative performance is actually better than shown in the graph here as its TPR is calculated after administration expenses and tax have been deducted whilst the XAOAI is not.



The company's third objective is to invest in a diversified portfolio of Australian listed companies and trusts. At 30 June 2017 the portfolio comprised investments in 91 companies and trusts with a combined value of $2.8 billion, which represented 94% of its total assets.

Details of each investment held at 30 June 2017 are shown on pages 7 to 10 and the classification of investments by sector is shown in the table on page 5.

As the equity market as a whole continued to increase in value over the year there were limited opportunities to increase investments in the portfolio. Nevertheless, Milton's portfolio management team continued to monitor the performance of the companies currently held by Milton and they sought to identify opportunities to bring additional companies into the portfolio.

During the year Janus Henderson, Charter Hall Group, Charter Hall Long Wale REIT and Growthpoint Properties Australia were added to the portfolio and positions were increased in 26 other companies and trusts with a total of $56 million being invested. This investment was partly funded by disposals amounting to $44 million of which $10 million was takeover related.

The rapid advancement in technologies is challenging the business models of many traditional companies and this will create both opportunities and threats for them. Many companies are already adopting new technologies to reduce costs and analyse available data more effectively to identify new revenue streams. Others are coming to terms with new competitors and adapting their business models to enable them to compete. One of the important roles of our portfolio managers is to visit companies, attend management briefings and meet with executives and directors of these companies to help them assess the potential winners and losers.

I am delighted that Justine Jarvinen joined the board and the investment committee in August 2017. As well as having a background in investment analysis, Justine has significant experience in identifying disruptive technologies and developing strategies to capitalise on new technologies.

Mr John Church, who has been a director of Milton since 1986, will retire at the conclusion of the annual general meeting in October 2017. John has made an outstanding contribution to the company and played a valuable role in guiding the company as it grew its asset base from $70 million to nearly $3 billion. Milton has benefitted from John's deep knowledge of Australian corporate history through his input at the Investment Committee of which he has been a member since its formation in 1999.

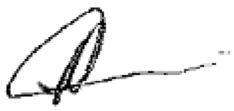
Milton entered into an agreement in July 2017 to acquire all of the shares of a private investment company with an investment portfolio valued at approximately $18 million. The terms of the agreement are similar to those of previous similar transactions and will result in Milton issuing its shares on an ex-dividend basis as consideration in the latter half of August 2017.

As a long term investor, Milton attempts to look through the short term noise of the almost daily release of contradictory financial indicators and focus more on the expected performance of our investments through the cycle.

The upcoming reporting season, which commences in August, will provide further insights into the way in which the management teams of our investments are positioning their businesses in the current conditions and for the longer term.

At present the Australian equity market appears to be reasonably fully valued with many companies having modest earnings growth expectations but their shares are trading on historically high multiples. With its closed end corporate structure, Milton is not forced to invest in these conditions and can be patient. However, Milton is well positioned to make sound long term investments at more reasonable prices if opportunities arise.

A further update on market conditions will be provided at Milton's Annual General Meeting to be held on 12 October 2017.



R. D. MILLNER

Chairman

Sydney, 3 August 2017

Five Year Financial Summary

	2017	2016	2015	2014	2013
Underlying operating profit after tax[1] ($million)	122.0	126.4	125.0	117.4	108.5
Underlying earnings per share (cents)	18.7	19.5	19.6	18.8	17.8
Profit after tax ($million)	122.4	127.9	128.0	120.3	111.2
Earnings per share (cents)	18.8	19.8	20.1	19.3	18.3
Administration costs as % of average total assets	0.12	0.13	0.12	0.13	0.14
Interim dividend (cents per share)	8.7	8.7	8.5	8.2	7.8
Final dividend (cents per share)[2]	10.0	9.9	9.9	9.4	8.6
Full year ordinary dividend (cents per share)	18.7	18.6	18.4	17.6	16.4
Special dividend (cents per share)	-	-	0.4	0.4	0.5
Net assets[2] at 30 June ($million)	2,939	2,746	2,811	2,746	2,375
Net asset backing per share pre-tax[2] at 30 June($)	4.51	4.22	4.39	4.35	3.89
Net asset backing per share post-tax[3] at 30 June($)	3.99	3.79	3.90	3.86	3.52
Last sale price at 30 June ($)	4.51	4.28	4.50	4.54	3.68
All Ordinaries Index at 30 June	5764	5310	5451	5382	4775
Ten year Total Shareholder Return (% per annum)	4.7	5.3	8.0	10.2	8.3
Five year Total Shareholder Return (% per annum)	12.9	11.4	12.1	14.5	4.0
Shares on issue (million)	651.9	649.9	640.2	630.8	610.5
Number of shareholders	24,726	23,729	22,514	21,055	19,309

(1) Underlying operating profit after tax excludes special investment revenue and costs associated with the acquisition 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.

Classification of Investments by Sector

The following asset classification table shows the composition of Milton's assets by sector.

Classification[1]	Opening position $ million	Additions $ million	Disposals $ million	Change in value $ million	Closing position $ million	Income $ million	Weighting %
Banks	879.2	-	(2.0)	88.3	965.5	57.3	32.8
Consumer staples	249.9	-	-	6.7	256.6	9.9	8.7
Materials	217.5	4.0	(3.1)	36.4	254.8	8.7	8.6
Diversified financials	178.2	11.4	(15.1)	45.4	219.9	10.5	7.5
Energy	202.3	6.1	(1.8)	(0.8)	205.8	6.2	7.0
Insurance	122.5	3.3	(6.4)	24.9	144.3	6.5	4.9
Healthcare	101.5	3.3	-	17.5	122.3	2.0	4.2
Real estate	79.1	17.8	(2.2)	(6.9)	87.8	4.3	3.0
Telecommunications	127.6	1.8	-	(41.8)	87.6	5.2	3.0
Utilities	70.2	0.4	-	16.6	87.2	2.9	3.0
Retailing	104.6	1.4	-	(24.1)	81.9	3.4	2.8
Transport	77.8	1.3	-	1.1	80.2	3.2	2.7
Commercial services	55.8	2.1	(2.0)	11.8	67.7	1.6	2.3
Capital goods	40.2	-	(5.5)	5.0	39.7	1.1	1.3
Consumer services	36.3	0.8	(5.0)	4.5	36.6	1.3	1.2
Media	13.8	1.3	-	(1.1)	14.0	0.5	0.5
Other shares	11.9	0.8		(0.6)	12.1	0.4	0.4
Total listed investments	2,568.4	55.8	(43.1)	182.9	2,764.0	125	93.9
Liquids[2]	153.6				149.0	2.7	5.1
Property joint ventures	20.6				22.9	1.2	0.8
Other assets	5.2				5.3	1.3	0.2
Total	**2,747.8**				**2,941.2**	**130.2**	**100**

(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.

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 2017 to $2.1 million.

The Foundation's assets can now support annual distributions of $110,000 and in 2017 fourteen organisations received much needed support from the Milton Foundation.

The Foundation has provided $2.1 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.

Shareholders can support the Foundation by either:

Forwarding a cheque to:
The Trustees
Milton Corporation Foundation
PO Box R1836
Royal Exchange NSW 1225.

or

Direct deposit into the bank account:
Account Name: Milton Corporation Foundation
BSB: 082-067
Account No: 038263869

Chairman of Trustees

Sydney, 3 August 2017

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2017

	Holding	Fair Value $'000
Banks		
Australia & New Zealand Banking Group Limited		
- ordinary shares	3,369,647	96,776
- capital notes 2	2,000	203
Auswide Bank Limited	433,570	2,229
Bank of Queensland Limited	7,306,078	83,655
Bendigo and Adelaide Bank Limited	5,709,708	63,264
Commonwealth Bank of Australia	3,109,948	257,535
MyState Limited	444,992	2,158
National Australia Bank Limited	4,757,857	140,786
Westpac Banking Corporation	10,451,306	318,869
		965,475
Materials		
Adelaide Brighton Limited	2,835,886	15,966
Amcor Limited	1,321,512	21,422
BHP Billiton Limited	3,636,921	84,668
Boral Limited	2,041,793	14,190
Brickworks Limited	3,234,567	44,605
Dulux Group Limited	1,655,184	11,487
Fletcher Building Limited	803,229	6,113
Incitec Pivot Limited	1,610,689	5,492
Orica Limited	188,987	3,916
Orora Limited	1,094,512	3,130
Rio Tinto Limited	583,618	36,925
Sims Metal Management Limited	452,368	6,867
		254,781
Consumer Staples		
Blackmores Limited	367,014	35,175
Coca-Cola Amatil Limited	1,466,434	13,535
Graincorp Limited	362,290	3,431
Select Harvests Limited	161,862	793
Treasury Wine Estates Limited	1,194,085	15,714
Wesfarmers Limited	2,835,533	113,762
Woolworths Limited	2,903,973	74,167
		256,577

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2017

	Holding	Fair Value $'000
Diversified Financials		
Argo Investments Limited	985,766	7,561
ASX Limited	548,965	29,430
BKI Investment Company Limited	1,223,866	1,983
BT Investment Management Limited	658,643	7,495
Carlton Investments Limited	356,778	11,238
Challenger Limited	380,000	5,069
EQT Holdings Limited	500,697	8,867
IOOF Holdings Limited	1,716,464	16,821
Janus Henderson Group	111,500	4,839
Macquarie Group Limited	652,990	57,790
Perpetual Limited	1,231,982	68,831
		219,924
Energy		
Caltex Limited	330,000	10,431
New Hope Corporation Limited	1,290,107	1,974
Origin Energy Limited	702,174	4,817
Santos Limited	1,683,469	5,101
Washington H. Soul Pattinson & Company Limited	9,174,640	152,941
Woodside Petroleum Limited	930,842	27,804
Worley Parsons Limited	245,112	2,750
		205,818
Insurance		
AMP Limited	2,121,110	11,009
AUB Group Limited	1,044,795	13,572
Insurance Australia Group Limited	5,847,282	39,645
QBE Insurance Group Limited	2,618,375	30,920
Suncorp Group Limited	3,314,232	49,117
		144,263
Telecommunication		
Telstra Corporation Limited	14,971,253	64,376
TPG Telecom Limited	4,068,949	23,193
		87,569
Retailing		
A.P. Eagers Limited	5,833,107	48,765
ARB Corporation Limited	911,065	14,313
Automotive Holdings Group Limited	3,376,366	11,311
Premier Investments Limited	590,321	7,479
		81,868

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2017

	Holding	Fair Value $'000
Commercial Services		
ALS Limited	6,079,431	45,292
Brambles Limited	1,431,966	13,953
McMillan Shakespeare Limited	629,538	8,436
		67,681
Healthcare		
Cochlear Limited	33,800	5,254
CSL Limited	592,198	81,741
Ramsay Health Care Limited	189,783	13,968
Regis Healthcare Limited	1,576,076	6,194
Sonic Healthcare Limited	624,425	15,123
		122,280
Real Estate		
Aveo Group	858,282	2,386
BWP Trust	1,584,008	4,720
Charter Hall Group	1,247,000	6,859
Charter Hall Long WALE REIT	933,000	3,853
Finbar Group Limited	2,782,249	2,226
Goodman Group	1,291,376	10,163
Growthpoint Properties Australia	403,010	1,265
Lendlease Group	702,539	11,697
Scentre Group	1,799,474	7,288
Stockland Group	3,154,940	13,819
Vicinity Centres	6,453,335	16,585
Westfield Corporation	861,000	6,914
		87,775
Utilities		
AGL Energy Limited	2,697,869	68,796
APA Group	2,005,833	18,393
		87,189
Transport		
Lindsay Australia Limited	12,843,330	4,816
Qube Holdings Limited	5,794,164	15,239
Sydney Airport	2,609,629	18,502
Transurban Group	3,512,975	41,629
		80,186
Capital Goods		
CIMIC Group Limited	791,239	30,732
Reece Limited	214,124	8,993
		39,725

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2017

	Holding	Fair Value $'000
Consumer Services		
Flight Centre Travel Group Limited	80,300	3,075
InvoCare Limited	1,950,914	28,678
Tatts Group Limited	1,159,306	4,846
		36,599
Media		
Event Hospitality & Entertainment	1,010,921	13,516
Seven Group Holdings Limited – TELYS4 preference shares	7,000	525
		14,041
Information Technology		
Carsales.com Limited	995,000	11,462
		11,462
Automobiles & Components		
Schaffer Corporation Limited	68,999	483
		483
Total Listed Investments by Sector		**2,763,696**

Directors' Report

For the year ended 30 June 2017

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 2017 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:
Hunter Hall Global Value Limited from April to June 2017

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 44 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 33 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 and HGL Limited since 1985. Director of Pengana Capital Group Limited since 2017 (formerly Hunter Hall International Limited from 2015 to 2017).

Former directorships in the last three years:
PO Valley Energy Limited from 2012 to April 2016
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 32 years' experience in the finance and investment industries.

Other current directorships:
Director of Hunter Hall Global Value Limited since June 2017

Ms. Justine E. Jarvinen BE(Chem), F Fin, GAICD Independent non-executive director.

Appointed a non-executive director of Milton effective from 3 August 2017.
Member of the Investment Committee.
An Engineer with experience in equity markets and strategy development

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 40 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	7	7	17	19	*	*	2	2	1	1
J.F. Church	7	7	16	19	*	*	-	-	*	*
G.L. Crampton	7	7	*	*	4	4	2	2	1	1
K.J. Eley	7	7	18	19	4	4	2	2	*	*
F.G. Gooch	7	7	19	19	*	*	2	2	*	*
I.A. Pollard	7	7	*	*	4	4	2	2	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 $122.4 million (2016: $127.9 million). Milton is in a sound financial position with net assets after provision for tax on unrealised capital gains at 30 June 2017 of $2.6 billion (2016: $2.5 billion) and no debt.

The operating and financial reviews are contained in the Chairman's Review which begins on page 2.

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 2016 ordinary fully franked	9.9	64,342	2 September 2016
- Interim 2017 ordinary fully franked	8.7	56,638	2 March 2017
Declared after end of year and not provided for			
- Final 2017 ordinary fully franked	10.0	65,196	5 September 2017

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 2 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 18 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	12,977,632
J.F. Church	28,508,673
G.L. Crampton	169,172
K.J. Eley	110,879
F.G. Gooch	992,100
J.E. Jarvinen	Nil
I.A. Pollard	91,129

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 2017.

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, Pitcher Partners, 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)

	2017 $	2016 $
Chairman base fee	137,507	134,811
Director base fee	68,753	67,405
Chairman of the Audit & Risk Committee fee	6,084	5,965
Member of the Audit & Risk Committee fee	3,449	3,381
Member of the Investment Committee fee	6084	5,965

The total remuneration paid to non-executive directors in 2017 was $443,754 (2016: $435,053).

In October 2011 shareholders approved an increase in 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 2017 is $190,905 (2016: $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. Average cash bonus paid was 10.5% of TECP for 2017.

The equity component of the remuneration package encourages executives to have an investment in Milton to align their interests with shareholders.

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

	2017	2016	2015	2014	2013
Profitability					
Underlying operating profit ($million)	122.0	126.4	125.0	117.4	108.5
(Decline) growth in underlying operating profit (%)	(3.5)	1.1	6.5	8.2	5.7
Underlying earnings per share (cents)	18.7	19.5	19.6	18.8	17.8
(Decline) growth in underlying earnings per share (%)	(4.1)	(0.4)	4.3	5.5	5.5
Dividend					
Full year ordinary dividend (cents per share)	18.7	18.6	18.4	17.6	16.4
Growth in full year ordinary dividend (%)	0.5	1.1	4.6	7.3	5.1
Special dividend (cents per share)	-	-	0.4	0.4	0.5
Capital					
Net asset backing per share pre-tax(1) at 30 June($)	4.51	4.22	4.39	4.35	3.89
Growth (decline) in net asset backing per share (%)	6.9	(3.8)	0.9	11.9	18.4
Net assets(1) at 30 June ($million)	2,939	2,746	2,811	2,746	2,375
Total Return					
Ten year Total Shareholder Return	4.7	5.3	8.0	10.2	8.3
Ten year Total Portfolio Return	4.2	5.6	7.3	9.2	9.3
Ten year accumulation return of the All Ordinaries Index	3.5	4.9	7.0	8.8	9.2

(1) Before provision for tax on unrealised capital gains and before providing for the ordinary final dividend.

At Milton's 2016 Annual General Meeting, shareholders supported the remuneration report for the 2016 financial year with 89.3% 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 2016.

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 2016 and 2017 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	**2017**	**131,133**	**12,458**	**143,591**	**55,905**
		2016	128,563	12,213	140,776	55,905
J.F. Church	Director	**2017**	**68,344**	**6,493**	**74,837**	**90,000**
		2016	67,005	6,365	73,370	90,000
G.L. Crampton	Director	**2017**	**50,837**	**24,000**	**74,837**	**-**
		2016	49,370	24,000	73,370	-
K.J. Eley	Director	**2017**	**71,494**	**6,792**	**78,286**	**-**
		2016	70,092	6,659	76,751	-
I.A. Pollard	Director	**2017**	**65,938**	**6,294**	**72,202**	**45,000**
		2016	64,645	6,141	70,786	45,000
Total remuneration		**2017**	**387,746**	**56,007**	**443,753**	**190,905**
		2016	379,675	55,378	435,053	190,905

(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	**2017**	**536,805**	**65,000**	**4,508**	**30,020**	**13,525**	**134,814**	**784,672**
Managing director	2016	522,980	72,000	4,508	30,020	13,794	129,714	773,016
D.N. Seneviratne	**2017**	**169,863**	**20,179**	**-**	**16,958**	**3,298**	**25,533**	**235,831**
CFO, secretary	2016	165,297	22,132	-	16,571	3,240	20,645	227,885
Total remuneration	**2017**	**706,668**	**85,179**	**4,508**	**46,978**	**16,823**	**160,347**	**1,020,503**
	2016	688,277	94,132	4,508	46,591	17,034	150,359	1,000,901

(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.

The relative proportions of total remuneration of above key management personnel that are fixed or related to performance are as follows:

	Fixed remuneration		Performance-related - STI		Performance-related - LTI	
	2017	2016	**2017**	2016	**2017**	2016
F.G. Gooch	**74.5%**	73.9%	**8.3%**	9.3%	**17.2%**	16.8%
D.N. Seneviratne	**80.6%**	81.3%	**8.6%**	9.7%	**10.8%**	9.0%

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	**2017**	**885,000**	**60,000**	**945,000**
Managing director	2016	825,000	60,000	885,000
D.N. Seneviratne	**2017**	**102,500**	**25,000**	**127,500**
CFO, secretary	2016	77,500	25,000	102,500

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	**2017**	**2,296,561**	**132,581**	**2,429,142**	**2,552,875**	**134,814**
Managing director	2016	2,155,246	141,315	2,296,561	2,352,657	129,714
D.N. Seneviratne	**2017**	**380,645**	**91,323**	**471,968**	**487,442**	**25,533**
CFO, secretary	2016	284,938	95,707	380,645	387,142	20,645

(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 5.52% (2016: 5.65%).

Apart from the loan balances shown above, there were no loans outstanding to key management personnel. Terms and conditions of the loans are referred to in note 19b to the financial statements.

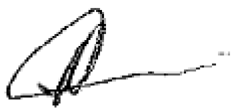
Share holdings of key management personnel and their related parties – Number of shares held

		Opening Balance	Received as Remuneration	Other Acquisitions	Closing Balance
F.G. Gooch	**2017**	**1,189,940**	**60,000**	**85**	**1,250,025**
Managing director	2016	1,129,857	60,000	83	1,189,940
D.N. Seneviratne	**2017**	**103,907**	**25,000**	**-**	**128,907**
CFO, secretary	2016	78,907	25,000	-	103,907

Rounding off

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, and in accordance with that legislative instrument, 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, 3 August 2017

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MILTON CORPORATION LIMITED
ABN 18 000 041 421

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

b) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Milton Corporation Limited and the entities it controlled during the year.

Melina Alexander

M A ALEXANDER
Partner

3 August 2017

An independent New South Wales Partnership. ABN 17 795 780 962.
Level 22 MLC Centre, 19 Martin Place, Sydney NSW 2000
Liability limited by a scheme approved under Professional Standards Legislation

FINANCIAL STATEMENTS CONTENTS

Milton Corporation Limited
Consolidated income statement
for the year ended 30 June 2017

	Note	2017	2016
		$'000	$'000
Ordinary dividends and distributions	1a	125,026	125,450
Interest	1c	2,726	3,016
Net gains on trading portfolio	1d	346	3,748
Other revenue		577	520
Operating Revenue		128,675	132,734
Share of net profits of joint ventures – equity accounted	8a	1,204	1,789
Special dividends and distributions	1b	366	1,499
Income from operating activities		130,245	136,022
Administration expenses		(3,581)	(3,537)
Profit before income tax expense		126,664	132,485
Income tax expense thereon	2a	(4,287)	(4,580)
Profit attributable to shareholders of Milton		122,377	127,905
		Cents	Cents
Basic and diluted earnings per share	3	18.79	19.76

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 2017

	2017 $'000	2016 $'000
Profit	**122,377**	127,905
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Revaluation of investments	**182,810**	(111,359)
Provision for tax (expense) benefit on revaluation of investments	**(55,059)**	32,816
Other comprehensive income, net of tax	**127,751**	(78,543)
Total comprehensive income for the period attributable to the shareholders of Milton	**250,128**	49,362

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 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash	9	**118,376**	123,403
Receivables	10a	**24,336**	23,048
Current tax prepaid		**-**	148
Other financial assets	11	**6,336**	7,324
Total current assets		**149,048**	153,923
Non-current assets			
Receivables	10b	**4,786**	4,323
Investments	7	**2,763,980**	2,568,458
Joint ventures – equity accounted	8b	**22,901**	20,581
Plant and equipment		**77**	87
Deferred tax assets	2c	**388**	405
Total non-current assets		**2,792,132**	2,593,854
Total assets		**2,941,180**	2,747,777
Current liabilities			
Payables		**1,142**	993
Current tax liabilities		**267**	-
Provisions		**128**	50
Total current liabilities		**1,537**	1,043
Non-current liabilities			
Deferred tax liabilities	2d	**335,148**	280,099
Provisions		**442**	504
Total non-current liabilities		**335,590**	280,603
Total liabilities		**337,127**	281,646
Net assets		**2,604,053**	2,466,131
Shareholders' equity			
Issued capital	12	**1,553,896**	1,545,122
Capital profits reserve	13b	**59,545**	68,236
Asset revaluation reserve	13a	**794,453**	658,011
Retained profits		**196,159**	194,762
Total equity attributable to shareholders of Milton		**2,604,053**	2,466,131

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 2017

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2016	**1,545,122**	**68,236**	**658,011**	**194,762**	**2,466,131**
Profit	**-**	**-**	**-**	**122,377**	**122,377**
Other Comprehensive Income:	**-**	**-**	**127,751**	**-**	**127,751**
Total comprehensive income	**-**	**-**	**127,751**	**122,377**	**250,128**
Net realised losses		**(8,691)**	**8,691**	**-**	**-**
Transactions with shareholders:					
Share issues	**8,774**	**-**	**-**	**-**	**8,774**
Dividends paid	**-**	**-**	**-**	**(120,980)**	**(120,980)**
Balance at 30 June 2017	**1,553,896**	**59,545**	**794,453**	**196,159**	**2,604,053**

Balance at 1 July 2015	1,504,589	64,971	739,819	189,266	2,498,645
Profit	-	-		127,905	127,905
Other Comprehensive Income:	-	-	(78,543)	-	(78,543)
Total comprehensive income	-	-	(78,543)	127,905	49,362
Net realised gains	-	3,265	(3,265)	-	-
Transactions with shareholders:					
Share issues	40,533	-	-	-	40,533
Dividends paid	-	-		(122,409)	(122,409)
Balance at 30 June 2016	1,545,122	68,236	658,011	194,762	2,466,131

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 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Dividends and distributions received		**123,703**	126,010
Interest received		**3,120**	3,306
Distributions received from joint venture entities		**1,683**	5,066
Other receipts in the course of operations		**548**	520
Proceeds from sales of trading securities		**346**	7,681
Payments for trading securities		**-**	(3,933)
Other payments in the course of operations		**(3,495)**	(3,429)
Income taxes paid		**(3,805)**	(5,271)
Net cash provided by operating activities	23a	**122,100**	129,950
Cash flows from investing activities			
Proceeds from disposal of investments	7c	**44,052**	49,129
Payments for investments in equities and trusts		**(55,775)**	(69,550)
Payments for investments in joint ventures		**(2,256)**	(3,206)
Payments for plant and equipment		**(17)**	(64)
Loans repaid by other entities		**302**	278
Loans advanced to other entities		**(1,221)**	(675)
Net cash used in investing activities		**(14,915)**	(24,088)
Cash flows from financing activities			
Proceeds from issue of shares		**8,793**	40,621
Payments for issue of shares		**(25)**	(123)
Ordinary dividends paid		**(120,980)**	(122,409)
Net cash used in financing activities		**(112,212)**	(81,911)
Net (decrease) increase in cash assets held		**(5,027)**	23,951
Cash assets at the beginning of the year		**123,403**	99,452
Cash assets at the end of the year	9	**118,376**	123,403

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 2017

1. Revenue

Milton's revenue is derived from dividends, distributions, interest income, profit from joint ventures and income arising from the trading.

	2017 $'000	2016 $'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	**124,118**	124,450
Investments sold during the year	**908**	1,000
	125,026	125,450
b. Special dividends and distributions		
This special investment revenue is received on an ad hoc basis and cannot be relied upon each year.		
Investments held in portfolio at 30 June	**251**	1,277
Investments sold during the year	**115**	222
	366	1,499

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.

	2017 $'000	2016 $'000
Interest from deposits & cash	**2,625**	2,891
Interest income from other liquid securities	**101**	125
	2,726	3,016

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

	2017 $'000	2016 $'000
Net gains from trading portfolio	**346**	3,748

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.

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.

		2017 $'000	2016 $'000
a.	**Reconciliation of Income Tax Expense to prima facie tax payable**		
	Profit before income tax	**126,664**	132,485
	Prima facie income tax expense calculated at 30% on the profit before income tax expense	**37,999**	39,746
	Increase (decrease) in income tax expense due to:		
	Tax offset for franked dividends	**(33,601)**	(34,815)
	(Over) provision in prior year	**(101)**	(147)
	Other differences	**(10)**	(204)
	Income tax expense on profit	**4,287**	4,580
b.	**Tax expense composition**		
	Current tax on profits for the year	**4,374**	4,906
	(Over) provision in prior year	**(101)**	(147)
	Decrease in deferred tax assets (note 2c)	**24**	25
	(Decrease) Increase in deferred tax liabilities (note 2d)	**(10)**	(204)
		4,287	4,580
c.	**Deferred tax assets**		
	The balance comprises temporary differences attributable to :		
	Provisions	**357**	351
	Share issue expenses	**28**	45
	Other	**3**	9
	Total deferred tax assets	**388**	405
	Movements:		
	Balance at 1 July	**405**	393
	(Charged) to the income statement	**(24)**	(25)
	Credited to equity	**7**	37
	Balance at 30 June	**388**	405
	To be recovered within 12 months	**54**	60
	To be recovered after more than 12 months	**334**	345
		388	405

		2017 $'000	2016 $'000
d.	**Deferred tax liabilities**		
	The balance comprises temporary differences attributable to:		
	Amounts recognised directly in equity:		
	Revaluation of investments	**348,680**	291,069
	Realised capital losses	**(29,813)**	(27,379)
	Amounts recognised in profit:		
	Gains on scrip for scrip rollovers	**16,043**	16,043
	Income receivable which is not assessable for tax until receipt	**238**	366
		335,148	280,099
	Movements:		
	Balance at 1 July	**280,099**	313,119
	(Credited) to income statement	**(10)**	(204)
	Charged (Credited) to other comprehensive income	**55,059**	(32,816)
	Balance at 30 June	**335,148**	280,099
	To be settled beyond 12 months	**335,148**	280,099

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.

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.

		2017	2016
		Cents	Cents
3.	**Earnings Per Share**		
	Basic earnings per share	**18.79**	19.76
		$'000	$'000
	Profit attributable to shareholders of the parent entity	**122,377**	127,905
		No.	No.
	Weighted average number of ordinary shares used in the calculation of basic earnings per share	**651,132,774**	647,134,007

Diluted earnings per share and basic earnings per share are the same because there are no potential dilutive ordinary shares.

		2017	2016
		$'000	$'000
4.	**Dividends Paid**		
a.	**Recognised in the current year**		
	An ordinary final dividend of 9.9 cents per share in respect of the 2016 year paid on 2 September 2016 (2016: an ordinary final dividend in respect of the 2015 year of 9.9 cents per share paid on 3 September 2015)	**64,342**	63,385
	Nil special dividend paid in respect of 2016 year (2016: 0.4 cents paid on 3 September 2015 in respect of the 2015 year)	**-**	2,561
	An ordinary interim dividend of 8.7 cents per share paid on 2 March 2017 (2016: 8.7 cents per share paid on 3 March 2016)	**56,638**	56,463
		120,980	122,409

		2017 $'000	2016 $'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 2017 year of 10 cents per share payable on 5 September 2017 (2016: ordinary final dividend of 9.9 cents per share per share paid on 2 September 2016)	**65,196**	64,342

		2017 $'000	2016 $'000
5.	**Dividend Franking Account**		
	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	**122,616**	122,631
	Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 5 September 2017 (2016: final dividend paid on 2 September 2016)	**(27,941)**	(27,575)
		94,675	95,056

The franking account balance would allow Milton to frank additional dividend payments up to an amount of $220,908,122 (2016:$221,797,267) which represents 34 cents per share (2016: 34 cents per share).

		2017 $'000	2016 $'000
6.	**Listed Investment Company capital gains account**		
	Balance of the Listed Investment Company (LIC) capital gain account available to shareholders for the subsequent financial year	**1,282**	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.

	2017	2016
	$'000	$'000
Investments – non-current		
Quoted investments - at fair value	**2,763,696**	2,568,348
Unquoted investments - at fair value	**284**	110
	2,763,980	2,568,458
a. Included in quoted investments are:		
Shares in other corporations	**2,611,319**	2,418,631
Stapled securities in other corporations	**129,806**	122,526
Units in trusts	**22,571**	27,191
	2,763,696	2,568,348
b. Included in unquoted investments are:		
Units in trusts	**284**	110

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.

	2017	2016
Fair value at disposal date		
Equity investments	**44,052**	49,129
(Loss) Gain on disposal after tax		
Equity investments	**(8,691)**	3,265

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.

	2017	2016
	$'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 (2016:33.33%)	**1,647**	2,285
23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2016:23.33%)	**137**	267
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture (2016: 50%)	**(580)**	(763)
Share of net profits of joint ventures	**1,204**	1,789
b. Consolidated interest in the assets and liabilities of the joint venture entities		
Current assets	**22,075**	18,585
Non-current assets	**16,237**	15,471
Current liabilities	**(5,923)**	(3,572)
Non-current liabilities	**(8,945)**	(9,360)
	23,444	21,124
Provision for diminution in value	**(543)**	(543)
Net assets	**22,901**	20,581

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 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 2017, total facility of $11m had been utilised (2016: $8M).

Other than the above, the directors are not aware of any material contingent liabilities, contingent assets or capital commitments as at 30 June 2017.

		2017 $'000	2016 $'000
9.	**Cash**		
	Cash at bank	**4,614**	3,351
	Deposits at call	**30,762**	21,052
	Term deposits	**83,000**	99,000
		118,376	123,403

The weighted average interest rate for cash and deposits at call as at 30 June 2017 is 1.7% p.a. (2016: 1.9% p.a.). Term deposits have an average maturity date of August 2017 (2016: August 2016) and an average interest rate of 2.6% (2016: 3.0% pa).

		2017 $'000	2016 $'000
10.	**Receivables**		
a.	**Receivables – current**		
	Dividends receivable	**23,803**	22,371
	Interest receivable	**526**	661
	Sundry debtors	**7**	16
		24,336	23,048
b.	**Receivables – non-current**		
	Senior staff share plan loans (refer note 19b)	**4,786**	4,323

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.

	2017 $'000	2016 $'000
Other liquid securities at fair value	**6,209**	7,199
Prepaid expenses	**127**	125
	6,336	7,324

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 2017

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.

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	2017 $'000	No of shares	2016 $'000
Opening balance	649,922,937	1,545,122	640,255,655	1,504,589
Share Purchase Plan	-	-	7,746,892	32,373
Dividend Reinvestment Plan[(1)]	2,040,690	8,791	1,920,390	8,246
Less: Transaction costs (net of tax)	-	(17)	-	(86)
Closing balance	651,963,627	1,553,896	649,922,937	1,545,122

[(1)]Milton's Dividend Reinvestment Plan (DRP) offers shareholders the option to reinvest all or part of their dividend in new ordinary shares. In the 2017 financial year, Milton issued 1,086,782 new shares in September 2016 and 953,908 new shares in March 2017 under the DRP (2016: 998,879 issued in September 2015 and 921,511 issued in March 2016).

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.

		2017 $'000	2016 $'000
a.	**Asset revaluation reserve**		
	Opening balance	**658,011**	739,819
	Revaluation of investments net of provision for tax	**127,751**	(78,543)
	Net realised losses (gains)	**8,691**	(3,265)
		794,453	658,011
b.	**Capital profits reserve**		
	Opening balance	**68,236**	64,971
	Net realised (losses) gains	**(8,691)**	3,265
		59,545	68,236

Milton Corporation Limited
Notes to the consolidated financial statements: Risk
for the year ended 30 June 2017

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 items mentioned 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% (2016: 93%) 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% (2016: 4.7%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2017 (2016: 30 June 2016). The net asset backing before provision for tax on unrealised capital gains would move by 21 cents per share at 30 June 2017 (2016: 20 cents at 30 June 2016).

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 2017

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	**2017 %**	2016 %
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 acquisition was made by Milton during the year ended 30 June 2017 (2016: None).

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 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.

	2017 $'000	2016 $'000
18. Related party transactions		
a. Directors and Key Management Personnel compensation		
Short-term benefits	**1,184**	1,166
Other long-term benefits	**17**	17
Post-employment benefits	**103**	102
Share-based payments	**160**	151
	1,464	1,436

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 14 to 17.

b. Shareholdings of non-executive directors and their related parties – number of shares held

Non-executive directors and their related parties held 11.5% (2016:12.1%) 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 2017.

	No of shares	No of shares
Number of shares at beginning of the year	**78,927,571**	78,775,660
Acquired during the year	**459,431**	151,911
Disposed during the year	**(4,296,494)**	-
Number of shares held at end of year	**75,090,508**	78,927,571

c. Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management are as shown below. No loans were granted to related parties of any key management personnel.

	$	$
Balance at beginning of the year	**2,677,206**	2,440,184
Loans advanced	**363,112**	367,342
Loans repaid	**(139,208)**	(130,320)
Balance at end of the year	**2,901,110**	2,677,206
Notional interest	**160,346**	150,359

Notional interest is based on the applicable FBT benchmark interest rate for the year which averaged 5.52% (2016: 5.65%).

The loans are advanced to key management personnel in accordance with the Senior Staff Share Plan (SSSP) as disclosed in Note 19 b. Loans to individual key management personnel are disclosed on the remuneration report on page 17.

d. Other related party transactions

All 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. Transactions with subsidiaries

	2017 **$**	2016 $
Dividends paid to parent	-	81,811,084
Capital repaid to parent	-	27,251,635
	-	109,062,719

f. 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.

	2017	2016
Amounts owed by/(to) subsidiaries at beginning of the year	**26,658,200**	**(82,439,408)**
Loans advanced from subsidiaries	**(1,912,197)**	**(2,976,109)**
Loan advanced to subsidiaries	**3,566,162**	**112,073,717**
Amounts owed by subsidiaries at end of the year	**28,312,165**	**26,658,200**

g. Other arrangement with non-executive director

Mr J.F. Church rented office space from Milton at commercial rates from 1 July 2016 to 30 June 2017 and rental income received by Milton during the financial year was $13,377 (2016: $12,800).

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, 454 shares (2016:672 shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of $2,086 (2016: $3,083) with a total market value at 30 June 2017 of $2,048.

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,160,000 shares (2016: 152,000 shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of $683,505 (2016: $656,893). 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 $721,600 at $4.51 per share as at 30 June 2017.

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.

	2017 $'000	2016 $'000
20. Auditors Remuneration		
Auditors of the company		
Audit and review services	**113**	109
Related practice of the auditor		
Agreed upon procedures	**-**	6
	113	115

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 2017 the parent entity is Milton Corporation Limited.

	2017 $'000	2016 $'000
Profit of the parent entity		
Profit for the year	**121,406**	126,407
Total comprehensive income for the year	**250,129**	49,362

	2017 $'000	2016 $'000
Financial position of the parent entity as at 30 June		
Current assets	**177,437**	**181,105**
Total assets	**2,944,074**	**2,750,812**
Current liabilities	**(1,269)**	**(1,043)**
Total liabilities	**(340,021)**	**(284,681)**
Net assets	**2,604,053**	**2,466,131**
Total equity of the parent entity comprising of		
Issued capital	**1,553,896**	**1,545,122**
Capital profits reserves	**68,123**	**76,814**
Asset revaluation reserve	**848,071**	**710,657**
Retained profits	**133,963**	**133,538**
Total equity attributable to shareholders of the parent entity	**2,604,053**	**2,466,131**

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, the Corporations Act 2001 and complies with International Financial Reporting Standards (IFRS).

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. Milton is a 'for-profit' entity.

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 was early adopted since the preparation of financial statements and notes for the 2015 financial year.

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.

New and amended standards not adopted:

AASB 15 Revenue from Contracts with Customers is applicable to annual reporting periods beginning on or after 1 January 2018 and is not expected to have any material impact on Milton's financial statements.

AASB 16 Leases is applicable to annual reporting periods beginning on or after 1 January 2019 replaces AASB 117 'Leases' for lessees will eliminate the classifications of operating leases and finance leases. Milton does not expect this standard to have any material impact on Milton's financial statements.

No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2017, 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 Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, 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.

		2017 $'000	2016 $'000
23.	**Cash flow information**		
a.	**Reconciliation of net profit to net cash provided by operating activities**		
	Net profit	**122,377**	127,905
	Share of net profits of joint ventures – equity accounted	**(1,204)**	(1,789)
	Distributions received from joint venture entities	**1,683**	5,066
	Depreciation of non-current assets	**28**	13
	(Increase) in receivables	**(1,296)**	(649)
	Increase in payables and provisions	**30**	94
	Increase (Decrease) in income taxes payable	**482**	(690)
	Net cash provided by operating activities	**122,100**	129,950

b. Non-cash financing and investing activities

During the year ended 30 June 2017, Milton did not engage in any material non-cash investing or financing transaction (2016: None).

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 10 cents per share payable on 5 September 2017.

Milton entered into an agreement to acquire all of the shares of a private investment company with an investment portfolio valued at approximately $18M. Consideration for the acquisition will comprise Milton shares which are expected to be issued on an ex-dividend basis by the 31 August 2017.

This financial report was authorised for issue in accordance with a resolution of directors on 3 August 2017. The directors have the power to amend and reissue the financial statements.

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2017

The following holdings are valued at fair value through Other Comprehensive Income.

	2017 Market value $'000	2016 Market value $'000
Investments in equity instruments		
Adelaide Brighton Limited	**15,966**	15,239
AGL Energy Limited	**68,796**	51,656
ALS Limited	**45,292**	31,587
Amcor Limited	**21,422**	18,207
AMP Limited	**11,009**	10,945
A.P. Eagers Limited	**48,765**	69,589
APA Group	**18,393**	18,534
ARB Corporation Limited	**14,313**	14,682
Argo Investments Limited	**7,561**	7,265
ASX Limited	**29,430**	25,121
AUB Group Limited	**13,572**	10,552
Australia & New Zealand Banking Group Limited		
- ordinary shares	**96,776**	81,276
- convertible preference shares	**-**	1,960
- capital notes 2	**203**	185
Australian Foundation Investment Company Limited	**-**	7,050
Auswide Bank Limited	**2,229**	2,203
Automotive Holdings Group Limited	**11,311**	11,943
Aveo Group	**2,386**	4,750
Bank of Queensland Limited	**83,655**	77,371
Bendigo & Adelaide Bank Limited	**63,264**	54,813
BHP Billiton Limited	**84,668**	67,829
BKI Investment Company Limited	**1,983**	1,934
Blackmores Limited	**35,175**	48,222
Boral Limited	**14,190**	10,365
Bradken Limited	**-**	827
Brambles Limited	**13,953**	17,742
Brickworks Limited	**44,605**	46,448
BT Investment Management Limited	**7,495**	4,150
BWP Trust	**4,720**	5,766
Caltex Australia Limited	**10,431**	5,997
Carlton Investments Limited	**11,238**	11,317
Carsales.Com Limited	**11,462**	11,334
Challenger Limited	**5,069**	1,122
Charter Hall Group	**6,859**	-
Charter Hall Long WALE REIT	**3,853**	-
CIMIC Group Limited	**30,732**	28,287
Coca-Cola Amatil Limited	**13,535**	12,069
Cochlear Limited	**5,254**	4,098
Commonwealth Bank of Australia	**257,535**	231,287
Cover-More Group Limited	**-**	2,591
CSL Limited	**81,741**	66,433
Diversified United Investment Limited	**-**	1,167
DuluxGroup Limited	**11,487**	10,461
EQT Holdings Limited	**8,867**	8,231
Event Hospitality & Entertainment Limited	**13,516**	13,381
Finbar Group Limited	**2,226**	2,309
Fletcher Building Limited	**6,113**	6,554
Flight Centre Travel Group Limited	**3,075**	1,841
Goodman Group	**10,163**	7,881
GrainCorp Limited	**3,431**	3,127
Gresham Private Equity Co-Investment Fund	**18**	21
Growthpoint Properties Australia	**1,265**	-
Insurance Australia Group Limited		
- ordinary shares	**39,645**	30,603
- convertible preference shares	**-**	305

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2017

The following holdings are valued at fair value through Other Comprehensive Income.

	2017 Market value $'000	2016 Market value $'000
IAG Finance(NZ) Limited Perpetual - Reset Exchangeable Notes	**-**	1,200
Incitec Pivot Limited	**5,492**	4,784
InvoCare Limited	**28,678**	25,635
IOOF Holdings Limited	**16,821**	10,177
Janus Henderson Group PLC	**4,839**	-
Lendlease Group	**11,697**	5,853
Lindsay Australia Limited	**4,816**	5,599
Macquarie Group Limited	**57,790**	44,795
McMillan Shakespeare Limited	**8,436**	6,509
MyState Limited	**2,158**	1,838
National Australia Bank Limited	**140,786**	120,992
New Hope Corporation Limited	**1,974**	1,832
Orica Limited	**3,916**	2,330
Origin Energy Limited	**4,817**	4,038
Orora Limited	**3,130**	3,021
Perpetual Limited	**68,831**	55,894
Premier Investments Limited	**7,479**	8,417
QBE Insurance Group Limited	**30,920**	27,310
Qube Holdings Limited	**15,239**	11,953
Ramsay Health Care Limited	**13,968**	13,332
Reece Limited	**8,993**	7,923
Regis Healthcare Limited	**6,194**	4,203
Rio Tinto Limited	**36,925**	26,555
Santos Limited	**5,101**	7,811
Scentre Group	**7,288**	8,853
Schaffer Corporation Limited	**483**	352
Select Harvests Limited	**793**	1,091
Seven Group Holdings Limited - TELYS4 preference shares	**525**	392
Sims Metal Management Limited	**6,867**	5,727
Sonic Healthcare Limited	**15,123**	13,456
Stockland Group	**13,819**	13,108
Suncorp Group Limited	**49,117**	39,003
Sydney Airport	**18,502**	18,111
Tank Stream Ventures	**266**	89
Tatts Group Limited	**4,846**	8,839
Telstra Corporation Limited	**64,376**	83,240
TPG Telecom Limited	**23,193**	44,405
Transurban Group	**41,629**	42,121
Treasury Wine Estates Limited	**15,714**	11,021
UGL Limited	**-**	3,120
Vicinity Centres	**16,585**	21,425
Washington H. Soul Pattinson & Company Limited	**152,941**	155,969
Wesfarmers Limited	**113,762**	113,705
Westfield Corporation	**6,914**	9,170
Westpac Banking Corporation	**318,869**	307,266
Woodside Petroleum Limited	**27,804**	23,642
Woolworths Limited	**74,167**	60,664
WorleyParsons Limited	**2,750**	3,061
	2,763,980	2,568,458

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2017

The following holdings are valued at fair value through Other Comprehensive Income.

	2017 Market value $'000	2016 Market value $'000
Other liquid securities		
APT Pipelines Limited	**1,029**	**1,016**
Bank of Queensland Limited		
- convertible preference shares	**5,180**	**5,170**
Colonial Group		
- subordinated notes	**-**	**1,013**
	6,209	**7,199**

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 2017 and of its performance for the financial year ended on that date;

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

(iii) complying with International Accounting Standards as issued by the International Accounting Standards Board as described in Note 22a to the financial statements; 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 2017.

Signed in accordance with a resolution of the directors.

R. D. MILLNER
Chairman
Sydney, 3 August 2017

Independent Auditor's Report
to the Members of Milton Corporation Limited
A.B.N. 18 000 041 421

REPORT ON THE FINANCIAL REPORT

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 2017, 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.

Opinion

In our opinion

a) 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 the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

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

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 22 Basis of preparation.

Basis of Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the consolidated entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. We have communicated the key audit matters to the Audit Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the matter***
Ownership and accurate recording of investments in equity instruments and related movement in reserves ***Refer to Note 2(d): Deferred tax liabilities, Note 7 Investments in equity instruments and Note 13 Reserves***	
At 30 June 2017, the consolidated entity's balance sheet includes investments in equity instruments of $2,763,980,000, an asset revaluation reserve of $794,453,000 and a deferred tax liability recognised in relation thereto of $348,680,000. Listed investments are valued continuously at fair value, which is determined by the unadjusted last-sale price quoted on the Australian Securities Exchange. Changes in fair value of equity instruments are recognised in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability, as investments are long term holdings of equity instruments. Given the significance of the balances, the key audit matter for us was whether the consolidated entity has accurately recorded the above balances and the movement in the past 12 months and has ownership of the investments at year end.	Our procedures included, amongst others: ▪ We documented our understanding of management's processes and related key controls. ▪ We performed testing of key controls to ensure that appropriate review and analysis by management is performed regularly. ▪ We confirmed the proper recording and ownership of a sample of investments and transactions during the year by agreeing the SRN/HIN numbers to share registry holding statements online and to the books and records of the consolidated entity. ▪ We analysed and tested the movement of investments in relation to purchases and disposals. ▪ We tested management's calculation of the revaluation of investments and the corresponding deferred income tax effect during the year.

Other information

The Directors are responsible for the other information. The other information comprises the information in the consolidated entity's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The Directors of Milton Corporation Limited are responsible for the preparation and fair presentation 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 controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 Company'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 Company's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the consolidated entity audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PITCHER PARTNERS

REPORT ON THE REMUNERATION REPORT

Opinion 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 2017. In our opinion, the Remuneration Report of Milton Corporation Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Melissa Alexander

M A Alexander
Partner

Pitcher Partners

Pitcher Partners
Sydney

3 August 2017

DIRECTORY

DIRECTORS

R. D. MILLNER - Chairman
J. F. CHURCH
G.L. CRAMPTON
K.J. ELEY
F. G. GOOCH - Managing director
J.E. JARVINEN
I. A. POLLARD

MANAGEMENT

F.G. GOOCH - Managing director
D.N. SENEVIRATNE - CFO, Secretary

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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SYDNEY NSW 2000
PHONE: (02) 8006 5357
FAX: (02) 9251 7033
EMAIL: general@milton.com.au
WEBSITE: www.milton.com.au

AUDITORS

PITCHER PARTNERS
LEVEL 22, MLC CENTRE
19 MARTIN PLACE
SYDNEY NSW 2000
WEBSITE: www.pitcher.com.au

SHARE REGISTRY

LINK MARKET SERVICES LIMITED
LOCKED BAG A14
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 30 JUNE 2017

NAME	***SHARES HELD***	***%***
Washington H Soul Pattinson & Company Limited	30,047,758	4.61
Higlett Pty Ltd	27,539,279	4.22
Argo Investments Limited	25,919,808	3.98
Australian Foundation Investment Company Limited	10,841,468	1.66
Griffinna Pty Ltd <Wood Dragon A/C>	6,355,020	0.97
Bortre Pty Limited	6,079,504	0.93
Danwer Investments Pty Ltd	6,079,504	0.93
JBF Holdings Pty Ltd	5,253,920	0.81
Chickenfeed Pty Ltd	4,218,449	0.65
Jamama Nominees Pty Limited	4,195,685	0.64
J S Millner Holdings Pty Limited	3,743,514	0.57
Redemptorists <Central Investment Fund>	3,577,000	0.55
Macdawley Proprietary Limited	3,479,615	0.53
Gartfern Pty Limited	3,313,584	0.51
Hexham Holdings Pty Limited	3,230,079	0.50
Millane Pty Limited	3,165,269	0.49
A V L Investments Proprietary Limited	2,979,080	0.46
T N Phillips Investments Pty Ltd	2,962,664	0.45
Ms Julia Jane Drew	2,875,000	0.44
Mr James David Oswald Burns	2,724,955	0.42

On 30 June 2017, there were 24,726 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	2,957
1,001 – 5,000	6,691
5,001 – 10,000	5,088
10,001 – 100,000	9,357
100,001 and over	633
The number of holders of less than a marketable parcel of $500 (110 shares)	646

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 284 and the total brokerage paid or accrued was $329,027.

SHARE ISSUES HISTORY

Share Purchase Plan history

Date	Issue price per share	Date	Issue price per share
10.11.1999	$ 8.75	19.10.2007	$22.48
13.11.2000	$ 8.86	03.10.2008	$17.85
13.11.2001	$10.79	09.10.2009	$16.08
08.11.2002	$11.70	30.09.2013	$19.12
31.10.2003	$13.21	22.10.2013	5 for 1 share split
29.10.2004	$14.10	01.10.2014	$ 4.45
21.10.2005	$17.11	02.10.2015	$ 4.18
16.10.2006	$19.60		

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
03.09.2015	998,879	$4.39
03.03.2016	921,511	$4.19
02.09.2016	1,086,782	$4.28
02.03.2017	953,908	$4.34

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