



Argo Investments Limited

ABN 35 007 519 520

Appendix 4E

**Preliminary Final Report
for the year ended 30 June, 2013**
(previous corresponding period being
the year ended 30 June, 2012)

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
YEAR ENDED 30 JUNE, 2013**

(Comparative figures being the year ended 30 June, 2012)

These preliminary results are based on unaudited financial statements.

				<u>\$A'000</u>
Revenue from operating activities	up	3.9%	to	187,564
Profit for the year	up	4.6%	to	175,035

Dividends

Interim fully franked dividend paid 4 March, 2013	13.0 cents
Final fully franked dividend payable 4 September, 2013 (including 0.75 cent LIC capital gain component - refer (1) below)	<u>13.5 cents</u>
Total	<u>26.5 cents</u>

The Company's Dividend Reinvestment Plan will operate for the final dividend. The Directors have resolved that the shares will be allotted at a discount of 2% from the market price of Argo shares which will be the weighted average ex-dividend market price of the shares sold on the ASX on the record date and during the three business days preceding the record date.

The record date for determining entitlements to the final dividend and participation in the Dividend Reinvestment Plan	21 August, 2013
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Previous corresponding period

Interim fully franked dividend paid 7 March, 2012	13.0 cents
Final fully franked dividend paid 5 September, 2012 (included 1 cent LIC capital gain component)	<u>13.0 cents</u>
Total	<u>26.0 cents</u>

Net Asset Backing

Net Tangible Asset Backing per Argo share was \$6.52 as at 30 June, 2013, compared with \$5.50 as at 30 June, 2012.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains was to be deducted, the net tangible asset backing per share would be \$5.85 as at 30 June, 2013, compared with \$5.12 as at 30 June, 2012.

(1) The 0.75 cent per share LIC capital gain component of the dividend will give rise to an attributable part of 1.07 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2013/2014 income tax returns. The amount which eligible shareholders may be able to claim as a tax deduction depends on their individual situation. Details will be provided in the dividend statement.



Media Release

5th August 2013

Higher profit and dividend for Argo Investments

Leading Australian listed investment company, Argo Investments Limited (ASX: "ARG"), today announced an increase in full-year profit to \$175 million and a higher fully franked final dividend for the year ended 30 June 2013.

The final dividend has been increased to 13.5 cents per share fully franked which includes a 0.75 cent per share listed investment company (LIC) capital gain component, and compares with 13 cents per share fully franked last year which included a 1 cent per share LIC capital gain component.

The higher final dividend boosts Argo's annual dividend to 26.5 cents per share fully franked and marks the Company's 67th successive year of paying dividends.

The latest annual profit of \$175 million was up by 4.6% on \$167.3 million in the previous year. Earnings per share rose 3.4% to 27.7 cents per share.

Argo's Chief Executive Officer, Mr Jason Beddow, said the improved result reflected increased dividends and distributions received from the Company's diverse portfolio of investments, partially offset by a decline in interest income on cash deposits due to lower interest rates available.

"Our investment portfolio outperformed the broader Australian share market in 2012-2013, returning 23.6% (measured by the movement in net asset backing per share assuming dividends paid are reinvested) compared with the S&P/ASX All Ordinaries Accumulation Index which returned 20.7%," Mr Beddow said.

"The strong performance of higher yielding stocks and the relative underperformance of the mining sector over the period both contributed to this result," he said.

The Company's management expense ratio was held at 0.18% for the year.

Outlook

Mr Beddow said Argo completed the 2012-2013 financial year with no debt and cash reserves of \$196 million, representing 4.7% of the Company's total assets of \$4.2 billion.

"We remain of the view that for a long-term investor, the Australian equity market is relatively good value and as a result Argo has continued to prioritise investments in larger, well capitalised companies with relatively high, predominantly franked, dividend yields and scope for dividend growth," he said.

"This has been a successful strategy which has delivered strong portfolio performance during the financial year, as investors in Australia seek to acquire these types of securities in their search for yield in an environment of low interest rates."

Mr Beddow said that while the global economic outlook is showing signs of improvement, particularly in the U.S., some structural challenges remain in Europe and markets are wary of slowing growth in China.

“As investors seek direction in this environment, bouts of volatility have been a feature of equity and bond markets. The more the U.S. economy improves, the greater the likelihood of higher interest rates in that country. In addition, investors have struggled to interpret conflicting commentary from the U.S. Federal Reserve, which appears to be divided as to the timing of the unwinding of its monetary expansion program,” he said.

“Domestically, the Australian economy appears sluggish. In response, the Reserve Bank of Australia continues to cut interest rates in order to stimulate the non-resource segments of the economy in particular.

“The possibility of slowing Australian economic growth has seen the Australian dollar fall almost 15% against the U.S. dollar since mid-April, as international investors take profits. However, the weaker currency and further interest rate cuts should provide some relief and stimulate consumer spending and business investment in Australia.

“Against this backdrop, we do not expect strong earnings growth from Australian companies over the coming year and therefore predict only modest dividend growth. However, we believe the overall yield available in the Australian equity market remains attractive.”

Portfolio overview

Argo’s portfolio was diversified across 98 different equity holdings and cash as at 30 June 2013. The largest 20 equity holdings accounted for 63% of total assets and provided 64% of the Company’s income for the year.

The best performing stocks in the portfolio during the year were Macquarie Group, Peet, Primary Health Care, Insurance Australia Group, Twenty-First Century Fox (previously part of News Corporation), Ramsay Health Care, Aristocrat Leisure and Fletcher Building, all of which increased in price by more than 60%.

A total of \$224 million was spent during the year on investment purchases, partly funded by \$143 million in disposals and takeover proceeds. The largest purchases were additions to holdings in Australia & New Zealand Banking Group and Wesfarmers. The largest sale was a reduction in the Macquarie Group position.

During the year, the number of stocks in the Argo portfolio was reduced as several holdings were sold due to deteriorating industry conditions or other concerns. In addition, Alesco Corporation, Australian Infrastructure Fund, Consolidated Media Holdings and Hastings Diversified Utilities Fund are no longer held due to takeovers or corporate activity.

Media contact: -

Jason Beddow
Chief Executive Officer
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**STATEMENT OF PROFIT OR LOSS
for the year ended 30 June, 2013**

	Note	2013 \$'000	2012 \$'000
Dividends and distributions	2	179,756	171,569
Interest		7,590	8,539
Other revenue		<u>218</u>	<u>303</u>
Total revenue		187,564	180,411
Net gains on trading investments		<u>4,130</u>	<u>4,668</u>
Income from operating activities		191,694	185,079
Administration expenses	3	<u>(7,172)</u>	<u>(6,652)</u>
Profit before income tax expense		184,522	178,427
Income tax expense thereon	4	<u>(9,487)</u>	<u>(11,153)</u>
Profit for the year		<u>175,035</u>	<u>167,274</u>
		2013 cents	2012 cents
Basic and diluted earnings per share	5	27.7	26.8

**STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June, 2013**

	2013 \$'000	2012 \$'000
Profit for the year	<u>175,035</u>	<u>167,274</u>
Other comprehensive income:-		
Revaluation of long-term investments	622,404	(380,278)
Provision for deferred tax (expense)/benefit on revaluation of long-term investments	<u>(188,171)</u>	<u>110,090</u>
Other comprehensive income for the year	<u>434,233</u>	<u>(270,188)</u>
Total comprehensive income for the year	<u>609,268</u>	<u>(102,914)</u>

Note: all items in other comprehensive income will not be subsequently reclassified through the Statement of Profit or Loss.

(To be read in conjunction with the accompanying notes)

STATEMENT OF FINANCIAL POSITION
as at 30 June, 2013

	Note	2013	2012
		\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	6(a)	135,910	141,727
Receivables	7	33,125	34,400
Investments	8	-	2,102
Other financial cash assets	9	60,000	10,000
Current tax assets		<u>-</u>	<u>763</u>
Total Current Assets		<u>229,035</u>	<u>188,992</u>
NON-CURRENT ASSETS			
Receivables	7	632	732
Investments	8	4,002,630	3,302,933
Plant and equipment	10	<u>383</u>	<u>427</u>
Total Non-Current Assets		<u>4,003,645</u>	<u>3,304,092</u>
TOTAL ASSETS		<u>4,232,680</u>	<u>3,493,084</u>
CURRENT LIABILITIES			
Payables	11	14,495	13,206
Derivative financial instruments	12	660	419
Current tax liabilities		5,917	-
Provisions	13	<u>614</u>	<u>650</u>
Total Current Liabilities		<u>21,686</u>	<u>14,275</u>
NON-CURRENT LIABILITIES			
Payables	11	150	150
Deferred tax liabilities	14	448,624	269,171
Provisions	13	<u>221</u>	<u>145</u>
Total Non-Current Liabilities		<u>448,995</u>	<u>269,466</u>
TOTAL LIABILITIES		<u>470,681</u>	<u>283,741</u>
NET ASSETS		<u>3,761,999</u>	<u>3,209,343</u>
SHAREHOLDERS' EQUITY			
Contributed equity	15	2,304,790	2,198,081
Reserves	16	1,181,322	753,429
Retained profits	17	<u>275,887</u>	<u>257,833</u>
TOTAL SHAREHOLDERS' EQUITY		<u>3,761,999</u>	<u>3,209,343</u>

(To be read in conjunction with the accompanying notes)

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June, 2013

	Contributed Equity \$'000 (note 15)	Reserves \$'000 (note 16)	Retained Profits \$'000 (note 17)	Total \$'000
Balance at 1 July, 2012	<u>2,198,081</u>	<u>753,429</u>	<u>257,833</u>	<u>3,209,343</u>
Profit for the year	-	-	175,035	175,035
Other comprehensive income	<u>-</u>	<u>434,233</u>	<u>-</u>	<u>434,233</u>
Total comprehensive income for the year	<u>-</u>	<u>434,233</u>	<u>175,035</u>	<u>609,268</u>
Transactions with shareholders:-				
Dividend Reinvestment Plan	30,619	-	-	30,619
Share Purchase Plan	76,390	-	-	76,390
Cost of share issues net of tax	(300)	-	-	(300)
Executive performance rights reserve	-	(75)	-	(75)
Dividends paid	<u>-</u>	<u>(6,265)</u>	<u>(156,981)</u>	<u>(163,246)</u>
Total transactions with shareholders	<u>106,709</u>	<u>(6,340)</u>	<u>(156,981)</u>	<u>(56,612)</u>
Balance at 30 June, 2013	<u><u>2,304,790</u></u>	<u><u>1,181,322</u></u>	<u><u>275,887</u></u>	<u><u>3,761,999</u></u>
For the year ended 30 June, 2012				
Balance at 1 July, 2011	<u>2,167,020</u>	<u>1,036,275</u>	<u>239,866</u>	<u>3,443,161</u>
Profit for the year	-	-	167,274	167,274
Other comprehensive income	<u>-</u>	<u>(270,188)</u>	<u>-</u>	<u>(270,188)</u>
Total comprehensive income for the year	<u>-</u>	<u>(270,188)</u>	<u>167,274</u>	<u>(102,914)</u>
Transactions with shareholders:-				
Dividend Reinvestment Plan	31,169	-	-	31,169
Cost of share issues net of tax	(108)	-	-	(108)
Executive performance rights reserve	-	(249)	-	(249)
Dividends paid	<u>-</u>	<u>(12,409)</u>	<u>(149,307)</u>	<u>(161,716)</u>
Total transactions with shareholders	<u>31,061</u>	<u>(12,658)</u>	<u>(149,307)</u>	<u>(130,904)</u>
Balance at 30 June, 2012	<u><u>2,198,081</u></u>	<u><u>753,429</u></u>	<u><u>257,833</u></u>	<u><u>3,209,343</u></u>

(To be read in conjunction with the accompanying notes)

STATEMENT OF CASH FLOWS
for the year ended 30 June, 2013

	Note	2013 \$'000	2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		157,728	140,828
Interest received		7,464	8,892
Other receipts		218	308
Proceeds from trading investments		11,704	9,222
Payments for trading investments		(5,231)	(6,237)
Other payments		(7,146)	(6,996)
Income tax paid		<u>(11,395)</u>	<u>(24,611)</u>
Net operating cash inflows	6 (b)	<u>153,342</u>	<u>121,406</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		136,702	101,490
Payments for long-term investments		(189,285)	(82,648)
Proceeds from other financial cash assets		20,000	100,000
Payments for other financial cash assets		(70,000)	(50,000)
Executive share scheme repayments		100	100
Proceeds from sale of fixed assets		-	13
Payments for fixed assets		<u>(10)</u>	<u>(28)</u>
Net investing cash (outflows)/inflows		<u>(102,493)</u>	<u>68,927</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Share Purchase Plan		76,390	-
Cost of share issues		(429)	(155)
Dividends paid – net of Dividend Reinvestment Plan		<u>(132,627)</u>	<u>(130,546)</u>
Net financing cash outflows		<u>(56,666)</u>	<u>(130,701)</u>
Net (decrease)/increase in cash held		(5,817)	59,632
Cash at the beginning of the year		<u>141,727</u>	<u>82,095</u>
Cash at the end of the year	6 (a)	<u><u>135,910</u></u>	<u><u>141,727</u></u>

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

1. BASIS OF PREPARATION

This preliminary financial report has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the preliminary financial statements and notes comply with the measurement and recognition requirements of International Financial Reporting Standards (IFRS).

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

2. DIVIDENDS AND DISTRIBUTIONS

	2013 \$'000	2012 \$'000
Received/receivable from:-		
Long-term investments held at the end of the year	175,101	168,814
Long-term investments sold during the year	<u>4,655</u>	<u>2,755</u>
	<u>179,756</u>	<u>171,569</u>

3. ADMINISTRATION EXPENSES

Employment benefits	4,731	4,134
Depreciation	54	74
Other administration	<u>2,387</u>	<u>2,444</u>
	<u>7,172</u>	<u>6,652</u>

4. INCOME TAX EXPENSE

(a) Reconciliation of income tax expense to prima facie tax payable:-

Profit before income tax expense	<u>184,522</u>	<u>178,427</u>
Prima facie tax payable calculated at 30% (2012: 30%)	55,357	53,528
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Imputation gross-up on dividends received	18,272	17,217
Franking credits on dividends received	(60,907)	(57,390)
Other	(2,548)	(1,979)
Over provision previous year	<u>(687)</u>	<u>(223)</u>
Income tax expense	<u>9,487</u>	<u>11,153</u>

	2013	2012
	\$'000	\$'000
(b) Income tax expense composition:-		
Charge for tax payable relating to current year	10,568	11,220
(Decrease)/Increase in deferred tax liabilities	(394)	156
Over provision previous year	<u>(687)</u>	<u>(223)</u>
	<u>9,487</u>	<u>11,153</u>
(c) Amounts recognised directly in other comprehensive income:-		
Increase/(Decrease) in deferred tax liabilities	<u>188,171</u>	<u>(110,090)</u>
5. EARNINGS PER SHARE		
	2013	2012
	number	number
	'000	'000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	632,185	623,864
	\$'000	\$'000
Profit for the year	175,035	167,274
	cents	cents
Basic and diluted earnings per share	<u>27.7</u>	<u>26.8</u>
6. CASH AND CASH EQUIVALENTS		
(a) Cash and cash equivalents includes cash on deposit (floating interest rates between 2.7% and 4.0% as at 30 June, 2013; 2012: 3.45%) with banks and fixed term deposits (fixed interest rates to maturity between 3.54% and 4.05% as at 30 June, 2013; 2012: 4.34% and 5.61%) with banks, all maturing within three months from date of deposit.		
	2013	2012
	\$'000	\$'000
Bank deposits	<u>135,910</u>	<u>141,727</u>

(b) Reconciliation of net cash provided by operating activities to profit for the year:-

	2013	2012
	\$'000	\$'000
Profit for the year	175,035	167,274
Dividends received as securities in dividend reinvestment plans	(17,086)	(28,684)
Demerger dividend	(579)	-
Net loss on fixed assets	-	5
Depreciation	54	74
Charges to provisions	136	146
Other movements	(75)	(250)
Increase/(Decrease) in provision for income tax	6,680	(18,760)
Transfer from provision for deferred income tax	(8,618)	5,139
(Increase)/Decrease in deferred tax assets	(67)	68
Changes in operating assets and liabilities:-		
Decrease/(Increase) in current investments	2,102	(2,102)
(Increase) in other debtors	(4,505)	(1,589)
Increase in other creditors	265	85
	<u>153,342</u>	<u>121,406</u>

(c) Financing Arrangements

Total lines of credit available:-		
Bank overdraft	200	200
Amount utilised	<u>-</u>	<u>-</u>
Undrawn facility	<u>200</u>	<u>200</u>

The bank overdraft is repayable on demand and is subject to a set-off arrangement against a credit account and to an annual review.

(d) Non-cash Financing Activities

Dividends paid totalling \$30.6 million were reinvested in shares under the Company's dividend reinvestment plan (2012: \$31.2 million).

7. RECEIVABLES

	2013	2012
	\$'000	\$'000
Current		
Dividends and distributions receivable	30,618	26,256
Interest receivable	971	845
Outstanding settlements	1,510	7,290
Other	<u>26</u>	<u>9</u>
	<u>33,125</u>	<u>34,400</u>

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within three days of the transaction date.

	2013	2012
	\$'000	\$'000
Non-Current		
Executive share plan loans	<u>632</u>	<u>732</u>

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

8. INVESTMENTS

	2013	2012
	\$'000	\$'000
Current		
Listed securities at fair value ⁽¹⁾	<u>-</u>	<u>2,102</u>
Non-Current		
Listed securities at fair value ⁽¹⁾	3,999,180	3,299,633
Unlisted securities at fair value ⁽²⁾	<u>3,450</u>	<u>3,300</u>
	<u>4,002,630</u>	<u>3,302,933</u>

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

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

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

	2013	2012
	\$'000	\$'000
Carrying amount at beginning of year	3,300	5,300
Fair value gains recognised in other comprehensive income	150	84
Disposals	<u>-</u>	<u>(2,084)</u>
Carrying amount at end of year	<u>3,450</u>	<u>3,300</u>

9. OTHER FINANCIAL CASH ASSETS

Bank term deposits	<u>60,000</u>	<u>10,000</u>
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Other financial cash assets are fixed term deposits (fixed interest rates to maturity between 3.80% and 3.84% as at 30 June, 2013; 2012: fixed interest rate to maturity of 5.66%) with banks, maturing from three to six months from date of deposit.

10. PLANT AND EQUIPMENT

	2013	2012
	\$'000	\$'000
Plant and equipment at cost	959	949
Accumulated depreciation	<u>(576)</u>	<u>(522)</u>
	<u>383</u>	<u>427</u>
Movements		
Carrying amount at beginning of year	427	491
Additions	10	28
Disposals	-	(18)
Depreciation	<u>(54)</u>	<u>(74)</u>
Carrying amount at end of year	<u>383</u>	<u>427</u>

11. PAYABLES

Current		
Outstanding settlements	13,469	12,204
Other	<u>1,026</u>	<u>1,002</u>
	<u>14,495</u>	<u>13,206</u>

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

	2013	2012
	\$'000	\$'000
Non-Current		
Directors' retiring allowances	<u>150</u>	<u>150</u>
Movements		
Balance at beginning of year	150	501
Paid on retirement	<u>-</u>	<u>(351)</u>
Balance at end of year	<u>150</u>	<u>150</u>

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

Exchange traded options at fair value	<u>660</u>	<u>419</u>
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The fair value of exchange traded options is established from the quoted prices (unadjusted) in the active market of the Australian Securities Exchange for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

13. PROVISIONS

	2013 \$'000	2012 \$'000
Current		
Provision for employee entitlements	<u>614</u>	<u>650</u>
Non-Current		
Provision for employee entitlements	<u>221</u>	<u>145</u>

14. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:-

Deferred tax liability on unrealised gains on long-term investments	457,109	272,286
Income receivable which is not assessable for tax until receipt	959	1,153
Deferred tax liability on unrealised gains on trading investments	<u>11</u>	<u>145</u>
	<u>458,079</u>	<u>273,584</u>
Offset by deferred tax assets:-		
Capital losses not utilised	(8,613)	(3,670)
Provisions and payables	(653)	(587)
Deferred tax on cost of share issues	<u>(189)</u>	<u>(156)</u>
	<u>(9,455)</u>	<u>(4,413)</u>
Net deferred tax liabilities	<u>448,624</u>	<u>269,171</u>
Movements		
Balance at beginning of year	269,171	374,005
(Credited)/Charged to profit or loss	(394)	156
Charged/(Credited) to other comprehensive income	188,171	(110,090)
Changes to the tax base of investments	<u>(8,324)</u>	<u>5,100</u>
Balance at end of year	<u>448,624</u>	<u>269,171</u>

The amount of net deferred tax liabilities expected to be settled in the next 12 months is \$0.8 million (2012: \$1.2 million).

15. CONTRIBUTED EQUITY

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

	2013	2012	2013	2012
	No. of shares	No. of shares	\$'000	\$'000
Issued and fully paid ordinary shares:-				
Opening balance	626,452,410	620,438,335	2,198,081	2,167,020
Dividend reinvestment plan ^(a)	5,215,174	6,014,075	30,619	31,169
Share purchase plan ^(b)	11,788,625	-	76,390	-
Cost of share issues net of tax	<u>-</u>	<u>-</u>	<u>(300)</u>	<u>(108)</u>
Closing balance	<u>643,456,209</u>	<u>626,452,410</u>	<u>2,304,790</u>	<u>2,198,081</u>

(a) On 5 September, 2012, 2,834,832 shares were allotted at \$5.36 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2012.

On 4 March, 2013, 2,380,342 shares were allotted at \$6.48 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2013.

(b) On 9 April, 2013, 11,788,625 shares were allotted at \$6.48 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

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

16. RESERVES

	2013	2012
	\$'000	\$'000
Executive Performance Rights Reserve	722	797
Investment Revaluation Reserve	968,246	512,276
Capital Profits Reserve	<u>212,354</u>	<u>240,356</u>
	<u>1,181,322</u>	<u>753,429</u>

Movements in reserves during the year

Executive Performance Rights Reserve		
Balance at beginning of year	797	1,046
Accrued entitlement for unvested rights	448	335
Executive performance shares purchased	<u>(523)</u>	<u>(584)</u>
Balance at end of year	<u>722</u>	<u>797</u>

	2013	2012
	\$'000	\$'000
Investment Revaluation Reserve		
Balance at beginning of year	512,276	791,745
Revaluation of long-term investments	622,404	(380,278)
Provision for deferred tax (expense)/benefit on revaluation of long-term investments	(188,171)	110,090
Realised losses/(gains) on sale of long-term investments transferred to capital profits reserve	29,569	(9,900)
Income tax (benefit)/expense thereon	<u>(7,832)</u>	<u>619</u>
Balance at end of year	<u>968,246</u>	<u>512,276</u>
Capital Profits Reserve		
Balance at beginning of year	240,356	243,484
Dividend paid	(6,265)	(12,409)
Transfer from investment revaluation reserve	<u>(21,737)</u>	<u>9,281</u>
Balance at end of year	<u>212,354</u>	<u>240,356</u>
Total Reserves	<u>1,181,322</u>	<u>753,429</u>

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 \$135.5 million (2012: \$107.8 million). The cumulative loss after tax on these disposals was \$21.7 million (2012: profit \$9.3 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 long-term incentive performance rights and restricted share rights issued to participants and the short-term incentive performance rights yet to be issued to participants, pursuant to the Argo Investments Limited Executive Performance Rights Plan. The values of the long-term incentive performance rights are calculated at grant dates and allocated to each reporting period from the grant dates to the vesting dates. The value of short-term incentive performance rights is estimated and allocated from the commencement of the performance period to the vesting date. When rights are exercised, shares are purchased on market and issued to the executive.

Investment Revaluation Reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred capital gains tax are recorded in this reserve.

Capital Profits Reserve

Gains or losses arising from the sale of long-term investments, net of any tax expense or benefit, are recorded in this reserve.

17. **RETAINED PROFITS**

	2013	2012
	\$'000	\$'000
Balance at beginning of year	257,833	239,866
Dividends paid	(156,981)	(149,307)
Profit for the year	<u>175,035</u>	<u>167,274</u>
Balance at end of year	<u>275,887</u>	<u>257,833</u>

18. **DIVIDENDS**

(a) **Dividends paid during the year**

Final dividend for the year ended 30 June, 2012 of 13 cents fully franked at 30% tax rate paid 5 September, 2012 (2012: 13 cents fully franked at 30% tax rate)	81,439	80,657
Interim dividend for the year ended 30 June, 2013 of 13 cents fully franked at 30% tax rate paid 4 March, 2013 (2012: 13 cents fully franked at 30% tax rate)	<u>81,807</u>	<u>81,059</u>
Total dividends paid	<u>163,246</u>	<u>161,716</u>

The final dividend contained a listed investment company (LIC) capital gain component of 1 cent per share (2012: 2 cents per share).

(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:-

	2013	2012
	\$'000	\$'000
Final dividend for the year ended 30 June, 2013 of 13.5 cents fully franked at 30% tax rate payable 4 September, 2013 (2012: 13 cents fully franked at 30% tax rate)	<u>86,867</u>	<u>81,439</u>

The final dividend will contain a listed investment company (LIC) capital gain component of 0.75 cent per share (2012: 1 cent per share).

19. **FRANKING ACCOUNT**

	2013 \$'000	2012 \$'000
Balance of the franking account after allowing for tax payable/ receivable and the receipt of franked dividends recognised as receivables	61,510	50,519
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	<u>(37,229)</u>	<u>(34,902)</u>
	<u>24,281</u>	<u>15,617</u>
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	<u>56,656</u>	<u>36,440</u>

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

20. **LISTED INVESTMENT COMPANY CAPITAL GAIN ACCOUNT**

	2013 \$'000	2012 \$'000
Balance of the listed investment company (LIC) capital gain account	5,034	11,299
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	<u>(4,826)</u>	<u>(6,265)</u>
	<u>208</u>	<u>5,034</u>
This equates to an attributable amount of	<u>297</u>	<u>7,191</u>

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 gains distributions from LIC securities held in the investment portfolio.

21. **FINANCIAL REPORTING BY SEGMENTS**

The Company operates only in the investment industry within Australia.

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

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

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

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

Audit of Accounts

The accounts for the year ended 30 June, 2013 are in the process of being audited.

Annual General Meeting

The Annual General Meeting will be held at the Adelaide Convention Centre, North Terrace, Adelaide on Monday 28 October, 2013 at 10.00 a.m.

Information Meetings

For the benefit of shareholders unable to attend the Annual General Meeting in Adelaide, information meetings will be held in Melbourne on Tuesday 29 October, 2013 at 10.00 a.m. at the State Library of Victoria Theatre, entry 3, 179 La Trobe Street, Melbourne and in Sydney on Wednesday 30 October, 2013 at 10.00 a.m. at the Wesley Conference Centre, 220 Pitt Street, Sydney.