



Argo Investments Limited

ABN 35 007 519 520

Appendix 4D

**Half-year Report
for the period ended 31 December, 2013
(previous corresponding period being
the half-year ended 31 December, 2012)**

ARGO INVESTMENTS LIMITED

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER, 2013**

(Comparative figures being the half-year ended 31 December, 2012)

				<u>\$A'000</u>
Revenue from operating activities	up	15.2%	to	109,208
Profit for the half-year	up	18.1%	to	101,887

Dividend

Interim fully franked dividend payable 5 March, 2014
(previous corresponding period 13 cents fully franked) 13.5 cents

The Company's Dividend Reinvestment Plan will operate for this 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 interim dividend and participation in the Dividend Reinvestment Plan 17 February, 2014

Final fully franked dividend for year ended 30 June, 2013 paid
4 September, 2013 13.5 cents

Net Asset Backing

Net Tangible Asset Backing per Argo share was \$7.31 as at 31 December, 2013, compared with \$6.26 as at 31 December, 2012.



Media Release

3rd February, 2014

Argo lifts interim dividend after 18.1% profit increase

Argo Investments Limited (ASX: "ARG"), a leading Australian listed investment company with total assets of \$4.7 billion, today announced an increased fully franked interim dividend following an 18.1% improvement in profit to \$101.9 million for the opening half of the 2013-14 financial year.

The higher fully franked interim dividend of 13.5 cents per share compares with a fully franked 13 cents per share in the previous corresponding period and follows the increased final dividend paid last year to Argo shareholders.

The Directors also announced today that Argo's Chief Executive Officer, Mr Jason Beddow, has been appointed to the Board as Managing Director.

The Chairman of the Board, Mr Ian Martin, said "Jason joined Argo 13 years ago and has been Chief Executive Officer since 2010. In that time, the Company has performed well and we are delighted to formally appoint Jason to the Board today."

Summary of financial results	Half-year to 31.12.13	Half-year to 31.12.12	Change
Profit	\$101.9 million	\$86.3 million	+18.1%
Earnings per share	15.8 cents	13.7 cents	+15.3%
Interim dividend per share	13.5 cents	13.0 cents	+3.8%
Net asset backing per share	\$7.31	\$6.26	+16.8%

Mr Beddow said the Company had received increased dividends and distributions from the investments in its portfolio, partially offset by a slight decline in interest income on cash deposits, due to the lower interest rates available during the half-year. However, he noted that the result was boosted by \$6.9 million of non-cash, one-off income items, being two demerger dividends resulting from the demergers of Recall Holdings and Orora by Brambles and Amcor respectively, and a special dividend due to the in-specie distribution of Sydney Airport securities by Macquarie Group to its shareholders.

"In addition, Argo's investment portfolio outperformed the broader Australian share market over the half-year, returning 14.3% (measured by the movement in net asset backing per share assuming dividends paid are reinvested), compared with the S&P/ASX 200 Accumulation Index which returned 14.0% for the same period," he said.

Increased IPO activity expands investment portfolio

Mr Beddow said the number of stocks held in the Argo portfolio increased to 103 during the half-year. Contributing to this was a sharp increase in initial public offerings (IPOs) coming to the market.

“The December quarter was the second highest quarter of IPO issuance in Australia since the global financial crisis and Argo’s investment team analysed a large number of opportunities. Although we only participated in a small number of IPOs, as most were considered to be fully priced, long-term positions have been added to the portfolio in Affinity Education Group, Pact Group and Steadfast Group.”

During the half-year, \$76 million was spent on long-term investment purchases, partly funded by \$47 million in disposals. Larger purchases included additions to holdings in Westpac Banking Corporation, Australia and New Zealand Banking Group, Wesfarmers and DUET Group.

The largest sales were reductions in the holdings of two listed investment companies, Australian United Investment Company and Diversified United Investment. The only holding exited by Argo during the half-year was Seven West Media.

Outlook

Mr Beddow said the global economic outlook was showing signs of improvement, particularly in the U.S. where recent economic data has encouraged the Federal Reserve to begin tapering their monetary expansion program. However, while this occurs, investment markets are likely to remain nervous and volatile.

“In contrast, the Australian economy appears fragile, with unemployment edging upwards as the economy shifts from the resources boom to a more balanced growth profile. Over time, the stimulatory effects of lower interest rates and a more competitive exchange rate should kick in, but economic growth is likely to remain sluggish through this transition phase,” he said.

“With the average dividend payout ratio of companies in the S&P/ASX 200 Index approaching the higher end of its historic range, at around 75%, we believe earnings growth will be required in order to drive further dividend growth. Within this framework, we expect only limited earnings and dividend growth from Australian companies in the coming year. However, we believe the overall yield available in the Australian equity market remains relatively attractive.”

Mr Beddow said Argo expected IPO activity to continue into 2014, and although demand for better quality businesses remains, the pricing of prospective IPOs would be very closely assessed following the disappointing initial market performance of some of the listings in late 2013.

“Argo has no debt and with cash reserves of \$195 million remains of the view that for a long-term investor, the Australian equity market is fair value,” he said.

“We look forward to meeting our investee companies over the upcoming corporate results reporting season to review how their businesses are adapting to the current economic conditions. We will continue to selectively invest funds into quality, well managed companies with solid cash flows and dividend streams.”

Media contact:

Jason Beddow

Managing Director

02 8274 4702 or 0409 900 709

ARGO INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors submit the financial report of Argo Investments Limited ("the Company") for the half-year ended 31 December, 2013.

The Company's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved through building a portfolio of long-term investments, currently 103 stocks, representing a cross section of Australia's enterprises, where there is good quality management and prospects for sound earnings and dividend growth.

Profit for the half-year under review was \$101.9 million, an 18.1% increase on the \$86.3 million in the previous corresponding half-year.

The result included \$6.9 million of non-cash, one-off income items, being two demerger dividends resulting from the demergers of Recall Holdings Limited and Orora Limited by Brambles Limited and Amcor Limited respectively, and a special dividend due to the in-specie distribution of Sydney Airport securities by Macquarie Group Limited to its shareholders.

The Company's earnings per share was 15.8 cents, compared with 13.7 cents for the half-year ended 31 December, 2012.

The Directors have declared a fully franked interim dividend of 13.5 cents per share compared with 13 cents per share paid for the half-year ended 31 December, 2012. This dividend totals \$87.2 million compared with \$81.8 million in the previous corresponding period and will be paid on 5 March, 2014.

During the six month period under review, the Company's equity investment portfolio values generally improved with the result that the net tangible asset backing was \$7.31 per share as at 31 December, 2013, up from \$6.52 per share as at 30 June, 2013.

A number of key performance indicators are used by the Directors and management in their assessment of the Company's performance, including profit, earnings per share, dividends paid to shareholders, shareholders' equity, net tangible asset backing per share, total and relative portfolio return and control of management costs. The Directors are pleased with the results from the assessment of these indicators in the period under review.

The Company has no debt and has liquid funds on deposit at balance date available for additional long-term investment.

The Dividend Reinvestment Plan raised \$16.4 million of new capital for investment during the half-year and resulted in the allotment of 2,480,493 shares at \$6.63 per share.

The Company has an on-market share buy-back facility in place and for the six months ended 31 December, 2013, no Company shares were acquired.

The following persons were Directors during the half-year and are in office at the date of this report:-

<u>Name</u>	<u>Period of Directorship</u>
Geoffrey Ian Martin AM (Chairman)	Director since 28 October, 2004 - appointed Chairman 1 March, 2012
Robert Tom Rich (Deputy Chairman)	Director since 24 August, 1992 - appointed Deputy Chairman 14 August, 1998
Anne Bernadette Brennan	Director since 1 September, 2011
Roger Andrew Davis	Director since 1 June, 2012
Russell Allan Higgins AO	Director since 1 September, 2011

ARGO INVESTMENTS LIMITED

Name

Period of Directorship

Joycelyn Cheryl Morton
Robert John Patterson

Director since 1 March, 2012
Director since 25 October, 2011

Rounding of Amounts

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

Auditor's Independence Declaration

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 3.

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

On behalf of the Board,



G.I. Martin AM
Chairman

Adelaide
3 February, 2014

Auditor's Independence Declaration

As lead auditor for the review of Argo Investments Limited for the half-year ended 31 December 2013, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



AG Forman
Partner
PricewaterhouseCoopers

Adelaide
3 February 2014

ARGO INVESTMENTS LIMITED

**STATEMENT OF PROFIT OR LOSS
for the half-year ended 31 December, 2013**

	Note	2013 \$'000	2012 \$'000
Dividends and distributions		105,199	90,888
Interest		3,516	3,771
Other revenue		<u>493</u>	<u>160</u>
Total revenue		109,208	94,819
Net gains/(losses) on trading investments		<u>2,454</u>	<u>(994)</u>
Income from operating activities		111,662	93,825
Administration expenses		<u>(3,792)</u>	<u>(3,598)</u>
Profit before income tax expense		107,870	90,227
Income tax expense thereon		<u>(5,983)</u>	<u>(3,947)</u>
Profit for the half-year		<u><u>101,887</u></u>	<u><u>86,280</u></u>
		2013 cents	2012 cents
Basic and diluted earnings per share	2	<u><u>15.8</u></u>	<u><u>13.7</u></u>

**STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 31 December, 2013**

		2013 \$'000	2012 \$'000
Profit for the half-year		<u>101,887</u>	<u>86,280</u>
Other comprehensive income:-			
Revaluation of long-term investments		497,565	463,949
Provision for deferred tax expense on revaluation of long-term investments		<u>(149,732)</u>	<u>(140,887)</u>
Other comprehensive income for the half-year		<u>347,833</u>	<u>323,062</u>
Total comprehensive income for the half-year		<u><u>449,720</u></u>	<u><u>409,342</u></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)

ARGO INVESTMENTS LIMITED

**STATEMENT OF FINANCIAL POSITION
as at 31 December, 2013**

	31 December 2013	30 June 2013
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	177,177	135,910
Receivables	15,774	33,125
Other financial cash assets	<u>30,000</u>	<u>60,000</u>
Total Current Assets	<u>222,951</u>	<u>229,035</u>
NON-CURRENT ASSETS		
Receivables	166	632
Investments	4,524,061	4,002,630
Plant and equipment	<u>364</u>	<u>383</u>
Total Non-Current Assets	<u>4,524,591</u>	<u>4,003,645</u>
TOTAL ASSETS	<u>4,747,542</u>	<u>4,232,680</u>
CURRENT LIABILITIES		
Payables	686	14,495
Derivative financial instruments	1,438	660
Current tax liabilities	9,891	5,917
Provisions	<u>692</u>	<u>614</u>
Total Current Liabilities	<u>12,707</u>	<u>21,686</u>
NON-CURRENT LIABILITIES		
Payables	150	150
Deferred tax liabilities	593,119	448,624
Provisions	<u>180</u>	<u>221</u>
Total Non-Current Liabilities	<u>593,449</u>	<u>448,995</u>
TOTAL LIABILITIES	<u>606,156</u>	<u>470,681</u>
NET ASSETS	<u>4,141,386</u>	<u>3,761,999</u>
SHAREHOLDERS' EQUITY		
Contributed equity	2,321,202	2,304,790
Reserves	1,524,451	1,181,322
Retained profits	<u>295,733</u>	<u>275,887</u>
TOTAL SHAREHOLDERS' EQUITY	<u>4,141,386</u>	<u>3,761,999</u>

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December, 2013**

	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 July, 2013	<u>2,304,790</u>	<u>1,181,322</u>	<u>275,887</u>	<u>3,761,999</u>
Profit for the half-year	-	-	101,887	101,887
Other comprehensive income	-	<u>347,833</u>	-	<u>347,833</u>
Total comprehensive income for the half-year	-	<u>347,833</u>	<u>101,887</u>	<u>449,720</u>
Transactions with shareholders:-				
Dividend Reinvestment Plan	16,446	-	-	16,446
Cost of shares issued net of tax	(34)	-	-	(34)
Executive performance rights reserve	-	122	-	122
Dividend paid	-	<u>(4,826)</u>	<u>(82,041)</u>	<u>(86,867)</u>
Total transactions with shareholders	<u>16,412</u>	<u>(4,704)</u>	<u>(82,041)</u>	<u>(70,333)</u>
Balance at 31 December, 2013	<u>2,321,202</u>	<u>1,524,451</u>	<u>295,733</u>	<u>4,141,386</u>
For the half-year ended 31 December, 2012				
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 half-year	-	-	86,280	86,280
Other comprehensive income	-	<u>323,062</u>	-	<u>323,062</u>
Total comprehensive income for the half-year	-	<u>323,062</u>	<u>86,280</u>	<u>409,342</u>
Transactions with shareholders:-				
Dividend Reinvestment Plan	15,195	-	-	15,195
Cost of shares issued net of tax	(51)	-	-	(51)
Executive performance rights reserve	-	(354)	-	(354)
Dividend paid	-	<u>(6,264)</u>	<u>(75,175)</u>	<u>(81,439)</u>
Total transactions with shareholders	<u>15,144</u>	<u>(6,618)</u>	<u>(75,175)</u>	<u>(66,649)</u>
Balance at 31 December, 2012	<u>2,213,225</u>	<u>1,069,873</u>	<u>268,938</u>	<u>3,552,036</u>

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
for the half-year ended 31 December, 2013

	2013	2012
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends and distributions received	120,630	97,557
Interest received	3,871	3,818
Other receipts	493	160
Proceeds from trading investments	12,395	5,970
Payments for trading investments	(9,162)	(1,308)
Other payments	(4,119)	(4,383)
Income tax paid	(7,232)	(6,015)
	<u>116,876</u>	<u>95,799</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of long-term investments	51,151	70,677
Payments for long-term investments	(86,335)	(68,340)
Proceeds from other financial cash assets	100,000	10,000
Payments for other financial cash assets	(70,000)	(10,000)
Executive share scheme repayments	52	50
Payments for fixed assets	(7)	(7)
	<u>(5,139)</u>	<u>2,380</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cost of shares issued	(49)	(73)
Dividend paid - net of Dividend Reinvestment Plan	(70,421)	(66,244)
	<u>(70,470)</u>	<u>(66,317)</u>
Net financing cash outflows	<u>(70,470)</u>	<u>(66,317)</u>
Net increase in cash held	41,267	31,862
Cash at the beginning of the half-year	<u>135,910</u>	<u>141,727</u>
Cash at the end of the half-year	<u><u>177,177</u></u>	<u><u>173,589</u></u>

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December, 2013**

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

The general purpose financial report for the half-year ended 31 December, 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this half-yearly report is to be read in conjunction with the Annual Report for the year ended 30 June, 2013 and any public announcements made by Argo Investments Limited ("the Company") during the half-year, in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. 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	645,047	628,255
	\$'000	\$'000
Profit for the half-year	101,887	86,280
	cents	cents
Basic and diluted earnings per share	<u>15.8</u>	<u>13.7</u>

3. DIVIDENDS

	2013	2012
	\$'000	\$'000
Dividend paid during the half-year:		
Final dividend for the year ended 30 June, 2013 of 13.5 cents fully franked at 30% tax rate paid 4 September, 2013 (2012: 13 cents fully franked at 30% tax rate)	<u>86,867</u>	<u>81,439</u>
Since the end of the half-year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the half-year:		
Interim dividend for the year ending 30 June, 2014 of 13.5 cents fully franked at 30% tax rate payable 5 March, 2014 (previous corresponding period: 13 cents fully franked at 30% tax rate)	<u>87,201</u>	<u>81,807</u>

ARGO INVESTMENTS LIMITED

4. 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	No. of	\$'000	\$'000
	shares	shares		
Issued and fully paid ordinary shares:-				
Opening balance	643,456,209	626,452,410	2,304,790	2,198,081
Dividend reinvestment plan ^(a)	2,480,493	2,834,832	16,446	15,195
Cost of shares issued net of tax	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>(51)</u>
Closing balance	<u>645,936,702</u>	<u>629,287,242</u>	<u>2,321,202</u>	<u>2,213,225</u>

(a) On 4 September, 2013 2,480,493 shares were allotted at \$6.63 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2013.

5. 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 half-year.

ARGO INVESTMENTS LIMITED

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 4 to 9 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December, 2013 and of its performance for the half-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.

Signed in accordance with a resolution of the Directors



G. I. Martin AM
Chairman

Adelaide
3 February, 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Argo Investments Limited (the Company), which comprises the statement of financial position as at 31 December 2013, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Argo Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



**Independent auditor's review report to the members of Argo Investments Limited
(continued)**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Argo Investments Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'AG Forman'.

AG Forman
Partner

Adelaide
3 February 2014