Argo Investments Limited

ABN 35 007 519 520

Appendix 4E

Preliminary Final Report
for the year ended 30 June, 2011

(previous corresponding period being the year ended 30 June, 2010)

ARGO INVESTMENTS LIMITED ABN 35 007 519 520

RESULTS FOR ANNOUNCEMENT TO THE MARKET
YEAR ENDED 30 JUNE, 2011

(Comparative figures being the year ended 30 June, 2010)

These preliminary results are based on unaudited financial statements.

				$A'000
Revenue from operating activities	up	23.1%	to	186,783
Net operating profit before net realised gains on sale of long-term investments (refer (1) below)	up	20.5%	to	172,058
Profit for the year (refer (1) below)	up	11.8%	to	172,058

Dividends

Interim fully franked dividend paid 7 March, 2011	13 cents
Final fully franked dividend payable 7 September, 2011 (including 2 cents LIC capital gain – refer (2) below)	13 cents
Total	26 cents

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 2.5% 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	24 August, 2011

Previous corresponding period

Interim fully franked dividend paid 3 March, 2010	12 cents
Final fully franked dividend paid 3 September, 2010 (included 2 cents LIC capital gain)	13 cents
Total	25 cents

Net Asset Backing

Net Tangible Asset Backing per Argo share was $6.11 as at 30 June, 2011, compared with $5.82 as at 30 June, 2010.

Brief explanation of any of the figures reported above:

(1) As at 7 December, 2009, Argo Investments Limited ("the Company") adopted Accounting Standard AASB 9 *Financial Instruments.* After that date, net realised gains on the sale of long-term investments are accounted for through the capital profits reserve, rather than as part of profit. Therefore, for the year under review, no net realised gains on the sale of long-term investments are included as profit whereas $11.1 million was included in the previous corresponding period, which resulted in a profit for the year ended 30 June, 2010 of $153.9 million.

As Argo is a long-term investor, the Directors are pleased that it is no longer a requirement to include net realised gains on the sale of long-term investments as profit and believe the relevant comparative percentage profit increase for the year ended 30 June, 2011 is 20.5%.

(2) The 2 cents per share LIC capital gain component of the dividend will give rise to an attributable part of 2.86 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2011/2012 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
8th August 2011

Argo lifts annual dividend after 20.5% profit increase

Argo Investments Limited has increased its fully franked annual dividend following a 20.5% improvement in operating profit after tax in the year ended 30 June, 2011.

In what is Argo's 65th successive year of paying dividends to shareholders, the annual dividend has been increased to a fully franked 26 cents per share compared with a fully franked 25 cents per share in the previous year.

Argo (ASX: "ARG") – a leading Australian listed investment company with total assets of $3.8 billion – today reported a 2010-2011 operating profit of $172.1 million after tax compared with $142.8 million in 2009-2010.

Argo's Chief Executive Officer, Mr Jason Beddow, said pleasing aspects of the improved full-year result included the Company's management expense ratio being held at 0.17% of average assets at market value, and the strong rise to 28.1 cents in operating earnings per share - up from 24.2 cents in the previous year.

"The receipt of dividend income from the Company's investment portfolio of some 125 Australian stocks is a major contributor to operating profit and during the year a number of investee companies increased their dividend payments," Mr Beddow said.

"The higher full-year result also benefited from one-off transactions which included fully franked share buy-back dividends from Woolworths Ltd. and BHP Billiton Ltd., together with the dividend that resulted from the demerger of DuluxGroup Ltd. from Orica Ltd.

"Another feature of the result was the strong recovery in interest income, due to the benefit received from higher interest rates."

$160m in cash and no debt

Mr Beddow said the new financial year had already seen some company profit warnings, and forecasts of earnings for many sectors were being downgraded.

"Our meetings with the management of investee companies in the forthcoming reporting season will be important as equity market conditions are likely to remain challenging for the foreseeable future," he said.

"With current cash reserves of about $160 million and no debt, Argo as a long-term investor remains ready to take advantage of selective buying opportunities as they present themselves in the share market."

Outlook

Argo's Chairman, Mr Chris Harris, said that despite the level of economic stimulus provided by governments around the world over the past few years, the global macroeconomic environment continued to be difficult, with weak economic indicators across multiple regions, ongoing risk aversion and widening divergence in growth expectations between economies.

"Equity markets remain focused on the European sovereign debt crisis, with the fear of further contagion still a major issue," Mr Harris said.

"The U.S. recovery is very patchy and tentative with concerns about a double dip recession paramount. Unemployment levels remain stubbornly high and the housing market has yet to show any sign of rebounding.

"The rapid growth of some emerging economies, such as India, has driven their inflation to high levels and these countries now face policy-driven slowdowns to return growth to a more sustainable pace.

"Importantly for the Australian equity market, China needs to manage the balance between growth and inflation in order to provide continued economic stability. If this is carried out successfully, it should provide support for commodity prices in the longer term.

"In Australia, we have seen a softening of the Reserve Bank's domestic growth outlook following recent weaker economic data. Confidence and consumer spending in the economy continue to remain fragile.

"The cost of the proposed Carbon Pricing Scheme recently announced by the Federal Government will be borne directly by a narrow range of industries and further uncertainty surrounds the transition arrangements to a market Emissions Trading Scheme in 2015. This is adding to the concern of both international and domestic investors already wary of the high level of government regulation currently overhanging the Australian economy and equity market," Mr Harris said.

Net Asset Backing

Reflecting an improved performance in equity markets over the reporting period, net tangible asset backing per share was $6.11 as at 30 June, 2011 compared with $5.82 as at 30 June, 2010.

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 $5.55 as at 30 June, 2011 compared with $5.32 as at 30 June, 2010.

Investment Portfolio

Mr Beddow said Argo continued with its objective of maximising long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio.

"For the past 10 years, the Company's investment portfolio has produced a compound annual return of 8.2% as measured by the movement in net asset backing per share plus dividends paid," he said.

"This return is after payment of all administration costs and tax and compares with a return of 7.4% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items. Included in the Company's 10 year portfolio performance is a total return of 9.5% generated in the 2011 financial year."

During the year, the larger equity purchases were as follows:

	$ million
Australia and New Zealand Banking Group Ltd.	49.5
BHP Billiton Ltd.	37.2
Commonwealth Bank of Australia	17.6
Asciano Group	14.5
Origin Energy Ltd.	14.1
Australian United Investment Company Ltd.	13.1
Westpac Banking Corporation	11.2

New holdings which were added to the portfolio as a result of corporate actions included DuluxGroup Ltd., Echo Entertainment Group Ltd., Treasury Wine Estates Ltd. and Westfield Retail Trust when they were demerged from Orica Ltd., Tabcorp Holdings Ltd., Foster's Group Ltd. and Westfield Group respectively. In addition, Fletcher Building Ltd. was added to the portfolio when its scrip was offered as part consideration for the takeover of Crane Group Ltd.

Overall the number of holdings in the Company's portfolio was reduced during the year following the sale of some of the smaller investments and takeovers which were accepted for Argo's holdings in Aevum Ltd., AXA Asia Pacific Holdings Ltd., Centennial Coal Company Ltd., Choiseul Investments Ltd., Corporate Express Australia Ltd., Crane Group Ltd., Dexion Ltd., International Coal Holdings Ltd., Intoll Group, Transfield Services Infrastructure Fund and Westpac Office Trust. Suncorp-Metway Ltd. reset convertible preference shares were redeemed, and several other holdings were partially sold, including Macquarie Group Ltd.

Increased Dividend

Directors have declared a steady fully franked 13 cents per share final dividend which includes a 2 cents per share listed investment company (LIC) capital gain component.

This takes the full-year dividend to a fully franked 26 cents per share, up from a fully franked 25 cents per share. The interim dividend was increased to a fully franked 13 cents per share.

Argo's fully franked final dividend, totalling $80.7 million, will be paid on 7 September, 2011. The shares will trade ex-dividend on 18 August, 2011 and the record date to establish shareholder dividend entitlements is 24 August, 2011.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will operate for the dividend payable on 7 September, 2011. The Directors have resolved that the shares will be allotted to eligible shareholders participating in the DRP at a discount of 2.5% from the market price of Argo shares, as defined by the DRP.

Eligible shareholders, being those shareholders with registered addresses in Australia or New Zealand, who wish to participate in the DRP and who have not already lodged their intention, must do so by 24 August, 2011. Any variation to an existing election must also be lodged by this date.

Media contact: -

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Chief Executive Officer
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ARGO INVESTMENTS LIMITED

INCOME STATEMENT
for the year ended 30 June, 2011

	Note	2011 $'000	2010 $'000
Dividends and distributions	2	174,167	143,539
Interest		12,250	7,424
Other revenue		366	738
Total revenue		186,783	151,701
Net gains on trading investments		5,002	9,882
Income from operating activities		191,785	161,583
Administration expenses	3	(7,135)	(6,427)
Operating profit before income tax expense and realised gains on sale of long-term investments		184,650	155,156
Income tax expense thereon *	4	(12,592)	(12,342)
Net operating profit before net realised gains on sale of long-term investments		172,058	142,814
Realised gains on sale of long-term investments before income tax expense		-	16,142
Income tax expense thereon *	4	-	(5,065)
Net realised gains on sale of long-term investments		-	11,077
Profit for the year		172,058	153,891
* Total income tax expense		(12,592)	(17,407)

	Note	2011 cents	2010 cents
Basic and diluted earnings per share including net realised gains on sale of long-term investments	5	28.1	26.0

Information on earnings per share, including net operating profit before net realised gains on sale of long-term investments, can be found in note 5.

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June, 2011

	2011 $'000	2010 $'000
Profit for the year	172,058	153,891
Other comprehensive income		
Revaluation of long-term investments	167,504	285,614
Provision for deferred tax expense on unrealised gains on long-term investments	(50,077)	(87,924)
Realised gains on sale of long-term investments transferred to the Income Statement from the investment revaluation reserve	-	(16,142)
Income tax expense thereon	-	5,065
Other comprehensive income for the year	117,427	186,613
Total comprehensive income for the year	289,485	340,504

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION
as at 30 June, 2011

	Note	2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	6(a)	82,095	187,270
Receivables	7	27,873	24,628
Other financial assets	8	60,000	45,000
Total Current Assets		169,968	256,898
NON-CURRENT ASSETS			
Receivables	7	833	1,039
Investments	9	3,666,924	3,302,886
Plant and equipment	10	491	577
Total Non-Current Assets		3,668,248	3,304,502
TOTAL ASSETS		3,838,216	3,561,400
CURRENT LIABILITIES			
Payables	11	1,807	2,523
Current tax liabilities		17,997	55
Provisions	12	510	547
Total Current Liabilities		20,314	3,125
NON-CURRENT LIABILITIES			
Payables	11	501	501
Deferred tax liabilities	13	374,005	329,478
Provisions	12	235	186
Total Non-Current Liabilities		374,741	330,165
TOTAL LIABILITIES		395,055	333,290
NET ASSETS		3,443,161	3,228,110
SHAREHOLDERS' EQUITY			
Contributed equity	14	2,167,020	2,083,247
Reserves	15	1,036,275	931,131
Retained profits	16	239,866	213,732
TOTAL SHAREHOLDERS' EQUITY		3,443,161	3,228,110

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June, 2011

	Contributed Equity $'000 (note 14)	Reserves $'000 (note 15)	Retained Profits $'000 (note 16)	Total $'000
Balance at 1 July, 2010	2,083,247	931,131	213,732	3,228,110
Profit for the year	-	-	172,058	172,058
Net revaluation of long-term investments	-	117,427	-	117,427
Total comprehensive income for the year	-	117,427	172,058	289,485
Transactions with shareholders				
Dividend Reinvestment Plan	31,033	-	-	31,033
Share Purchase Plan	52,947	-	-	52,947
Cost of share issues net of tax	(207)	-	-	(207)
Executive performance rights reserve	-	(152)	-	(152)
Dividends paid	-	(12,131)	(145,924)	(158,055)
Total transactions with shareholders	83,773	(12,283)	(145,924)	(74,434)
Balance at 30 June, 2011	2,167,020	1,036,275	239,866	3,443,161

(To be read in conjunction with the accompanying notes)

STATEMENT OF CHANGES IN EQUITY (continued)

	Contributed Equity $'000 (note 14)	**Reserves** $'000 (note 15)	**Retained Profits** $'000 (note 16)	**Total** $'000
For the year ended 30 June, 2010				
Balance at 1 July, 2009 (as reported)	1,943,944	744,993	205,618	2,894,555
Restatement on adoption of AASB 9				
Investment revaluation reserve	-	(191,847)	-	(191,847)
Impairment revaluation charge reserve	-	191,847	-	191,847
Restated balance	1,943,944	744,993	205,618	2,894,555
Profit for the year	-	-	153,891	153,891
Net revaluation of long-term investments	-	197,690	-	197,690
Net realised gains on sale of long-term investments transferred to the Income Statement	-	(11,077)	-	(11,077)
Total comprehensive income for the year	-	186,613	153,891	340,504
Net realised gains on sale of long-term investments transferred to capital profits reserve	-	11,077	(11,077)	-
Transactions with shareholders				
Dividend Reinvestment Plan	28,694	-	-	28,694
Share Purchase Plan	110,873	-	-	110,873
Cost of share issues net of tax	(264)	-	-	(264)
Executive performance rights reserve	-	137	-	137
Dividends paid	-	(11,689)	(134,700)	(146,389)
Total transactions with shareholders	139,303	(11,552)	(134,700)	(6,949)
Balance at 30 June, 2010	2,083,247	931,131	213,732	3,228,110

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS
for the year ended 30 June, 2011

	Note	2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		167,144	140,218
Interest received		12,910	5,658
Other receipts		368	948
Payments for trading investments		(2,130)	(17,544)
Proceeds from trading investments		7,132	29,046
Other payments		(7,571)	(5,628)
Income tax refunded		260	5,157
Net operating cash inflows	6(b)	178,113	157,855
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		113,580	82,455
Payments for long-term investments		(308,797)	(91,008)
Proceeds from other financial assets		155,000	-
Payments for other financial assets		(170,000)	(45,000)
Executive share scheme repayments		1,309	256
Proceeds from sale of fixed assets		31	-
Payments for fixed assets		(40)	(51)
Net investing cash outflows		(208,917)	(53,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		52,947	110,873
Cost of share issues		(296)	(376)
Dividends paid – net of reinvestment		(127,022)	(117,695)
Net financing cash outflows		(74,371)	(7,198)
Net (decrease)/ increase in cash held		(105,175)	97,309
Cash at the beginning of the year		187,270	89,961
Cash at the end of the year	6(a)	82,095	187,270

(To be read in conjunction with the accompanying notes)

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

	2011 $'000	**2010** $'000
Received/receivable from:-		
Long-term investments held at the end of the year	159,331	142,674
Long-term investments sold during the year	14,836	865
	174,167	143,539

3. Administration Expenses

Employment benefits	4,638	4,328
Depreciation	93	78
Other administration	2,404	2,021
	7,135	6,427

4. Income Tax Expense

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

Operating profit before income tax expense and realised gains on sale of long-term investments	184,650	155,156
Prima facie tax payable calculated at 30% (2010: 30%)	55,395	46,547
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Imputation gross-up on dividends received	16,737	13,953
Franking credits on dividends received	(55,791)	(46,511)
Other	(3,204)	(1,451)
Over provision previous year	(545)	(196)
Income tax expense on operating profit before realised gains on sale of long-term investments	12,592	12,342

	2011 $'000	2010 $'000
Realised gains on sale of long-term investments	-	16,142
Prima facie tax payable calculated at 30% (2010: 30%)	-	4,843
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Difference between accounting and tax cost base for capital gains purposes	-	222
Income tax expense on realised gains on sale of long-term investments	-	5,065
Total income tax expense	12,592	17,407

(b) Income tax expense composition

	2011 $'000	2010 $'000
Charge for tax payable relating to current year	12,030	9,830
Increase in deferred tax liabilities	1,107	7,773
Over provision previous year	(545)	(196)
	12,592	17,407

(c) Amounts recognised directly in other comprehensive income

	2011 $'000	2010 $'000
Increase in deferred tax liabilities	50,077	82,859

5. Earnings Per Share

	2011 number '000	2010 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	611,375	590,772

Basic and diluted earnings per share

	$'000	$'000
Profit for the year	172,058	153,891
	cents	cents
Basic and diluted earnings per share including net realised gains on sale of long-term investments	28.1	26.0

Basic and diluted operating earnings per share excluding net realised gains on sale of long-term investments

	$'000	$'000
Net operating profit before net realised gains on sale of long-term investments	172,058	142,814

	2011 cents	2010 cents
Basic and diluted operating earnings per share excluding net realised gains on sale of long-term investments	28.1	24.2

6. Cash and Cash Equivalents

(a) Cash and cash equivalents includes cash on deposit (4.70% floating interest rate as at 30 June, 2011; 2010: 4.45%) with banks and fixed term deposits (fixed interest rates to maturity between 5.59% and 5.75% as at 30 June, 2011; 2010: 5.23% and 5.95%) with banks, all maturing within three months from date of deposit.

	2011 $'000	2010 $'000
Bank deposits	82,095	187,270

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

	2011 $'000	2010 $'000
Profit for the year	172,058	153,891
Net realised (gains)/losses on sale of long-term investments	-	(11,077)
Demerger dividend	(4,109)	-
Net loss/(gain) on sale of fixed assets	2	-
Depreciation	93	78
Decrease/(Increase) in current investments	-	1,621
Charges to provisions	134	223
Other movements	(152)	137
Increase/(Decrease) in provision for income tax	17,942	6
Transfer (to)/from provision for deferred income tax	(5,657)	12,262
(Increase)/Decrease in deferred tax assets	74	(74)
Changes in assets and liabilities		
Decrease/(Increase) in other debtors	(1,996)	313
Increase/(Decrease) in other creditors	(276)	475
Net cash provided by operating activities	178,113	157,855

(c) Financing Arrangements

	2011	2010
Total lines of credit available:-		
Bank overdraft	200	200
Amount utilised	-	-
Undrawn facility	200	200

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 $31,033,166 were reinvested in shares under the Company's dividend reinvestment plan (2010: $28,693,647).

7. Receivables

	2011	2010
	$'000	$'000
Current		
Dividends and distributions receivable	24,199	21,286
Interest receivable	1,198	1,857
Outstanding settlements	2,353	-
Executive share plan loan – former Managing Director	-	1,103
Other	123	382
	27,873	24,628

Receivables are non-interest bearing and are unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within three days of the transaction date. The executive share plan loan was repaid in accordance with the terms of the plan.

	2011	2010
	$'000	$'000
Non-Current		
Executive share plan loans	833	1,039

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

8. Other Financial Assets

	2011	2010
	$'000	$'000
Bank term deposits	60,000	45,000

Other financial assets are fixed term deposits (fixed interest rates to maturity between 5.83% and 6.13% as at 30 June, 2011; 2010: 5.10% and 5.94%) with banks, maturing from three to six months from date of deposit.

9. Investments

	2011	2010
	$'000	$'000
Listed securities at fair value	3,661,624	3,297,686
Unlisted securities at fair value	5,300	5,200
	3,666,924	3,302,886

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.

The fair value of unlisted securities is not based on observable market data. 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.

10. Plant and Equipment

	2011 $'000	2010 $'000
Plant, equipment and vehicles at cost	970	1,008
Accumulated depreciation	(479)	(431)
	491	577

Reconciliation of Plant and Equipment

	2011 $'000	2010 $'000
Carrying amount at beginning of year	577	604
Additions	40	51
Disposals	(33)	-
Depreciation	(93)	(78)
Carrying amount at end of year	491	577

11. Payables

	2011 $'000	2010 $'000
Current		
Outstanding settlements	822	1,262
Other	985	1,261
	1,807	2,523

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

	2011 $'000	2010 $'000
Non-Current		
Directors' retiring allowances	501	501

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

12. Provisions

	2011 $'000	2010 $'000
Current		
Provision for employee entitlements	510	547
Non-Current		
Provision for employee entitlements	235	186

13. Deferred Tax Liabilities

	2011 $'000	2010 $'000
Non-current		
Amounts recognised in profit:-		
Deferred tax liability on realised gains on sale of long-term investments	3,540	(5,682)
Income receivable which is not assessable for tax until receipt	1,210	1,863
	4,750	(3,819)
Offset by deferred tax assets:-		
Capital gains losses not utilised	(5,794)	(7,223)
Provisions and payables	(655)	(729)
	(6,449)	(7,952)
	(1,699)	(11,771)
Amounts recognised directly in other comprehensive income:-		
Deferred tax liability on unrealised gains on long-term investments	375,910	341,488
Amounts recognised directly in equity:-		
Deferred tax asset on cost of share issues	(206)	(239)
	375,704	341,249
Aggregate of deferred tax liabilities	374,005	329,478
Movements:-		
Balance at beginning of year	329,478	229,361
Charged to Income Statement	1,107	7,773
Charged to other comprehensive income	50,077	82,859
Changes to the tax base of investments	(6,657)	9,485
Balance at end of year	374,005	329,478

14. Contributed Equity

	2011 No. of shares	2010 No. of shares	2011 $'000	2010 $'000
(a) Issued and fully paid ordinary shares:-				
Opening balance	606,541,598	584,434,409	2,083,247	1,943,944
Dividend reinvestment plan(b)	5,216,873	4,536,226	31,033	28,694
Share purchase plan(c)	8,679,864	17,570,963	52,947	110,873
Cost of share issues net of tax	-	-	(207)	(264)
Closing balance	620,438,335	606,541,598	2,167,020	2,083,247

(b) On 3 September, 2010, 2,727,231 shares were allotted at $5.71 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2010.

On 7 March, 2011, 2,489,642 shares were allotted at $6.21 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2011.

(c) On 15 April, 2011, 8,679,864 shares were allotted at $6.10 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

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

15. **Reserves**

	2011 $'000	2010 $'000
Executive Performance Rights Reserve	1,046	1,198
Investment Revaluation Reserve	791,745	680,212
Capital Profits Reserve	243,484	249,721
Impairment Revaluation Charge Reserve	-	-
	1,036,275	931,131

Movements in reserves during the year

	2011 $'000	2010 $'000
Executive Performance Rights Reserve		
Balance at beginning of year	1,198	1,061
Accrued entitlement for unvested rights	354	137
Executive performance shares purchased	(506)	-
Balance at end of year	1,046	1,198
Investment Revaluation Reserve		
Balance at beginning of year	680,212	485,820
Revaluation of long-term investments	167,504	285,614
Provision for deferred tax expense on unrealised gains on long-term investments	(50,077)	(87,924)
Realised gains on sale of long-term investments to 7 December, 2009 transferred to Income Statement	-	(16,142)
Income tax expense thereon	-	5,065
Realised (gains)/losses on sale of long-term investments after 7 December, 2009 transferred to capital profits reserve	(8,998)	10,846
Income tax expense/(benefit) thereon	3,104	(3,067)
Balance at end of year	791,745	680,212
Capital Profits Reserve		
Balance at beginning of year	249,721	271,871
Transfer to provision for dividend	(12,131)	(11,689)
Transfer from retained profits	-	11,077
Transfer from investment revaluation reserve	5,894	(7,779)
Transfer from impairment revaluation charge reserve	-	(13,759)
Balance at end of year	243,484	249,721

	2011 $'000	2010 $'000
Impairment Revaluation Charge Reserve		
Balance at beginning of year	-	(13,759)
Transfer to capital profits reserve	-	13,759
Balance at end of year	-	-
Total Reserves	1,036,275	931,131

Long-term investments were sold in the normal course of the Company's operations as a listed investment company or as a result of take overs. The fair value of the investments sold or redeemed during this period was $142,114,000 (2010 - between 7 December, 2009 and reporting date: $22,635,000). The cumulative profit after tax on these disposals was $5,894,000 (2010 - between 7 December, 2009 and reporting date: loss $7,779,000), 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 performance rights and restricted share rights issued to participants, pursuant to the Executive Performance Rights Plan, calculated at grant date and allocated to each reporting period from grant date to 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.

Impairment Revaluation Charge Reserve
In accordance with the previously adopted Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, the unrealised impairment revaluation charge on long-term investments, net of any tax benefit, was transferred from retained profits and recorded in this reserve, until the balance was transferred to capital profits reserve after the adoption on 7 December, 2009 of Accounting Standard AASB 9 *Financial Instruments*.

16. **Retained Profits**

	2011 $'000	2010 $'000
Balance at beginning of year	213,732	205,618
Dividends paid	(145,924)	(134,700)
Profit for the year	172,058	153,891
Transfer to capital profits reserve	-	(11,077)
Balance at end of year	239,866	213,732

17. Dividends

	2011 $'000	2010 $'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June, 2010 of 13 cents fully franked at 30% tax rate paid 3 September, 2010 (2010: 13 cents fully franked at 30% tax rate)	78,850	75,976
Interim dividend for the year ended 30 June, 2011 of 13 cents fully franked at 30% tax rate paid 7 March, 2011 (2010: 12 cents fully franked at 30% tax rate)	79,205	70,413
Total dividends paid	158,055	146,389

The final dividend contained a listed investment company (LIC) capital gain component of 2 cents per share (2010: 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:-

	2011 $'000	2010 $'000
Final dividend for the year ended 30 June, 2011 of 13 cents fully franked at 30% tax rate payable 7 September, 2011 (2010: 13 cents fully franked at 30% tax rate)	80,657	78,850

The final dividend will contain a listed investment company (LIC) capital gain component of 2 cents per share (2010: 2 cents per share).

18. Franking Account

	2011 $'000	2010 $'000
Balance of the franking account after allowing for tax payable/ receivable and the receipt of franked dividends recognised as receivables	55,506	48,103
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(34,567)	(33,793)
	20,939	14,310
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	48,858	33,390

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.

19. Listed Investment Company Capital Gain Account

	2011 $'000	2010 $'000
Balance of the listed investment company (LIC) capital gain account	23,708	35,657
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(12,409)	(12,131)
	11,299	23,526
This equates to an attributable amount of	16,141	33,609

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 distributions from LIC securities held in the investment portfolio.

20. 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 Managing Director (for the period to 25 October, 2010), Chief Executive Officer (from 25 October, 2010) 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, 2011 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 Tuesday 25 October, 2011 at 10.00 a.m.

Information Meetings

For the benefit of shareholders unable to attend the Annual General Meeting in Adelaide, informal meetings will be held in Melbourne on Wednesday 26 October, 2011 at 10.00 a.m. at the State Library of Victoria Theatrette, entry 3, 179 La Trobe Street, Melbourne and in Sydney on Thursday 27 October, 2011 at 10.00 a.m. in the offices of PricewaterhouseCoopers, Darling Park Cockle Bay, Tower 2, 201 Sussex Street, Sydney.