



**Argo Investments Limited**  
ABN 35 007 519 520

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**Appendix 4E**

Preliminary Final Report  
for the year ended 30 June 2017  
(previous corresponding period being  
the year ended 30 June 2016)

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET YEAR ENDED 30 JUNE 2017

(Comparative figures being the year ended 30 June 2016)

				Consolidated \$A'000
Revenue from operating activities	up	0.8%	to	229,835
Profit for the year	down	2.2%	to	211,486

### Dividends

Interim fully franked dividend paid 10 March 2017	15.0 cents
Final fully franked dividend payable 15 September 2017	16.0 cents
<b>Total</b>	<b>31.0 cents</b>

The final dividend includes a 5.0 cents per share LIC capital gain component. The amount of pre-tax attributable gain on this portion of the dividend is 7.14 cents per share, which will allow shareholders to claim a portion of the attributable part as a deduction in their 2017/2018 income tax return. The amount which eligible shareholders may be able to claim as a tax deduction depends on their individual situation. Further detail will be provided in the dividend statement.

The Company's Dividend Reinvestment Plan will operate for the final dividend. The Directors have resolved that the shares will be allotted at a 2.0% discount from the market price of Argo shares, which will be the volume weighted average ex-dividend market price of the shares traded on the record date and the three business days following the record date.

The record date for determining entitlements to the final dividend	28 August 2017
The election date for determining participation in the Dividend Reinvestment Plan	29 August 2017

### Previous corresponding period

Interim fully franked dividend paid 4 March 2016	15.0 cents
Final fully franked dividend paid 9 September 2016	15.5 cents
<b>Total</b>	<b>30.5 cents</b>

### Net Asset Backing

Net Tangible Asset Backing per Argo share was \$7.71 as at 30 June 2017 compared with \$7.11 as at 30 June 2016.

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 \$6.80 as at 30 June 2017, compared with \$6.34 as at 30 June 2016.



ARGO INVESTMENTS LIMITED ACN 007 519 520

## ASX / Media Release

14 August 2017

### Argo raises dividend for fifth successive year

Argo Investments Limited (ASX code: ARG), a major Australian listed investment company with \$5.4 billion in assets, today announced a full year profit of \$211.5 million and an increased final dividend of 16 cents per share fully franked.

Argo's Managing Director, Jason Beddow, said that the Company was pleased to advise that for the fifth year in a row Argo's annual dividend has been raised, and that the 31 cents per share achieved this year is a record high.

Summary of financial results	2017	2016	change
Profit	<b>\$211.5 million</b>	\$216.3 million	-2.2%
Earnings per share	<b>30.7 cents</b>	32.0 cents	-4.1%
Final dividend per share	<b>16.0 cents</b>	15.5 cents	+3.2%
Full year dividends per share	<b>31.0 cents</b>	30.5 cents	+1.6%
Net tangible asset backing (NTA) per share	<b>\$7.71</b>	\$7.11	+8.4%

Mr. Beddow said "The full year result and increased dividend was a good outcome, especially considering the reduced dividends we received from a number of the larger companies in the investment portfolio during the first half of the year. In addition, 5 cents of Argo's dividend resulted from taxable capital gains in the portfolio, which enables the Company to pass on the benefit of the long-term capital gains tax discount as a tax deduction to shareholders."

"In the second half, we saw improved business and consumer confidence as concerns of fallout from further political upheaval did not eventuate. Global share markets have continued to march upwards, particularly in the US, driven by the rapidly growing technology sector which is pushing stock market indices to record highs. This optimism has spread to Europe and Japan where economic growth is at last recovering," he said.

"The recent strength in our market was led by the return to favour of the larger cap companies. However, some of the best individual share price performers were mid-size companies, especially in the resources sector. Healthy gains were recorded by most industry sectors and in our view this has led to some stretched market valuations."

#### Investment performance

For the past year to 30 June 2017, Argo's net tangible asset backing performance returned +12.9% after deducting all costs and tax, compared with the ASX200 Accumulation Index which returned +14.1% without allowing for any costs or tax.

The Argo share price return, including the benefit of franking credits on the dividends paid to shareholders, was +10.3%.

At a sector level, Argo's underweight position in the materials sector, and more particularly the smaller and mid-size resource companies, hampered our performance relative to the broader market. Although this portfolio positioning is not unusual due to Argo's preference for companies that can generate growing dividend income, it does occasionally result in underperformance when mining stocks are in favour.

## Investment portfolio

During the financial year, Argo purchased \$159 million of long-term investments. Proceeds of \$218 million were received from long-term investment sales, which included \$135 million from the takeovers of Asciano and DUET Group. The capital profits resulting from these takeovers allowed Argo to include a LIC capital gain component in the dividend. The larger movements in the portfolio during the year included:

<u>Purchases</u>	<u>Sales</u>
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. Other stocks exited during the year were Sims Metal Management, Reliance Worldwide Corporation, Surfstitch Group and Macquarie Group income securities.

New investments were made in QANTM Intellectual Property, oOh!media, Speedcast International, Murray River Organics Group and Motorcycle Holdings. In addition, we added to 26 existing holdings. Overall, the number of stocks held in the portfolio decreased slightly over the year to 98.

## Outlook

We expect that global macroeconomic and geopolitical influences will continue to have a significant impact on the Australian stock market, as will the prospect of higher interest rates in the US and the potential unwinding of stimulus across a number of developed economies. While ongoing economic growth in China will be vital to the performance of the Australian resources industry, global growth has improved and this has contributed to robust demand for commodities and maintained commodity prices at levels above what may have been expected 12 months ago.

Domestically, the banks face some well-publicised headwinds, and the recent A\$ strength following commodity price increases and speculation that interest rates will start to rise again, may hamper companies with substantial offshore earnings.

The corporate results reporting season, which has just begun, will be an invaluable opportunity to meet with the senior management teams of our investee companies. Apart from analysing their financial results, it will be particularly interesting to hear how these companies are thinking strategically for the longer term, at a time when many traditional business models are being challenged.

Our cash balances are currently higher than in recent years, reflecting our cautious approach when we perceive market valuations to be relatively high. We do not intend to offer a share purchase plan to shareholders in the immediate future as we have sufficient cash to take advantage of any volatility through the reporting season.

### Media contact:

**Jason Beddow**

**Managing Director**

**02 8274 4702 or 0409 900 709**

# Consolidated Statement of Profit or Loss

for the year ended 30 June 2017

	<b>Note</b>	<b>2017</b> \$'000	<b>2016</b> \$'000
Dividends and distributions	2	223,039	223,686
Interest		3,956	2,209
Other revenue		2,840	2,140
<b>Total revenue</b>		<b>229,835</b>	<b>228,035</b>
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)
<b>Profit for the year</b>		<b>211,486</b>	<b>216,286</b>
		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

	<b>2017</b> \$'000	<b>2016</b> \$'000
Profit for the year	211,486	216,286
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
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)
<b>Total comprehensive income for the year</b>	<b>515,355</b>	<b>5,798</b>

# Consolidated Statement of Financial Position

as at 30 June 2017

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

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	<b>Contributed Equity</b> \$'000 (Note 15)	<b>Reserves</b> \$'000 (Note 16)	<b>Retained Profits</b> \$'000 (Note 17)	<b>Total</b> \$'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

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

# Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
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)
<b>Net operating cash inflows</b>	6(b)	211,027	193,852
<b>Cash flows from investing activities</b>			
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)
<b>Net investing cash inflows/(outflows)</b>		15,104	(72,218)
<b>Cash flows from financing activities</b>			
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)
<b>Net financing cash outflows</b>		(109,792)	(106,134)
Net increase in cash held		116,339	15,500
Cash at the beginning of the year		93,144	77,644
<b>Cash at the end of the year</b>	6(a)	209,483	93,144



# Notes to the Financial Statements

for the year ended 30 June 2017

## 1. BASIS OF PREPARATION

The preliminary consolidated financial statements have been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the preliminary consolidated 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.

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

## 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
	<b>223,039</b>	<b>223,686</b>

## 3. ADMINISTRATION EXPENSES

	2017 \$'000	2016 \$'000
Employment benefits	5,376	4,921
Depreciation	60	163
Other	2,732	2,914
	<b>8,168</b>	<b>7,998</b>

**4. INCOME TAX EXPENSE**

	<b>2017</b> \$'000	<b>2016</b> \$'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)
<b>Income tax expense</b>	<b>14,558</b>	<b>14,324</b>
(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)
	<b>14,558</b>	<b>14,324</b>
(c) Amounts recognised directly in other comprehensive income:		
Increase/(decrease) in deferred tax liabilities	<b>131,329</b>	<b>(89,293)</b>

**5. EARNINGS PER SHARE**

	<b>2017</b> number '000	<b>2016</b> 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
<b>Basic and diluted earnings per share</b>	<b>30.7</b>	<b>32.0</b>

## 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.

	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Bank deposits	<b>209,483</b>	<b>93,144</b>
(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	<b>211,027</b>	<b>193,852</b>
(c) Financing arrangement		
Total line of credit available:		
Loan facility – unsecured	-	100,000
Amount utilised	-	-
Undrawn facility	-	<b>100,000</b>

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**

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

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.

	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
<b>Non-Current</b>		
Executive share plan loans	<b>99</b>	<b>119</b>

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

**8. INVESTMENTS**

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

(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:

	<b>2017</b> \$'000	<b>2016</b> \$'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	<b>5,474</b>	<b>4,710</b>

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

	<b>2017</b> \$'000	<b>2016</b> \$'000
Bank term deposits	<b>40,000</b>	-

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

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

**11. PAYABLES**

	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Outstanding settlements	3,009	1,069
Other	1,059	919
	<b>4,068</b>	<b>1,988</b>

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**

	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Exchange traded options at fair value	<b>2,987</b>	<b>4,354</b>

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**

	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
<b>Current</b>		
Provision for employee entitlements	<b>540</b>	<b>467</b>
<b>Non-Current</b>		
Provision for employee entitlements	<b>113</b>	<b>154</b>

**14. DEFERRED TAX LIABILITIES**

	<b>2017</b> \$'000	<b>2016</b> \$'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
	<b>649,107</b>	<b>538,667</b>
Offset by deferred tax assets:		
Provisions and payables	(1,619)	(2,115)
Deferred tax on cost of share issues	(201)	(183)
	<b>(1,820)</b>	<b>(2,298)</b>
<b>Net deferred tax liabilities</b>	<b>647,287</b>	<b>536,369</b>
<b>Movements</b>		
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
<b>Balance at end of year</b>	<b>647,287</b>	<b>536,369</b>

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.

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

(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**

	<b>2017</b> \$'000	<b>2016</b> \$'000
Executive Performance Rights Reserve	980	1,355
Investment Revaluation Reserve	1,423,308	1,155,839
Capital Profits Reserve	245,243	208,843
	<b>1,669,531</b>	<b>1,366,037</b>
<b>Movements in reserves during the year</b>		
<b>Executive Performance Rights Reserve</b>		
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
<b>Investment Revaluation Reserve</b>		
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
<b>Capital Profits Reserve</b>		
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
<b>Total Reserves</b>	<b>1,669,531</b>	<b>1,366,037</b>

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

	<b>2017</b>	<b>2016</b>
	\$'000	\$'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	<b>375,456</b>	<b>372,955</b>

## 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
<b>(a) Dividends paid during the year</b>		
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
<b>Total dividends paid</b>	<b>208,985</b>	<b>204,906</b>

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>(b) Dividend declared after balance date</b>		
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)	<b>110,946</b>	<b>105,360</b>

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

**20. FRANKING ACCOUNT**

	<b>2017</b>	<b>2016</b>
	\$'000	\$'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)
	<b>57,840</b>	<b>40,273</b>
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	<b>134,960</b>	<b>93,970</b>

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**

	<b>2017</b>	<b>2016</b>
	\$'000	\$'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)	-
	<b>4,261</b>	<b>5,401</b>
This equates to an attributable amount of	<b>6,087</b>	<b>7,716</b>

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.

**Audit of Accounts**

The accounts for the year ended 30 June 2017 are in the process of being audited.

# Meetings

## Annual General Meeting

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Adelaide

**Monday 23 October 2017**

Adelaide Oval, War Memorial Drive, North Adelaide

## Information meetings

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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*