



Argo Investments Limited

ABN 35 007 519 520

Appendix 4D

Half-year Report
for the period ended 31 December 2016
(previous corresponding period being
the half-year ended 31 December 2015)

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER 2016**

(Comparative figures being the half-year ended 31 December 2015)

				<u>\$A'000</u>
Revenue from operating activities	down	3.8%	to	114,392
Profit for the half-year	down	8.9%	to	104,081

Dividend

Interim fully franked dividend payable 10 March 2017
(previous corresponding period 15.0 cents fully franked) 15.0 cents

The Company's Dividend Reinvestment Plan will operate for the interim dividend. The Directors have resolved that the shares will be allotted at a 2% discount to 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 interim dividend 20 February 2017
The election date for determining participation in the Dividend Reinvestment Plan 21 February 2017

Final fully franked dividend for year ended 30 June 2016 paid
9 September 2016 15.5 cents

Net Asset Backing

Net tangible asset backing per Argo share was \$7.63 as at 31 December 2016, compared with \$7.28 as at 31 December 2015.

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 \$6.73 as at 31 December 2016, compared with \$6.47 as at 31 December 2015.



Argo Investments Limited

ABN 35 007 519 520

**Half-year Report
31 December 2016**

DIRECTORS' REPORT

The Directors present the financial report of the consolidated entity, consisting of Argo Investments Limited and its controlled entity (Argo or Company), for the half-year ended 31 December 2016.

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 99 stocks, representing a cross section of Australia's enterprises where there is good quality management and prospects for sound earnings and dividend growth.

Review of Operations

Profit for the half-year under review was \$104.1 million, down from \$114.2 million in the previous corresponding period. The result for the period was affected by a decrease in dividends and distributions received from the investments in the portfolio and reduced income from option and trading activity.

The Company's earnings per share was 15.2 cents, compared with 17.0 cents for the half-year ended 31 December 2015.

A steady fully franked interim dividend of 15 cents per share has been declared. This dividend totals \$103.6 million, compared with \$101.6 million in the previous corresponding period and will be paid on 10 March 2017.

Net tangible asset backing per Argo share was \$7.63 as at 31 December 2016, compared with \$7.11 as at 30 June 2016 and \$7.28 as at December 2015.

During the half-year, \$80.4 million of additional capital was raised for investment from the Dividend Reinvestment Plan (\$19.9 million) and the Share Purchase Plan (\$60.5 million).

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
Jason Beddow (Managing Director)	Director since 3 February 2014
Anne Bernadette Brennan	Director since 1 September 2011
Christopher Edgar Cuffe	Director since 25 August 2016
Roger Andrew Davis	Director since 1 June 2012
Russell Allan Higgins AO	Director since 1 September 2011
Joycelyn Cheryl Morton	Director since 1 March 2012

Robert John Patterson, a Director since 25 October 2011, retired on 26 October 2016.

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.

Rounding of Amounts

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

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'G.I. Martin', with a stylized flourish at the end.

G.I. Martin AM
Chairman

Adelaide
6 February 2017

Auditor's Independence Declaration

As lead auditor for the review of Argo Investments Limited for the half-year ended 31 December 2016, 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.

This declaration is in respect of Argo investments Limited and the entity it controlled during the period.



M.T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
6 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the half-year ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
Dividends and distributions		111,527	116,632
Interest		1,591	1,067
Other revenue		<u>1,274</u>	<u>1,260</u>
Total revenue		114,392	118,959
Net gains on trading investments		<u>286</u>	<u>7,294</u>
Income from operating activities		114,678	126,253
Administration expenses		(4,254)	(4,272)
Finance costs		<u>(37)</u>	<u>(95)</u>
Profit before income tax expense		110,387	121,886
Income tax expense thereon		<u>(6,306)</u>	<u>(7,670)</u>
Profit for the half-year		<u>104,081</u>	<u>114,216</u>
		2016 cents	2015 cents
Basic and diluted earnings per share	2	<u>15.2</u>	<u>17.0</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 31 December 2016

	2016 \$'000	2015 \$'000
Profit for the half-year	<u>104,081</u>	<u>114,216</u>
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	372,031	(172,803)
Provision for deferred tax benefit on revaluation of long-term investments	<u>(112,209)</u>	<u>51,655</u>
Other comprehensive income for the half-year	<u>259,822</u>	<u>(121,148)</u>
Total comprehensive income for the half-year	<u>363,903</u>	<u>(6,932)</u>

(To be read in conjunction with the accompanying notes)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	31 December	30 June
	2016	2016
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	183,823	93,144
Receivables	10,355	41,178
Investments	8,021	1,865
Other financial cash assets	25,000	-
Current tax assets	-	5,628
	<hr/>	<hr/>
Total Current Assets	227,199	141,815
NON-CURRENT ASSETS		
Receivables	108	119
Investments	5,074,819	4,712,277
Plant and equipment	304	326
	<hr/>	<hr/>
Total Non-Current Assets	5,075,231	4,712,722
TOTAL ASSETS	5,302,430	4,854,537
CURRENT LIABILITIES		
Payables	695	1,988
Derivative financial instruments	7,492	4,354
Current tax liabilities	15,772	-
Provisions	514	467
	<hr/>	<hr/>
Total Current Liabilities	24,473	6,809
NON-CURRENT LIABILITIES		
Deferred tax liabilities	628,722	536,369
Provisions	129	154
	<hr/>	<hr/>
Total Non-Current Liabilities	628,851	536,523
TOTAL LIABILITIES	653,324	543,332
NET ASSETS	4,649,106	4,311,205
SHAREHOLDERS' EQUITY		
Contributed equity	2,652,329	2,572,213
Reserves	1,625,101	1,366,037
Retained profits	371,676	372,955
	<hr/>	<hr/>
TOTAL SHAREHOLDERS' EQUITY	4,649,106	4,311,205

(To be read in conjunction with the accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2016

	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 July 2016	<u>2,572,213</u>	<u>1,366,037</u>	<u>372,955</u>	<u>4,311,205</u>
Profit for the half-year	-	-	104,081	104,081
Other comprehensive income	<u>-</u>	<u>259,822</u>	<u>-</u>	<u>259,822</u>
Total comprehensive income for the half-year	<u>-</u>	<u>259,822</u>	<u>104,081</u>	<u>363,903</u>
Transactions with shareholders:				
Dividend Reinvestment Plan	19,895	-	-	19,895
Share Purchase Plan	60,459	-	-	60,459
Cost of share issues net of tax	(238)	-	-	(238)
Executive performance rights reserve	-	(758)	-	(758)
Dividend paid	<u>-</u>	<u>-</u>	<u>(105,360)</u>	<u>(105,360)</u>
Total transactions with shareholders	<u>80,116</u>	<u>(758)</u>	<u>(105,360)</u>	<u>(26,002)</u>
Balance at 31 December 2016	<u><u>2,652,329</u></u>	<u><u>1,625,101</u></u>	<u><u>371,676</u></u>	<u><u>4,649,106</u></u>
For the half-year ended 31 December 2015				
Balance at 1 July 2015	<u>2,437,320</u>	<u>1,596,512</u>	<u>341,572</u>	<u>4,411,404</u>
Profit for the half-year	-	-	114,216	114,216
Other comprehensive income	<u>-</u>	<u>(121,148)</u>	<u>-</u>	<u>(121,148)</u>
Total comprehensive income for the half-year	<u>-</u>	<u>(121,148)</u>	<u>114,216</u>	<u>(6,932)</u>
Transactions with shareholders:				
Dividend Reinvestment Plan	19,548	-	-	19,548
Share Purchase Plan	60,355	-	-	60,355
Cost of shares issued net of tax	(243)	-	-	(243)
Executive performance rights reserve	-	(306)	-	(306)
Dividend paid	<u>-</u>	<u>(20,003)</u>	<u>(83,346)</u>	<u>(103,349)</u>
Total transactions with shareholders	<u>79,660</u>	<u>(20,309)</u>	<u>(83,346)</u>	<u>(23,995)</u>
Balance at 31 December 2015	<u><u>2,552,980</u></u>	<u><u>1,455,055</u></u>	<u><u>372,442</u></u>	<u><u>4,380,477</u></u>

(To be read in conjunction with the accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2016

	2016	2015
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends and distributions received	142,075	123,496
Interest received	1,472	987
Other receipts	1,272	1,832
Proceeds from trading investments	9,807	24,913
Payments for trading investments	(12,538)	(29,011)
Other payments	(5,467)	(5,592)
Income tax paid	(4,658)	(7,378)
	<u>131,963</u>	<u>109,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of long-term investments	98,496	59,037
Payments for long-term investments	(89,435)	(123,807)
Payments for other financial cash assets	(25,000)	-
Executive share scheme repayments	10	10
Payments for fixed assets	(7)	(30)
	<u>(15,936)</u>	<u>(64,790)</u>
Net investing cash outflows	<u>(15,936)</u>	<u>(64,790)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Share Purchase Plan	60,458	60,355
Cost of share issues	(341)	(347)
Dividend paid - net of Dividend Reinvestment Plan	(85,465)	(83,801)
	<u>(25,348)</u>	<u>(23,793)</u>
Net financing cash outflows	<u>(25,348)</u>	<u>(23,793)</u>
Net increase in cash held	90,679	20,664
Cash at the beginning of the half-year	<u>93,144</u>	<u>77,644</u>
Cash at the end of the half-year	<u>183,823</u>	<u>98,308</u>

(To be read in conjunction with the accompanying notes)

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2016

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

The general purpose financial report for the half-year ended 31 December 2016 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 2016 and any public announcements made by Argo Investments Limited (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

	2016	2015
	number	number
	'000	'000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	685,098	671,991
	\$'000	\$'000
Profit for the half-year	104,081	114,216
	cents	cents
Basic and diluted earnings per share	<u>15.2</u>	<u>17.0</u>

3. DIVIDENDS

	2016	2015
	\$'000	\$'000
Dividend paid during the half-year:		
Final dividend for the year ended 30 June 2016 of 15.5 cents fully franked at 30% tax rate paid 9 September 2016 (2015: 15.5 cents fully franked at 30% tax rate)	<u>105,360</u>	<u>103,349</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 2017 of 15 cents fully franked at 30% tax rate payable 10 March 2017 (previous corresponding period: 15 cents fully franked at 30% tax rate)	<u>103,625</u>	<u>101,557</u>

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.

	2016	2015	2016	2015
	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 ^(a)	2,717,901	2,490,187	19,895	19,548
Share purchase plan ^(b)	8,373,743	7,787,690	60,459	60,355
Cost of share issues net of tax	<u>-</u>	<u>-</u>	<u>(238)</u>	<u>(243)</u>
Closing balance	<u>690,834,498</u>	<u>677,047,556</u>	<u>2,652,329</u>	<u>2,552,980</u>

(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.

(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.

5. 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. No single investment accounts for more than 10% of revenue.

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

DIRECTORS' DECLARATION

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

- (a) the consolidated 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 consolidated entity's financial position as at 31 December 2016 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
6 February 2017

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 (Company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Argo Investments Limited (the Consolidated Entity). The Consolidated Entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view 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 Consolidated Entity's financial position as at 31 December 2016 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 Consolidated Entity's financial position as at 31 December 2016 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



M.T. Lojszczyk
Partner

Adelaide
6 February 2017