



## **Argo Investments Limited**

ABN 35 007 519 520

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### **Appendix 4E**

**Preliminary Final Report  
for the year ended 30 June, 2015**  
(previous corresponding period being  
the year ended 30 June, 2014)

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**RESULTS FOR ANNOUNCEMENT TO THE MARKET  
YEAR ENDED 30 JUNE, 2015**

(Comparative figures being the year ended 30 June, 2014)

These preliminary results are based on unaudited financial statements.

				Consolidated <u>\$'000</u>
Revenue from operating activities	up	14.8%	to	241,901
Profit for the year	up	16.5%	to	228,104

**Dividends**

Interim fully franked dividend paid 4 March, 2015	14.0 cents
Final fully franked dividend payable 2 September, 2015 (including 3 cents LIC capital gain component - refer (1) below)	<u>15.5 cents</u>
Total	<u>29.5 cents</u>

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

The record date for determining entitlements to the final dividend	19 August, 2015
The election date for determining participation in the Dividend Reinvestment Plan	20 August, 2015

Previous corresponding period

Interim fully franked dividend paid 5 March, 2014	13.5 cents
Final fully franked dividend paid 3 September, 2014	<u>14.5 cents</u>
Total	<u>28.0 cents</u>

**Net Asset Backing**

Net Tangible Asset Backing per Argo share was \$7.52 as at 30 June, 2015, compared with \$7.35 as at 30 June, 2014.

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 \$6.62 as at 30 June, 2015, compared with \$6.48 as at 30 June, 2014.

(1) The 3 cents per share LIC capital gain component of the dividend will give rise to an attributable part of 4.29 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2015/2016 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

3<sup>rd</sup> August, 2015

### Argo boosts dividend after another record profit

Argo Investments Limited (ASX: "ARG"), a major Australian listed investment company with over \$5.0 billion in assets, today announced a record full year profit of \$228.1 million and a 1.0 cent (6.9%) lift in the final dividend to 15.5 cents per share.

Profit for the year ended 30 June, 2015 jumped 16.5%, and backs up strong growth in the previous two financial years, when profit rose 11.9% and 4.6% respectively.

Argo's uninterrupted run of paying dividends every year since 1946 continues, with the total fully franked dividends declared for the financial year rising by 1.5 cents to 29.5 cents per share, which is the third year in a row that annual dividend payments have increased.

In addition, the Company's investment portfolio outperformed the broader Australian share market over the financial year, returning a total of +6.1%, compared with the S&P/ASX 200 Accumulation Index which returned +5.7% for the year. The total return based on the share price performance was even stronger, at +8.2% for the year, continuing the pleasing run of longer term share price returns.

Summary of financial results	2015	2014	change
Profit	<b>\$228.1 million</b>	\$195.9 million	+16.5%
Earnings per share	<b>34.3 cents</b>	30.2 cents	+13.6%
Final dividend per share	<b>15.5 cents</b>	14.5 cents	+6.9%
Total dividends per share for the full year	<b>29.5 cents</b>	28.0 cents	+5.4%
Net tangible asset backing (NTA) per share	<b>\$7.52</b>	\$7.35	+2.3%
Management expense ratio (MER)	<b>0.15%</b>	0.15%	-

Argo's Managing Director, Jason Beddow, said the latest improvement in the Company's profit and earnings per share was again generated by increased dividends and distributions from its long-term investment portfolio, partially offset by reduced interest income on cash deposits due to a combination of generally lower cash balances on hand and the lower interest rates available during the year. The headline result was boosted by an \$18.6 million item of non-cash, one-off income, being the demerger dividend resulting from BHP Billiton's demerger of South32.

Another highlight of the year was the successful launch of a new listed investment company, Argo Global Listed Infrastructure Limited (AGLI). Argo established AGLI to allow investors to gain exposure to a diversified portfolio of international securities in the infrastructure sector, contained within the simple structure of an ASX-listed investment company. The IPO raised just over \$286 million from nearly 11,000 shareholders. Argo receives an ongoing fee for managing the operations of AGLI.

## Investment Portfolio

During the year, \$283 million was spent on long-term investment purchases, partly funded by \$129 million in disposals and takeover proceeds. The larger movements in the portfolio during the year included:

Purchases (above \$10m)

Medibank Private  
Argo Global Listed Infrastructure  
APA Group  
Santos  
Commonwealth Bank of Australia  
National Australia Bank  
Asaleo Care  
Affinity Education Group

Sales (above \$5m)

Milton Corporation  
Toll Holdings (takeover) \*  
David Jones (takeover) \*  
Newcrest Mining  
Echo Entertainment Group \*  
Orora \*  
Southern Cross Media \*  
ASX

\* Sale of complete position and removal from portfolio. Other stocks exited during the year were News Corporation, Fleetwood Corporation, 3P Learning and Arrium.

The Company again participated in a number of initial public offerings (IPOs) during the year. After careful analysis of the many IPO opportunities offered, Argo has established new investment positions in Medibank Private, Argo Global Listed Infrastructure, Asaleo Care, Australian Careers Network, Regis Healthcare, Surfstitch Holdings and Amaysim. In addition, a new holding was created when BHP Billiton demerged of some of its assets into a separately listed company, South32.

Mr Beddow said the share market's overall performance for the year was hampered by significant falls in a number of commodity prices, including oil.

"As a result, Argo's portfolio performance relative to the market index was positively impacted by underweight positions in BHP Billiton and Woodside Petroleum, and similarly benefited from not owning any shares in Fortescue Metals Group or Oil Search. However, this outperformance was offset to some extent by our holdings in MMA Offshore, Santos and Origin Energy. Our relatively large positions in Macquarie Group, A.P. Eagers, Ramsay Health Care and APA Group all positively added to Argo's performance," he said.

## Outlook

The Australian equity market had a challenging and polarised year, as weak commodity prices impacted the performance of a number of mining and contracting companies, and the banking sector began its transition to higher regulatory capital requirements. However, the higher yielding and defensive sectors have continued to trade well, as more investors look to compensate for lower interest income on cash balances.

Mr Beddow said there have been expectations for some time that the US will begin to increase interest rates, due to the relative strength of its economy. This is likely to be accompanied by some disruptions to financial markets. In anticipation of rising rates, the US dollar has already strengthened against a number of currencies, including the Australian dollar, which has fallen to US\$0.73.

"The recent fall in the Australian dollar should provide some support for our domestic economy as we move into 2016, and we feel that the housing market is likely to remain robust, due to the continued support of accommodative monetary policy," he said.

**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, 2015

	Note	2015 \$'000	2014 \$'000
Dividends and distributions	2	237,289	202,649
Interest		4,004	6,805
Other revenue		<u>608</u>	<u>1,252</u>
Total revenue		241,901	210,706
Net gains on trading investments		<u>7,183</u>	<u>4,495</u>
Income from operating activities		249,084	215,201
Administration expenses	3	(7,869)	(7,269)
Finance costs		<u>(50)</u>	<u>-</u>
Profit before income tax expense		241,165	207,932
Income tax expense thereon	4	<u>(13,061)</u>	<u>(12,058)</u>
Profit for the year		<u>228,104</u>	<u>195,874</u>
		cents	cents
Basic and diluted earnings per share	5	<u>34.3</u>	<u>30.2</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June, 2015

	2015 \$'000	2014 \$'000
Profit for the year	<u>228,104</u>	<u>195,874</u>
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	73,620	532,059
Provision for deferred tax expense on revaluation of long-term investments	<u>(26,271)</u>	<u>(160,009)</u>
Other comprehensive income for the year	<u>47,349</u>	<u>372,050</u>
Total comprehensive income for the year	<u>275,453</u>	<u>567,924</u>

(To be read in conjunction with the accompanying notes)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 30 June, 2015

	Note	2015 \$'000	2014 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6(a)	77,644	126,893
Receivables	7	38,551	38,334
Investments	8	1,660	-
Other financial cash assets	9	-	70,000
<b>Total Current Assets</b>		<b>117,855</b>	<b>235,227</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	7	138	157
Investments	8	4,916,333	4,676,433
Plant and equipment	10	323	345
<b>Total Non-Current Assets</b>		<b>4,916,794</b>	<b>4,676,935</b>
<b>TOTAL ASSETS</b>		<b>5,034,649</b>	<b>4,912,162</b>
<b>CURRENT LIABILITIES</b>			
Payables	11	2,271	10,299
Derivative financial instruments	12	1,466	1,000
Current tax liabilities		879	12,360
Provisions	13	370	480
<b>Total Current Liabilities</b>		<b>4,986</b>	<b>24,139</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	14	618,091	599,192
Provisions	13	168	122
<b>Total Non-Current Liabilities</b>		<b>618,259</b>	<b>599,314</b>
<b>TOTAL LIABILITIES</b>		<b>623,245</b>	<b>623,453</b>
<b>NET ASSETS</b>		<b>4,411,404</b>	<b>4,288,709</b>
<b>SHAREHOLDERS' EQUITY</b>			
Contributed equity	15	2,473,320	2,437,259
Reserves	16	1,596,512	1,548,931
Retained profits	17	341,572	302,519
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,411,404</b>	<b>4,288,709</b>

(To be read in conjunction with the accompanying notes)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 June, 2015

	<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, 2014	<u>2,437,259</u>	<u>1,548,931</u>	<u>302,519</u>	<u>4,288,709</u>
Profit for the year	-	-	228,104	228,104
Other comprehensive income	<u>-</u>	<u>47,349</u>	<u>-</u>	<u>47,349</u>
Total comprehensive income for the year	<u>-</u>	<u>47,349</u>	<u>228,104</u>	<u>275,453</u>
Transactions with shareholders:				
Dividend Reinvestment Plan	36,115	-	-	36,115
Cost of share issues net of tax	(54)	-	-	(54)
Executive performance rights reserve	-	232	-	232
Dividends paid	<u>-</u>	<u>-</u>	<u>(189,051)</u>	<u>(189,051)</u>
Total transactions with shareholders	<u>36,061</u>	<u>232</u>	<u>(189,051)</u>	<u>(152,758)</u>
Balance as at 30 June, 2015	<u><u>2,473,320</u></u>	<u><u>1,596,512</u></u>	<u><u>341,572</u></u>	<u><u>4,411,404</u></u>
<b>For the year ended 30 June, 2014</b>				
Balance as 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 year	-	-	195,874	195,874
Other comprehensive income	<u>-</u>	<u>372,050</u>	<u>-</u>	<u>372,050</u>
Total comprehensive income for the year	<u>-</u>	<u>372,050</u>	<u>195,874</u>	<u>567,924</u>
Transactions with shareholders:				
Dividend Reinvestment Plan	33,113	-	-	33,113
Share Purchase Plan	99,631	-	-	99,631
Cost of share issues net of tax	(275)	-	-	(275)
Executive performance rights reserve	-	385	-	385
Dividends paid	<u>-</u>	<u>(4,826)</u>	<u>(169,242)</u>	<u>(174,068)</u>
Total transactions with shareholders	<u>132,469</u>	<u>(4,441)</u>	<u>(169,242)</u>	<u>(41,214)</u>
Balance as at 30 June, 2014	<u><u>2,437,259</u></u>	<u><u>1,548,931</u></u>	<u><u>302,519</u></u>	<u><u>4,288,709</u></u>

(To be read in conjunction with the accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS  
for the year ended 30 June, 2015

	Note	2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends and distributions received		212,293	184,387
Interest received		4,798	6,807
Other receipts		608	1,252
Proceeds from trading investments		19,120	15,629
Payments for trading investments		(13,131)	(10,793)
Other payments		(8,136)	(7,196)
Income tax paid		<u>(31,891)</u>	<u>(14,939)</u>
<b>Net operating cash inflows</b>	6 (b)	<u>183,661</u>	<u>175,147</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of long-term investments		135,987	115,476
Payments for long-term investments		(286,245)	(248,011)
Proceeds from other financial cash assets		70,000	140,000
Payments for other financial cash assets		-	(150,000)
Executive share scheme repayments		389	104
Payments for fixed assets		<u>(29)</u>	<u>(16)</u>
<b>Net investing cash outflows</b>		<u>(79,898)</u>	<u>(142,447)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Share Purchase Plan		-	99,631
Cost of share issues		(76)	(393)
Dividends paid – net of Dividend Reinvestment Plan		<u>(152,936)</u>	<u>(140,955)</u>
<b>Net financing cash outflows</b>		<u>(153,012)</u>	<u>(41,717)</u>
Net decrease in cash held		(49,249)	(9,017)
Cash at the beginning of the year		<u>126,893</u>	<u>135,910</u>
<b>Cash at the end of the year</b>	6 (a)	<u>77,644</u>	<u>126,893</u>

(To be read in conjunction with the accompanying notes)



**Notes to the Financial Statements**

**1. BASIS OF PREPARATION**

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

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

The consolidated financial statements incorporate the assets and liabilities of the Company's wholly owned subsidiary Argo Service Company Pty Ltd as at 30 June, 2015, 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**

	<b>2015</b>	<b>2014</b>
	\$'000	\$'000
Received/receivable from:		
Long-term investments held at the end of the year	234,924	200,368
Long-term investments sold during the year	<u>2,365</u>	<u>2,281</u>
	<u><u>237,289</u></u>	<u><u>202,649</u></u>

**3. ADMINISTRATION EXPENSES**

Employment benefits	4,397	4,733
Depreciation	51	54
Other	<u>3,421</u>	<u>2,482</u>
	<u><u>7,869</u></u>	<u><u>7,269</u></u>

**4. INCOME TAX EXPENSE**

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

Profit before income tax expense	<u>241,165</u>	<u>207,932</u>
Prima facie tax expense calculated at 30% (2014: 30%)	72,349	62,380
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(52,472)	(46,982)
Non-taxable distributions	(5,579)	(1,209)
Other	(705)	(1,885)
(Over) provision in previous year	<u>(532)</u>	<u>(246)</u>
Income tax expense	<u><u>13,061</u></u>	<u><u>12,058</u></u>

(b) Income tax expense composition:

	<b>2015</b>	<b>2014</b>
	\$'000	\$'000
Charge for tax payable relating to current year	13,579	12,430
Increase/(decrease) in deferred tax liabilities	14	(126)
(Over) provision in previous year	<u>(532)</u>	<u>(246)</u>
	<u>13,061</u>	<u>12,058</u>

(c) Amounts recognised directly in other comprehensive income:

Increase in deferred tax liabilities	<u>26,271</u>	<u>160,009</u>
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5. EARNINGS PER SHARE

	number	number
	'000	'000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	664,839	649,399
	\$'000	\$'000
Profit for the year	228,104	195,874
	cents	cents
Basic and diluted earnings per share	<u>34.3</u>	<u>30.2</u>

6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents includes cash on deposit (floating interest rates between 2.00% and 2.45% as at 30 June, 2015; 2014: 2.45% and 3.50%) with banks and fixed term deposits (fixed interest rates to maturity between 2.3% and 2.7% as at 30 June, 2015; 2014: 3.20% and 3.40%) with banks, maturing within three months from date of deposit.

	<b>2015</b>	<b>2014</b>
	\$'000	\$'000
Bank deposits	<u>77,644</u>	<u>126,893</u>

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

	2015 \$'000	2014 \$'000
Profit for the year	228,104	195,874
Dividends received as securities in dividend reinvestment plans	(4,861)	(6,081)
Demerger dividends and distributions	(18,596)	(6,917)
Depreciation	51	54
Charges to/(from) provisions	17	(134)
Other movements	232	385
(Decrease)/increase in provision for income tax	(11,481)	6,443
Transfer from provision for deferred income tax	(7,168)	(9,165)
(Increase) in deferred tax assets	(262)	(257)
Changes in operating assets and liabilities:		
(Increase) in current investments	(1,660)	-
(Increase) in other debtors	(1,590)	(5,548)
Increase in other creditors	875	493
	<u>183,661</u>	<u>175,147</u>

(c) Financing arrangement

Total line of credit available:		
Bank overdraft	-	200
Loan facility - unsecured	100,000	-
Amount utilised	<u>-</u>	<u>-</u>
Undrawn facility	<u>100,000</u>	<u>200</u>

(d) Non-cash financing activities

Dividends paid totalling \$36.1 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2014: \$33.1 million).

7. RECEIVABLES

	2015 \$'000	2014 \$'000
<b>Current</b>		
Dividends and distributions receivable	37,421	35,882
Interest receivable	175	969
Outstanding settlements	264	800
Executive share plan loan	-	370
Other	691	313
	<u>38,551</u>	<u>38,334</u>

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within three days of the transaction date. None of the receivables are past due or impaired.

	<b>2015</b>	<b>2014</b>
	\$'000	\$'000
<b>Non-Current</b>		
Executive share plan loans	<u>138</u>	<u>157</u>

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

## 8. INVESTMENTS

	<b>2015</b>	<b>2014</b>
	\$'000	\$'000
<b>Current</b>		
Listed securities at fair value <sup>(1)</sup>	<u>1,660</u>	<u>-</u>
<b>Non-Current</b>		
Listed securities at fair value <sup>(1)</sup>	4,886,463	4,672,893
Unlisted securities at fair value <sup>(2)</sup>	<u>29,870</u>	<u>3,540</u>
	<u>4,916,333</u>	<u>4,676,433</u>

(1) The fair value of listed securities is established from the quoted prices (unadjusted) in the active market of the Australian Securities Exchange for identical assets in accordance with Level 1 of the fair value measurement hierarchy. No amounts have transferred between level 3 and level 1 during the year.

(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>2015</b>	<b>2014</b>
	\$'000	\$'000
Carrying amount at beginning of year	3,540	3,450
Addition	26,000	-
Fair value gains recognised in other comprehensive income	<u>330</u>	<u>90</u>
Carrying amount at end of year	<u>29,870</u>	<u>3,540</u>

## 9. OTHER FINANCIAL CASH ASSETS

Bank term deposits	<u>-</u>	<u>70,000</u>
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Other financial cash assets are fixed term deposits (2014: fixed interest rates to maturity between 3.40% and 3.48%) with banks, maturing from three to six months from date of deposit.

10. PLANT AND EQUIPMENT

	2015 \$'000	2014 \$'000
Plant and equipment at cost	1,004	975
Accumulated depreciation	<u>(681)</u>	<u>(630)</u>
	<u>323</u>	<u>345</u>
<b>Movements</b>		
Carrying amount at beginning of year	345	383
Additions	29	16
Depreciation	<u>(51)</u>	<u>(54)</u>
Carrying amount at end of year	<u><u>323</u></u>	<u><u>345</u></u>

11. PAYABLES

Outstanding settlements	1,000	8,970
Directors' retiring allowance	-	150
Other	<u>1,271</u>	<u>1,179</u>
	<u><u>2,271</u></u>	<u><u>10,299</u></u>

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 \$'000	2014 \$'000
Exchange traded options at fair value	<u>1,466</u>	<u>1,000</u>

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

13. PROVISIONS

	2015 \$'000	2014 \$'000
<b>Current</b>		
Provision for employee entitlements	<u>370</u>	<u>480</u>
<b>Non-Current</b>		
Provision for employee entitlements	<u>168</u>	<u>122</u>

14. DEFERRED TAX LIABILITIES

	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	618,035	599,284
Income receivable which is not assessable for tax until receipt	1,254	994
Deferred tax liability on unrealised gains on trading investments	<u>124</u>	<u>108</u>
	<u>619,413</u>	<u>600,386</u>
Offset by deferred tax assets:		
Capital losses not utilised	-	(75)
Provisions and payables	(1,172)	(911)
Deferred tax on cost of share issues	<u>(150)</u>	<u>(208)</u>
	<u>(1,322)</u>	<u>(1,194)</u>
Net deferred tax liabilities	<u>618,091</u>	<u>599,192</u>
<b>Movements</b>		
Balance at beginning of year	599,192	448,624
Debited/(credited) to profit or loss	14	(126)
Charged to other comprehensive income	26,271	160,009
Changes to the tax base of investments	<u>(7,386)</u>	<u>(9,315)</u>
Balance at end of year	<u>618,091</u>	<u>599,192</u>

The amount of net deferred tax liabilities expected to be settled in the next 12 months is \$0.7 million (2014: \$0.7 million).

15. CONTRIBUTED EQUITY

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

	2015 No. of shares	2014 No. of shares	2015 \$'000	2014 \$'000
Issued and fully paid ordinary shares:				
Opening balance	662,179,486	643,456,209	2,437,259	2,304,790
Dividend reinvestment plan <sup>(a)</sup>	4,590,193	4,808,332	36,115	33,113
Share purchase plan	-	13,914,945	-	99,631
Cost of share issues net of tax	<u>-</u>	<u>-</u>	<u>(54)</u>	<u>(275)</u>
Closing balance	<u>666,769,679</u>	<u>662,179,486</u>	<u>2,473,320</u>	<u>2,437,259</u>

- (a) On 3 September, 2014, 2,357,163 shares were allotted at \$7.79 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2014.

On 4 March, 2015, 2,233,030 shares were allotted at \$7.95 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2015.

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

16. RESERVES

	<b>2015</b>	<b>2014</b>
	\$'000	\$'000
Executive Performance Rights Reserve	1,339	1,107
Investment Revaluation Reserve	1,354,931	1,309,495
Capital Profits Reserve	<u>240,242</u>	<u>238,329</u>
	<u>1,596,512</u>	<u>1,548,931</u>
<b>Movements in reserves during the year</b>		
<b>Executive Performance Rights Reserve</b>		
Balance at beginning of year	1,107	722
Accrued entitlement for unvested rights	296	523
Executive performance shares purchased	<u>(64)</u>	<u>(138)</u>
Balance at end of year	<u>1,339</u>	<u>1,107</u>
<b>Investment Revaluation Reserve</b>		
Balance at beginning of year	1,309,495	968,246
Revaluation of long-term investments	73,620	532,059
Provision for deferred tax (expense) on revaluation of long-term investments	(26,271)	(160,009)
Realised gains on sale of long-term investments transferred to capital profits reserve	(3,893)	(44,501)
Income tax expense thereon	<u>1,980</u>	<u>13,700</u>
Balance at end of year	<u>1,354,931</u>	<u>1,309,495</u>
<b>Capital Profits Reserve</b>		
Balance at beginning of year	238,329	212,354
Dividend paid	-	(4,826)
Transfer from investment revaluation reserve	<u>1,913</u>	<u>30,801</u>
Balance at end of year	<u>240,242</u>	<u>238,329</u>
<b>Total Reserves</b>	<u>1,596,512</u>	<u>1,548,931</u>

Long-term investments were sold in the normal course of the Company's operations as a listed investment company or as a result of takeovers. The fair value of the investments sold during this period was \$129.3 million (2014: \$110.8 million). The cumulative profit after tax on these disposals was \$1.9 million (2014: \$30.8 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>2015</b>	<b>2014</b>
	\$'000	\$'000
Balance at beginning of year	302,519	275,887
Dividends paid	(189,051)	(169,242)
Profit for the year	<u>228,104</u>	<u>195,874</u>
Balance at end of year	<u><u>341,572</u></u>	<u><u>302,519</u></u>



18. DIVIDENDS

	2015 \$'000	2014 \$'000
<b>(a) Dividends paid during the year</b>		
Final dividend for the year ended 30 June, 2014 of 14.5 cents fully franked at 30% tax rate paid 3 September, 2014 (2014: 13.5 cents fully franked at 30% tax rate)	96,016	86,867
Interim dividend for the year ended 30 June, 2015 of 14.0 cents fully franked at 30% tax rate paid 4 March, 2015 (2014: 13.5 cents fully franked at 30% tax rate)	<u>93,035</u>	<u>87,201</u>
Total dividends paid	<u>189,051</u>	<u>174,068</u>

The final dividend did not contain a listed investment company (LIC) capital gain component (2014: 0.75 cent 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:

	2015 \$'000	2014 \$'000
Final dividend for the year ended 30 June, 2015 of 15.5 cents fully franked at 30% tax rate payable 2 September, 2015 (2014: 14.5 cents fully franked at 30% tax rate)	<u>103,349</u>	<u>96,016</u>

The final dividend will contain a LIC capital gain component of 3 cents per share (2014: nil).

19. FRANKING ACCOUNT

	2015 \$'000	2014 \$'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	91,073	76,320
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	<u>(44,293)</u>	<u>(41,150)</u>
	<u>46,780</u>	<u>35,170</u>
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	<u>109,153</u>	<u>82,063</u>

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

20. LISTED INVESTMENT COMPANY (LIC) CAPITAL GAIN ACCOUNT

	2015 \$'000	2014 \$'000
Balance of the LIC capital gain account	21,825	208
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	<u>(20,003)</u>	<u>-</u>
	<u>1,822</u>	<u>208</u>
This equates to an attributable amount of	<u>2,603</u>	<u>297</u>

LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC capital gains distributions from LIC securities held in the investment portfolio.

21. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the investment industry predominantly 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, 2015 are in the process of being audited.

**Annual General Meeting**

The Annual General Meeting will be held at the Adelaide Convention Centre, North Terrace, Adelaide on Monday 26 October, 2015 at 10.00 a.m.

**Information Meetings**

For the benefit of shareholders unable to attend the Annual General Meeting in Adelaide, information meetings will be held in Melbourne on Tuesday 27 October, 2015 at 10.00 a.m. at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, in Sydney on Wednesday 28 October, 2015 at 10.00 a.m. at the Wesley Conference Centre, The Lyceum, 220 Pitt Street, Sydney and in Brisbane on Friday 30 October, 2015 at 10.00 a.m. at the Stamford Plaza Hotel, Cnr. Edward and Margaret Streets, Brisbane.