



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

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**Appendix 4E**

Preliminary Final Report  
for the year ended 30 June 2019  
(previous corresponding period being  
the year ended 30 June 2018)

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET YEAR ENDED 30 JUNE 2019

(Comparative figures being the year ended 30 June 2018)

				Consolidated \$A'000
Income from operating activities	up	31.5%	to	315,175
Profit for the year	up	33.7%	to	292,673

### Dividends

Interim fully franked dividend paid 8 March 2019	16.0 cents
Final fully franked dividend payable 13 September 2019	17.0 cents
<b>Total</b>	<b>33.0 cents</b>

The final dividend includes a 4.0 cents per share LIC capital gain component. This enables eligible shareholders to claim a deduction in their 2019/2020 income tax returns. 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 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. No discount will apply.

The record date for determining entitlements to the final dividend	26 August 2019
The election date for determining participation in the Dividend Reinvestment Plan	27 August 2019

Previous corresponding period	
Interim fully franked dividend paid 9 March 2018	15.5 cents
Final fully franked dividend paid 14 September 2018	16.0 cents
<b>Total</b>	<b>31.5 cents</b>

### Net Asset Backing

Net Tangible Asset Backing per Argo share was \$8.42 as at 30 June 2019 compared with \$8.16 as at 30 June 2018.

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 \$7.37 as at 30 June 2019, compared with \$7.16 as at 30 June 2018.





## Argo Investments Limited

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## ASX / MEDIA RELEASE

12 August 2019

### Argo increases fully franked dividends for seventh successive year

Argo Investments Limited (ASX code: ARG), a major listed investment company (LIC) with assets of more than \$6 billion, today announces a +33.7% increase in full year profit to \$292.7 million. The final dividend has been raised to 17.0 cents per share, fully franked.

Argo's Managing Director, Jason Beddow, said the Board was pleased to raise annual dividends for the seventh year in a row to 33.0 cents per share fully franked, an increase of 4.8% on last year and another record high for the Company.

Summary of financial results	2019	2018	change
Profit	<b>\$292.7 million</b>	\$218.9 million	+33.7%
Profit excluding Coles demerger dividend	<b>\$256.6 million</b>	\$218.9 million	+17.2%
Earnings per share excl. Coles demerger dividend	<b>36.0 cents</b>	31.3 cents	+15.0%
Final dividend per share (fully franked)	<b>17.0 cents</b>	16.0 cents	+6.3%
Full year dividends per share (fully franked)	<b>33.0 cents</b>	31.5 cents	+4.8%
Management Expense Ratio	<b>0.15%</b>	0.15%	steady

The large increase in reported profit was significantly influenced by a one-off, non-cash income item of \$36.1 million, due to the demerger of Coles Group from Wesfarmers. Excluding this income item, Argo's profit was \$256.6 million, an increase of +17.2% on the previous full year result.

Mr Beddow said: "Our dividend income was boosted by a number of special dividends, with the larger ones from BHP Group, Rio Tinto and Wesfarmers, as well as improved ordinary dividends from companies including Macquarie Group and Ramsay Healthcare."

Some portfolio sales resulted in significant capital gains being crystallised, allowing Argo to again include a capital gain component of 4 cents per share in the final dividend. Most individual and self-managed superannuation fund shareholders can claim a tax deduction relating to these capital gains, in addition to the benefit of franking credits. Argo is one of only a handful of companies in Australia which is able to pass on this benefit due to its tax status as a long-term investor.

## Investment portfolio

During the financial year, Argo purchased \$343 million of long-term investments which included adding to a number of existing holdings. Argo received proceeds of \$256 million from sales and takeovers of long-term investments. The larger movements in the portfolio during the year included:

<u>Purchases</u>	<u>Sales</u>
Bega Cheese	Asaleo Care**
Boral	BHP Group
Eclixp Group*	Coca-Cola Amatil**
James Hardie Industries*	Incitec Pivot
Oil Search	Milton Corporation
The Star Entertainment Group*	Navitas**
Transurban	Rio Tinto
Viva Energy*	Twenty-First Century Fox**

\* *New portfolio position*

\*\* *Sale of complete position and removal from portfolio*

Coles Group has also been added following its demerger from Wesfarmers during the year.

## Investment performance

With investors continuing to favour growth stocks, the Australian equity market achieved new highs this year. Argo's investment (NTA) performance returned +7.3% after all costs and tax, compared with the S&P/ASX 200 Accumulation Index which returned +11.6% without any allowance for costs or tax.

Argo's performance reflects the composition of its long-term portfolio which tends to be weighted to mature companies with reliable cashflows and higher dividend payout ratios, rather than high growth stocks. This reflects our primary objective of providing sustainably growing dividends to Argo shareholders over the long-term.

## Outlook

Despite a weak December 2018 quarter and increased volatility, equity markets globally delivered a strong overall performance in financial year 2019, as investors seemed to shrug off the largely unresolved issues of trade wars and geopolitical tensions which were weighing on markets at the end of the last calendar year.

Sentiment has been bolstered by central banks globally cutting interest rates and showing a renewed willingness to consider additional quantitative easing measures. After raising rates in 2018, the US Federal Reserve promptly pivoted its view and recently cut interest rates for the first time since December 2008. Following the federal election in Australia, the Reserve Bank of Australia quickly cut interest rates in both June and July, to leave the headline cash rate at 1.0%.

Valuation ratios of listed companies look to be close to the upper end of historic ranges and despite improved sentiment, earnings growth appears to be challenged for the majority of the market with the

exception of the resources sector. Although many stocks seem expensive based on fundamentals, investors continue to be drawn to the higher yields offered by the share market, compared to bonds and term deposits.

In our view, there is likely to be ongoing downward pressure on corporate earnings. Given this subdued outlook, Argo's investment team is focused on identifying companies with strong cashflows and dividend histories, as well as solid longer-term prospects, that will provide profit and dividend growth into the next phase of the economic cycle.

With cash available, Argo is well-positioned going into this corporate profit reporting season. As high expectations are already built into many companies' share prices, we expect there will be volatility following some result announcements which could create buying opportunities to further build our long-term investment portfolio.

**Media contact**

**Jason Beddow**

**Managing Director**

**02 8274 4702**

# Consolidated Statement of Profit or Loss

for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Dividends and distributions	2	305,080	229,899
Interest		5,102	5,373
Other income		2,301	2,408
Net gains on trading investments		2,692	1,955
Income from operating activities		315,175	239,635
Administration expenses	3	(8,534)	(8,292)
Profit before income tax expense		306,641	231,343
Income tax expense thereon	4	(13,968)	(12,425)
Profit for the year		292,673	218,918
		cents	cents
Basic and diluted earnings per share	5	41.1	31.3

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Profit for the year	292,673	218,918
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	139,172	339,850
Provision for deferred tax expense on revaluation of long-term investments	(53,297)	(103,372)
Other comprehensive income for the year	85,875	236,478
Total comprehensive income for the year	378,548	455,396

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Financial Position

as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6	219,006	108,519
Receivables	7	86,323	123,181
Investments	8	10,595	10,729
Other financial cash assets	9	-	120,000
<b>Total Current Assets</b>		315,924	362,429
<b>Non-Current Assets</b>			
Receivables	7	56	78
Investments	8	5,747,794	5,486,170
Plant and equipment	10	537	261
<b>Total Non-Current Assets</b>		5,748,387	5,486,509
<b>Total Assets</b>		6,064,311	5,848,938
<b>Current Liabilities</b>			
Payables	11	1,433	11,299
Derivative financial instruments	12	8,165	7,593
Current tax liabilities		16,107	17,521
Provisions	13	611	569
<b>Total Current Liabilities</b>		26,316	36,982
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	14	766,481	734,653
Provisions	13	195	155
<b>Total Non-Current Liabilities</b>		766,676	734,808
<b>Total Liabilities</b>		792,992	771,790
<b>Net Assets</b>		5,271,319	5,077,148
<b>Shareholders' Equity</b>			
Contributed equity	15	2,838,980	2,795,816
Reserves	16	1,928,508	1,871,129
Retained profits	17	503,831	410,203
<b>Total Shareholders' Equity</b>		5,271,319	5,077,148

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	<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 2018	2,795,816	1,871,129	410,203	5,077,148
Profit for the year	-	-	292,673	292,673
Other comprehensive income	-	85,875	-	85,875
Total comprehensive income for the year	-	85,875	292,673	378,548
Transactions with shareholders:				
Dividend Reinvestment Plan	43,254	-	-	43,254
Cost of share issues net of tax	(90)	-	-	(90)
Executive performance rights reserve	-	(123)	-	(123)
Dividends paid	-	(28,373)	(199,045)	(227,418)
Total transactions with shareholders	43,164	(28,496)	(199,045)	(184,377)
Balance as at 30 June 2019	2,838,980	1,928,508	503,831	5,271,319

for the year ended 30 June 2018

Balance as at 1 July 2017	2,671,527	1,669,531	375,456	4,716,514
Profit for the year	-	-	218,918	218,918
Other comprehensive income	-	236,478	-	236,478
Total comprehensive income for the year	-	236,478	218,918	455,396
Transactions with shareholders:				
Dividend Reinvestment Plan	40,563	-	-	40,563
Share Purchase Plan	84,122	-	-	84,122
Cost of share issues net of tax	(396)	-	-	(396)
Executive performance rights reserve	-	(209)	-	(209)
Dividends paid	-	(34,671)	(184,171)	(218,842)
Total transactions with shareholders	124,289	(34,880)	(184,171)	(94,762)
Balance as at 30 June 2018	2,795,816	1,871,129	410,203	5,077,148

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Dividends and distributions received		270,500	214,985
Interest received		5,400	5,315
Other receipts		2,251	2,408
Proceeds from trading investments		14,365	26,043
Payments for trading investments		(10,968)	(21,081)
Other payments		(8,183)	(8,630)
Income tax paid		(36,804)	(38,582)
<b>Net operating cash inflows</b>		<b>236,561</b>	<b>180,458</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of long-term investments		254,780	123,576
Payments for long-term investments		(316,139)	(230,250)
Proceeds from other financial cash assets		120,000	90,000
Payments for other financial cash assets		-	(170,000)
Executive share scheme repayments		22	21
Payments for fixed assets		(444)	(47)
<b>Net investing cash inflows/(outflows)</b>		<b>58,219</b>	<b>(186,700)</b>
<b>Cash flows from financing activities</b>			
Proceeds from Share Purchase Plan		-	84,122
Cost of share issues		(129)	(566)
Dividends paid – net of Dividend Reinvestment Plan		(184,164)	(178,278)
<b>Net financing cash outflows</b>		<b>(184,293)</b>	<b>(94,722)</b>
Net increase/(decrease) in cash held		110,487	(100,964)
Cash at the beginning of the year		108,519	209,483
<b>Cash at the end of the year</b>	6	<b>219,006</b>	<b>108,519</b>

(To be read in conjunction with the accompanying notes)

# Notes to the Financial Statements

for the year ended 30 June 2019

## 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 2019, 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>2019</b>	<b>2018</b>
	\$'000	\$'000
Received/receivable from:		
Long-term investments held at the end of the year	298,718	222,816
Long-term investments sold during the year	6,140	6,920
Trading investments sold during the year	222	163
	<b>305,080</b>	<b>229,899</b>

## 3. ADMINISTRATION EXPENSES

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Employment benefits	5,297	5,484
Depreciation	168	61
Other	3,069	2,747
	<b>8,534</b>	<b>8,292</b>

#### 4. INCOME TAX EXPENSE

	<b>2019</b> \$'000	<b>2018</b> \$'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	306,641	231,343
Prima facie tax expense calculated at 30% (2018: 30%)	91,992	69,403
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(68,579)	(54,408)
Non-taxable distributions	(10,835)	-
Other	1,496	(2,199)
Over provision in previous year	(106)	(371)
<b>Income tax expense</b>	<b>13,968</b>	<b>12,425</b>
(b) Income tax expense composition:		
Charge for tax payable relating to current year	13,980	13,669
Increase/(decrease) in deferred tax liabilities	94	(873)
Over provision in previous year	(106)	(371)
	<b>13,968</b>	<b>12,425</b>
(c) Amounts recognised directly in other comprehensive income:		
Increase in deferred tax liabilities	<b>53,297</b>	<b>103,372</b>

#### 5. EARNINGS PER SHARE

	<b>2019</b> number '000	<b>2018</b> number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	712,377	698,658
	\$'000	\$'000
Profit for the year	292,673	218,918
	cents	cents
<b>Basic and diluted earnings per share</b>	<b>41.1</b>	<b>31.3</b>

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes cash on deposit with banks (floating interest rates between 1.25% and 1.50% at 30 June 2019; 2018: between 1.50% and 1.75%) and fixed term deposits with banks (fixed interest rates to maturity between 1.78% and 2.40% at 30 June 2019; 2018: 2.48% and 2.70%), maturing within three months from date of deposit.

	<b>2019</b> \$'000	<b>2018</b> \$'000
Bank deposits	<b>219,006</b>	<b>108,519</b>

**7. RECEIVABLES**

	<b>2019</b> \$'000	<b>2018</b> \$'000
<b>Current</b>		
Dividends and distributions receivable	33,849	42,749
Interest receivable	415	714
Outstanding settlements	51,207	79,070
Other	852	648
	<b>86,323</b>	<b>123,181</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 business days of the transaction date. None of the receivables are past due or impaired.

	<b>2019</b> \$'000	<b>2018</b> \$'000
<b>Non-Current</b>		
Executive share plan loans	<b>56</b>	<b>78</b>

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

**8. INVESTMENTS**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>Current</b>		
Listed securities at fair value <sup>(1)</sup>	<b>10,595</b>	<b>10,729</b>
<b>Non-Current</b>		
Listed securities at fair value <sup>(1)</sup>	5,743,050	5,484,776
Unlisted securities at fair value <sup>(2)</sup>	4,744	1,394
	<b>5,747,794</b>	<b>5,486,170</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>2019</b>	<b>2018</b>
	\$'000	\$'000
Carrying amount at beginning of year	1,394	5,474
Additions	3,350	-
Disposal	-	(4,926)
Fair value gains recognised in other comprehensive income	-	846
Carrying amount at end of year	<b>4,744</b>	<b>1,394</b>

There were 515 investment transactions during the financial year. The total brokerage paid on these transactions was \$1.8 million.

**9. OTHER FINANCIAL CASH ASSETS**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Bank term deposits	-	<b>120,000</b>

Other financial cash assets are fixed term deposits with banks (2018: fixed interest rates to maturity between 2.49% and 2.70%) maturing from three to six months from date of deposit.

**10. PLANT AND EQUIPMENT**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Plant and equipment at cost	1,558	1,114
Accumulated depreciation	(1,021)	(853)
	<b>537</b>	<b>261</b>
<b>Movements</b>		
Carrying amount at beginning of year	261	275
Additions	444	47
Depreciation	(168)	(61)
Carrying amount at end of year	<b>537</b>	<b>261</b>

**11. PAYABLES**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Outstanding settlements	-	10,243
Other	1,433	1,056
	<b>1,433</b>	<b>11,299</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 business days of the transaction date.

**12. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Exchange traded options at fair value	<b>8,165</b>	<b>7,593</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>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>Current</b>		
Provision for employee entitlements	<b>611</b>	<b>569</b>
<b>Non-Current</b>		
Provision for employee entitlements	<b>195</b>	<b>155</b>

**14. DEFERRED TAX LIABILITIES**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	768,009	736,330
Income receivable which is not assessable for tax until receipt	1,823	1,582
Deferred tax asset on unrealised gains on trading investments	(19)	(162)
	<b>769,813</b>	<b>737,750</b>
Offset by deferred tax assets:		
Provisions and payables	(3,127)	(2,837)
Deferred tax on cost of share issues	(205)	(260)
	<b>(3,332)</b>	<b>(3,097)</b>
<b>Net deferred tax liabilities</b>	<b>766,481</b>	<b>734,653</b>
<b>Movements</b>		
Balance at beginning of year	734,653	647,287
Debited/(credited) to profit or loss	94	(873)
Charged to other comprehensive income	53,297	103,372
Changes to the tax base of investments	(21,563)	(15,133)
<b>Balance at end of year</b>	<b>766,481</b>	<b>734,653</b>

The amount of net deferred tax liabilities expected to be settled in the next 12 months is \$0.8 million (2018: \$0.8 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>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	No. of shares	No. of shares	\$'000	\$'000
Issued and fully paid ordinary shares:				
Opening balance	709,317,039	693,413,478	2,795,816	2,671,527
Dividend reinvestment plan <sup>(a)</sup>	5,613,902	5,201,040	43,254	40,563
Share purchase plan	-	10,702,521	-	84,122
Cost of share issues net of tax	-	-	(90)	(396)
Closing balance	<b>714,930,941</b>	<b>709,317,039</b>	<b>2,838,980</b>	<b>2,795,816</b>

(a) On 14 September 2018, 2,724,536 shares were allotted at \$7.89 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2018.

On 8 March 2019, 2,889,366 shares were allotted at \$7.53 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2019.

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

**16. RESERVES**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Executive Performance Rights Reserve	648	771
Investment Revaluation Reserve	1,653,417	1,619,164
Capital Profits Reserve	274,443	251,194
	<b>1,928,508</b>	<b>1,871,129</b>
<b>Movements in reserves during the year</b>		
<b>Executive Performance Rights Reserve</b>		
Balance at beginning of year	771	980
Accrued entitlement for unvested rights	797	941
Executive performance shares purchased	(920)	(1,150)
Balance at end of year	648	771
<b>Investment Revaluation Reserve</b>		
Balance at beginning of year	1,619,164	1,423,308
Revaluation of long-term investments	139,172	339,850
Provision for deferred tax expense on revaluation of long-term investments	(53,297)	(103,372)
Realised gains on sale of long-term investments transferred to capital profits reserve	(72,563)	(62,311)
Income tax expense thereon	20,941	21,689
Balance at end of year	1,653,417	1,619,164
<b>Capital Profits Reserve</b>		
Balance at beginning of year	251,194	245,243
Dividend paid	(28,373)	(34,671)
Transfer from investment revaluation reserve	51,622	40,622
Balance at end of year	274,443	251,194
<b>Total Reserves</b>	<b>1,928,508</b>	<b>1,871,129</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 \$255.5 million (2018: \$200.6 million). The cumulative profit after tax on these disposals was \$51.6 million (2018 \$40.6 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>2019</b>	<b>2018</b>
	\$'000	\$'000
Balance at beginning of year	410,203	375,456
Dividends paid	(199,045)	(184,171)
Profit for the year	292,673	218,918
Balance at end of year	<b>503,831</b>	<b>410,203</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**

	<b>2019</b> \$'000	<b>2018</b> \$'000
<b>(a) Dividends paid during the year</b>		
Final dividend for the year ended 30 June 2018 of 16.0 cents fully franked at 30% tax rate paid 14 September 2018 (2017: 15.5 cents fully franked at 30% tax rate)	113,491	110,946
Interim dividend for the year ended 30 June 2019 of 16.0 cents fully franked at 30% tax rate paid 8 March 2019 (2018: 15.5 cents fully franked at 30% tax rate)	113,927	107,896
<b>Total dividends paid</b>	<b>227,418</b>	<b>218,842</b>

The final dividend paid contained a listed investment company (LIC) capital gain component of 4.0 cents per share (2018: 5.0 cents). The interim dividend paid did not contain a LIC capital gain component (2018: nil).

	<b>2019</b> \$'000	<b>2018</b> \$'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 2019 of 17.0 cents fully franked at 30% tax rate payable 13 September 2019 (2018: 16.0 cents fully franked at 30% tax rate)	<b>121,538</b>	<b>113,491</b>

The final dividend declared will contain a LIC capital gain component of 4.0 cents per share (2018: 4.0 cents).

**20. FRANKING ACCOUNT**

	<b>2019</b> \$'000	<b>2018</b> \$'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	149,254	118,142
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(52,088)	(48,639)
	<b>97,166</b>	<b>69,503</b>
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	<b>226,721</b>	<b>162,174</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>2019</b> \$'000	<b>2018</b> \$'000
Balance of the LIC capital gain account	32,734	32,584
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(28,597)	(28,373)
	<b>4,137</b>	<b>4,211</b>
This equates to an attributable amount of	<b>5,910</b>	<b>6,016</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 income from the investment portfolio through the receipt of dividends, distributions, interest and other income. Argo has a diversified portfolio of investments with only Wesfarmers income (due to the demerger dividend) accounting for more than 10% of income.

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

**Audit of Accounts**

The accounts for the year ended 30 June 2019 are in the process of being audited.