Argo Investments Limited

ABN 35 007 519 520

Appendix 4E

Preliminary Final Report
for the year ended 30 June 2016

(previous corresponding period being the year ended 30 June 2015)

RESULTS FOR ANNOUNCEMENT TO THE MARKET
YEAR ENDED 30 JUNE 2016

(Comparative figures being the year ended 30 June 2015)

These preliminary results are based on unaudited financial statements.

				Consolidated $A'000
Revenue from operating activities	down	5.7%	to	228,035
Profit for the year	down	5.2%	to	216,286

Dividends

Interim fully franked dividend paid 4 March 2016	15.0 cents
Final fully franked dividend payable 9 September 2016	15.5 cents
Total	30.5 cents

The Company's Dividend Reinvestment Plan will operate for the final dividend. The Directors have resolved that the shares will be allotted at a 2% 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	24 August 2016
The election date for determining participation in the Dividend Reinvestment Plan	25 August 2016

Previous corresponding period

Interim fully franked dividend paid 4 March 2015	14.0 cents
Final fully franked dividend paid 2 September 2015	15.5 cents
Total	29.5 cents

Net Asset Backing

Net Tangible Asset Backing per Argo share was $7.11 as at 30 June 2016, compared with $7.52 as at 30 June 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 $6.34 as at 30 June 2016, compared with $6.62 as at 30 June 2015.

Media Release
8 August 2016

Argo raises full year dividend to record high

Argo Investments Limited (ASX code: ARG), a major Australian listed investment company with $5.0 billion in assets, today announced a full year profit of $216.3 million and a final dividend of 15.5 cents per share.

Argo's Managing Director, Jason Beddow, announced that the full year dividend had increased by 1.0 cent to 30.5 cents fully franked, exceeding the Company's previous record high of 30.0 cents in 2007-08.

This is the fourth successive increase in the annual dividend. Argo has paid dividends every year since it was established 70 years ago in 1946.

The headline profit for the year ended 30 June 2016 was 5.2% lower than last year. However, the previous year's profit of $228.1 million included a one-off, non-cash income item of $18.6 million resulting from the demerger of South32 from BHP Billiton. If this corporate action is excluded, Argo's profit increased by 3.2% and earnings per share increased by 1.6%.

Summary of financial results	***2016***	*2015*	*change*
Profit	**$216.3 million**	$228.1 million*	-5.2%*
Earnings per share	**32.0 cents**	34.3 cents*	-6.7%*
Final dividend per share	**15.5 cents**	15.5 cents	-
Total dividends per share for the full year	**30.5 cents**	29.5 cents	+3.4%
Net tangible asset backing (NTA) per share	**$7.11**	$7.52	-5.5%

* The 2014-15 (prior year) 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. There were no demerger dividends in this year's result.

Argo is a long-term investor and its diversified portfolio again generated strong levels of dividend income. In addition, trading profit and income from option writing both rose again this year. However, interest received on cash deposits was lower, continuing the trend of the last few years as interest rates decline to historic lows.

In a year characterised by macroeconomic and political uncertainty, Argo's investment portfolio returned -1.2% in total, compared with the broader S&P/ASX 200 Accumulation Index which eked out a return of +0.6% overall.

Mr Beddow noted that another revenue source was added to Argo's business model this year, with the Company receiving its first fee income from managing an external client, Argo Global Listed Infrastructure Limited (AGLI), which listed on the ASX in July 2015.

Portfolio changes

2016 has certainly been an interesting year for global economies, politics and investment markets. This has led to increased volatility from equity markets, somewhat buffered by ever increasing support and liquidity from central banks globally.

"Argo selectively used this volatility to add to existing positions in quality companies, and also to add some new names to the Company's portfolio, primarily in industries that were not previously represented but where we feel growth opportunities are superior to those in many of the larger companies in the broader index," Mr Beddow said.

"New investments included CBL Corporation, Estia Health, Genworth Mortgage Insurance, McGrath, M2 Group (which was taken over by Vocus Communications), Reliance Worldwide and Rural Funds Group," he said.

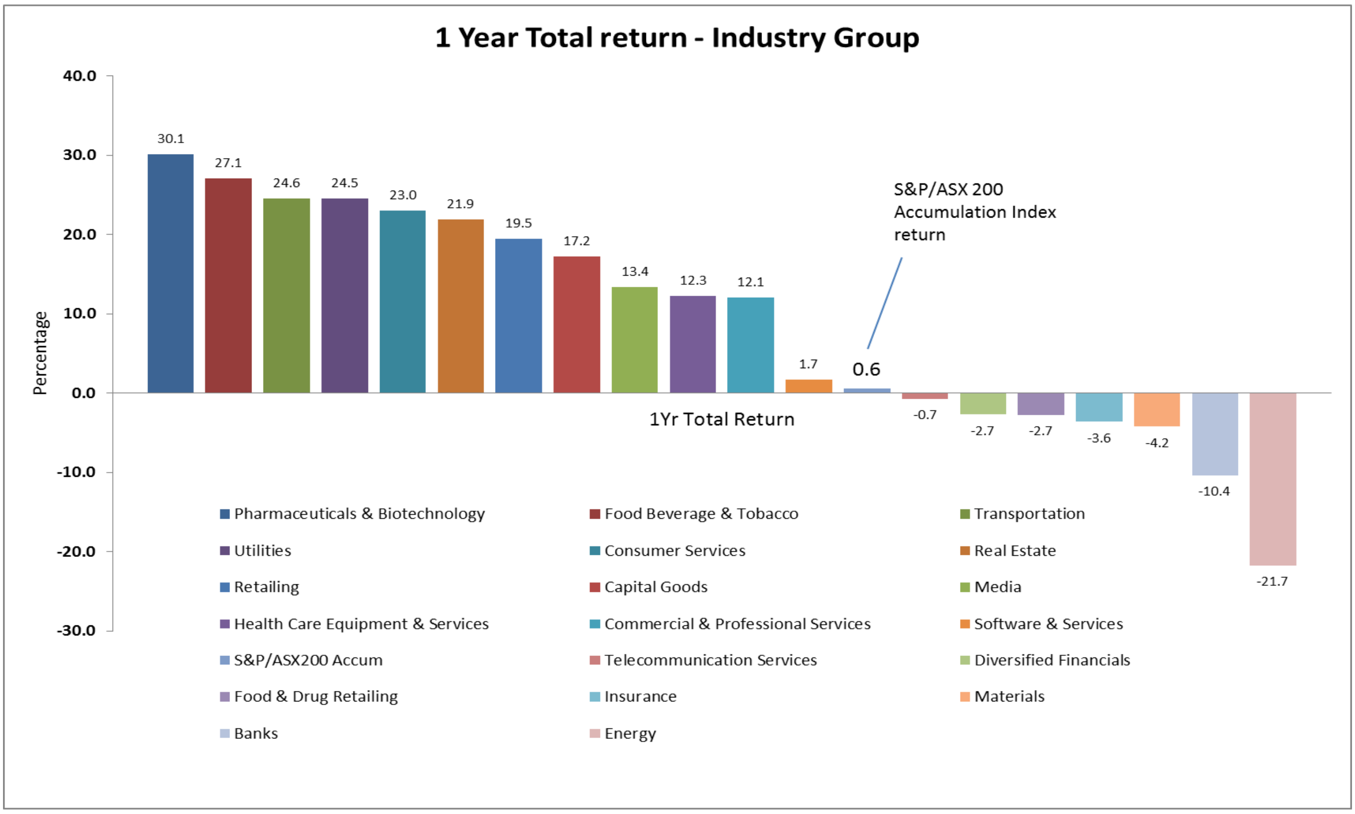
Overall during the past year, Argo outlaid $218 million on long-term investment purchases, partly funded by $115 million in disposals and takeover proceeds. The larger movements in the portfolio during the year included:

Purchases (above $10m)	*Sales (above $5m)*
Estia Health	Medibank Private *
Westpac Banking Corporation	Milton Corporation
Commonwealth Bank of Australia	Affinity Education (takeover) *
DUET Group	CIMIC Group *
Santos	Broadspectrum (takeover) *
Origin Energy	UGL *
McGrath	CYBG plc *

* Sale of complete position and removal from portfolio. Other stocks exited during the year were Whitehaven Coal, OZ Minerals, Colorpak (takeover), Newcrest Mining and Amaysim.

Market divergence and investment performance

Mr Beddow said that "despite the local market ending the year pretty much where it started, the index was volatile throughout the year and there were significant variations in the performance of individual sectors."



The best performing sectors for the year were Healthcare, Utilities, Consumer Discretionary and Industrials, while the dominant large capitalisation sectors, Energy, Banks and Materials, all dragged the overall market down.

Another interesting feature of the market in 2015-16 was the outperformance of smaller company stocks over their larger counterparts, with the Small Ordinaries Index finishing the year up +10.4% vs. the top 20 stocks by market capitalisation, represented by the S&P/ASX 20 Index, down by -11.9%.

Mr Beddow said that “although the skew of Argo’s long-term portfolio to some of the larger sectors may have negatively impacted our relative performance this year, these broad portfolio settings will continue to deliver solid growth and dividend income for the Company and its shareholders in the longer term.”

The best performing stocks in Argo’s portfolio for the year were Managed Accounts Holdings, Colorpak (exited by takeover), CIMIC Group (now exited), Medibank Private (now exited), CBL Corporation, Vocus Communications and Monash IVF Group, all up over 50%.

Dividend income

Mr Beddow noted that in the past year a number of bellwether stocks had reduced their dividends, particularly companies directly exposed to falling commodity and oil prices in the Mining and Energy sectors, and those companies indirectly exposed as providers of services to these industries, such as WorleyParsons.

“This trend has become more widespread, with meaningful cuts to dividends from ANZ Banking Group and Woolworths also having a negative impact on our investment revenue,” he said.

“We expect further challenges to dividends from a number of companies and we are particularly cautious about those that may have unsustainable dividend payout ratios or policies.”

Substantial dividend increases for the past year came from Macquarie Group, APA Group, CSL, Transurban Group, Ramsay Health Care, Sydney Airport and AGL Energy, and there were also a number of solid increases from some of the smaller holdings in the portfolio.

Outlook

Mr Beddow noted that yields globally continue to fall to historic lows, pushing investors out of cash into more risky, higher yielding asset classes, including equities, thereby inflating their valuations. Premiums are being placed on stocks that are delivering earnings and dividend growth, but we feel this is becoming excessive in some areas.

“However, with abundant and increasing global liquidity, we believe that despite the potential for rate increases in the US, the yield thematic will continue to be a dominant consideration for the remainder of the year, with companies that have above-market dividend growth likely to continue to be well supported,” he said.

We see some challenging times ahead, particularly internationally. Global political risk and uncertainty is increasing, which is eroding confidence.

Mr Beddow said that “while Australia is not immune from these global influences and trends, we continue to experience solid population growth, which we feel is essential for continued economic growth, particularly to offset a slowdown in productivity.”

“Interest rates are likely to continue to be supportive, with the RBA lowering the cash rate by 0.25% to 1.5% at its August meeting and leaving open the possibility of further cuts through 2016 and 2017,” he said.

Share Purchase Plan

Argo advised that it intends to offer a Share Purchase Plan to shareholders in the near future. An announcement will be made to the ASX when the details are finalised.

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Managing Director
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ARGO INVESTMENTS LIMITED ABN 35 007 519 520

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Dividends and distributions	2	223,686	237,289
Interest		2,209	4,004
Other revenue		2,140	608
Total revenue		228,035	241,901
Net gains on trading investments		10,743	7,183
Income from operating activities		238,778	249,084
Administration expenses	3	(7,998)	(7,869)
Finance costs		(170)	(50)
Profit before income tax expense		230,610	241,165
Income tax expense thereon	4	(14,324)	(13,061)
Profit for the year		216,286	228,104
		cents	cents
Basic and diluted earnings per share	5	32.0	34.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

	2016 $'000	2015 $'000
Profit for the year	216,286	228,104
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of long-term investments	(299,781)	73,620
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	89,293	(26,271)
Other comprehensive income for the year	(210,488)	47,349
Total comprehensive income for the year	5,798	275,453

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED ABN 35 007 519 520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Note	2016	2015
		$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	6 (a)	93,144	77,644
Receivables	7	41,178	38,551
Investments	8	1,865	1,660
Current tax assets		5,628	-
Total Current Assets		141,815	117,855
NON-CURRENT ASSETS			
Receivables	7	119	138
Investments	8	4,712,277	4,916,333
Plant and equipment	9	326	323
Total Non-Current Assets		4,712,722	4,916,794
TOTAL ASSETS		4,854,537	5,034,649
CURRENT LIABILITIES			
Payables	10	1,988	2,271
Derivative financial instruments	11	4,354	1,466
Current tax liabilities		-	879
Provisions	12	467	428
Total Current Liabilities		6,809	5,044
NON-CURRENT LIABILITIES			
Deferred tax liabilities	13	536,369	618,091
Provisions	12	154	110
Total Non-Current Liabilities		536,523	618,201
TOTAL LIABILITIES		543,332	623,245
NET ASSETS		4,311,205	4,411,404
SHAREHOLDERS' EQUITY			
Contributed equity	14	2,572,213	2,473,320
Reserves	15	1,366,037	1,596,512
Retained profits	16	372,955	341,572
TOTAL SHAREHOLDERS' EQUITY		4,311,205	4,411,404

(To be read in conjunction with the accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Contributed Equity $'000 (note 14)	Reserves $'000 (note 15)	Retained Profits $'000 (note 16)	Total $'000
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
For the year ended 30 June 2015				
Balance as at 1 July 2014	2,437,259	1,548,931	302,519	4,288,709
Profit for the year	-	-	228,104	228,104
Other comprehensive income	-	47,349	-	47,349
Total comprehensive income for the year	-	47,349	228,104	275,453
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	-	-	(189,051)	(189,051)
Total transactions with shareholders	36,061	232	(189,051)	(152,758)
Balance as at 30 June 2015	2,473,320	1,596,512	341,572	4,411,404

(To be read in conjunction with the accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		197,207	212,293
Interest received		2,164	4,798
Other receipts		1,860	608
Proceeds from trading investments		42,661	19,120
Payments for trading investments		(29,235)	(13,131)
Other payments		(7,666)	(8,136)
Income tax paid		(13,139)	(31,891)
Net operating cash inflows	6(b)	193,852	183,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		116,222	135,987
Payments for long-term investments		(188,293)	(286,245)
Proceeds from other financial cash assets		-	70,000
Executive share scheme repayments		19	389
Payments for fixed assets		(166)	(29)
Net investing cash outflows		(72,218)	(79,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Share Purchase Plan		60,355	-
Cost of share issues		(402)	(76)
Dividends paid – net of Dividend Reinvestment Plan		(166,087)	(152,936)
Net financing cash outflows		(106,134)	(153,012)
Net increase/(decrease) in cash held		15,500	(49,249)
Cash at the beginning of the year		77,644	126,893
Cash at the end of the year	6(a)	93,144	77,644

(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 2016, 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

	2016	**2015**
	$'000	$'000
Received/receivable from:		
Long-term investments held at the end of the year	221,718	234,924
Long-term investments sold during the year	1,968	2,365
	223,686	237,289

3. ADMINISTRATION EXPENSES

Employment benefits	4,921	4,397
Depreciation	163	51
Other	2,914	3,421
	7,998	7,869

4. INCOME TAX EXPENSE

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

Profit before income tax expense	230,610	241,165
Prima facie tax expense calculated at 30% (2015: 30%)	69,183	72,349
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(52,498)	(52,472)
Non-taxable distributions	-	(5,579)
Other	(1,845)	(705)
Over provision in previous year	(516)	(532)
Income tax expense	14,324	13,061

(b) Income tax expense composition:

	2016	2015
	$'000	$'000
Charge for tax payable relating to current year	15,850	13,579
(Decrease)/increase in deferred tax liabilities	(1,010)	14
Over provision in previous year	(516)	(532)
	14,324	13,061

(c) Amounts recognised directly in other comprehensive income:

	2016	2015
(Decrease)/increase in deferred tax liabilities	(89,293)	26,271

5. **EARNINGS PER SHARE**

	number '000	number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	675,375	664,839
	$'000	$'000
Profit for the year	216,286	228,104
	cents	cents
Basic and diluted earnings per share	32.0	34.3

6. **CASH AND CASH EQUIVALENTS**

(a) Cash and cash equivalents includes cash on deposit (floating interest rates between 1.75% and 2.35% as at 30 June 2016; 2015: 2.00% and 2.45%) with banks and fixed term deposits (fixed interest rates to maturity between 2.51% and 2.93% as at 30 June 2016; 2015: 2.30% and 2.70%) with banks, maturing within three months from date of deposit.

	2016	2015
	$'000	$'000
Bank deposits	93,144	77,644

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

	2016 $'000	**2015** $'000
Profit for the year	216,286	228,104
Dividends received as securities in dividend reinvestment plans	(23,320)	(4,861)
Demerger dividends and distributions	-	(18,596)
Depreciation	163	51
Charges to provisions	170	17
Other movements	16	232
Decrease in provision for income tax	(6,507)	(11,481)
Transfer from provision for deferred income tax	8,547	(7,168)
Increase in deferred tax assets	(942)	(262)
Changes in operating assets and liabilities:		
Increase in current investments	(205)	(1,660)
Increase in other debtors	(2,892)	(1,590)
Increase in other creditors	2,536	875
Net cash provided by operating activities	193,852	183,661

(c) Financing arrangement

Total line of credit available:		
Loan facility - unsecured	100,000	100,000
Amount utilised	-	-
Undrawn facility	100,000	100,000

(d) Non-cash financing activities

Dividends paid totalling $38.8 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2015: $36.1 million).

7. RECEIVABLES

	2016 $'000	**2015** $'000
Current		
Dividends and distributions receivable	40,581	37,421
Interest receivable	220	175
Outstanding settlements	-	264
Other	377	691
	41,178	38,551

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.

	2016	2015
	$'000	$'000
Non-Current		
Executive share plan loans	119	138

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

8. INVESTMENTS

	2016	2015
	$'000	$'000
Current		
Listed securities at fair value(1)	1,865	1,660
Non-Current		
Listed securities at fair value(1)	4,707,567	4,886,463
Unlisted securities at fair value(2)	4,710	29,870
	4,712,277	4,916,333

(1) The fair value of listed securities is established from the quoted prices (unadjusted) in the active market of the Australian Securities Exchange (ASX) for identical assets in accordance with Level 1 of the fair value measurement hierarchy. Unlisted securities with a fair value of $26.0 million were transferred from level 3 to level 1 during the year, following the companies listing on the ASX.

(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:

	2016	2015
	$'000	$'000
Carrying amount at beginning of year	29,870	3,540
Addition	750	26,000
Transfer to level 1 (listed securities) on listing	(26,000)	-
Fair value gains recognised in other comprehensive income	90	330
Carrying amount at end of year	4,710	29,870

9. PLANT AND EQUIPMENT

	2016 $'000	**2015** $'000
Plant and equipment at cost	1,058	1,004
Accumulated depreciation	(732)	(681)
	326	323
Movements		
Carrying amount at beginning of year	323	345
Additions	166	29
Depreciation	(163)	(51)
Carrying amount at end of year	326	323

10. PAYABLES

Outstanding settlements	1,069	1,000
Other	919	1,271
	1,988	2,271

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.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 $'000	**2015** $'000
Exchange traded options at fair value	4,354	1,466

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.

12. PROVISIONS

	2016 $'000	**2015** $'000
Current		
Provision for employee entitlements	467	428
Non-Current		
Provision for employee entitlements	154	110

13. DEFERRED TAX LIABILITIES

	2016 $'000	2015 $'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	537,357	618,035
Income receivable which is not assessable for tax until receipt	1,270	1,254
Deferred tax liability on unrealised gains on trading investments	40	124
	538,667	619,413
Offset by deferred tax assets:		
Provisions and payables	(2,115)	(1,172)
Deferred tax on cost of share issues	(183)	(150)
	(2,298)	(1,322)
Net deferred tax liabilities	536,369	618,091
Movements		
Balance at beginning of year	618,091	599,192
Debited/(credited) to profit or loss	(1,010)	14
(Credited)/charged to other comprehensive income	(89,293)	26,271
Changes to the tax base of investments	8,581	(7,386)
Balance at end of year	536,369	618,091

The amount of net deferred tax assets expected to be settled in the next 12 months is $0.2 million (2015: deferred tax liability $0.7 million).

14. 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 No. of shares	2015 No. of shares	2016 $'000	2015 $'000
Issued and fully paid ordinary shares:				
Opening balance	666,769,679	662,179,486	2,473,320	2,437,259
Dividend reinvestment plan[(a)]	5,185,485	4,590,193	38,819	36,115
Share purchase plan[(b)]	7,787,690	-	60,355	-
Cost of share issues net of tax	-	-	(281)	(54)
Closing balance	679,742,854	666,769,679	2,572,213	2,473,320

(a) On 2 September 2015, 2,490,187 shares were allotted at $7.85 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2015.

On 4 March 2016, 2,695,298 shares were allotted at $7.15 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2016.

(b) On 7 October 2015, 7,787,690 shares were allotted at $7.75 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.

15. RESERVES

	2016 $'000	**2015** $'000
Executive Performance Rights Reserve	1,355	1,339
Investment Revaluation Reserve	1,155,839	1,354,931
Capital Profits Reserve	208,843	240,242
	1,366,037	1,596,512
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	1,339	1,107
Accrued entitlement for unvested rights	659	296
Executive performance shares purchased	(643)	(64)
Balance at end of year	1,355	1,339
Investment Revaluation Reserve		
Balance at beginning of year	1,354,931	1,309,495
Revaluation of long-term investments	(299,781)	73,620
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	89,293	(26,271)
Realised losses/(gains) on sale of long-term investments transferred to capital profits reserve	14,951	(3,893)
Income tax (benefit)/expense thereon	(3,555)	1,980
Balance at end of year	1,155,839	1,354,931
Capital Profits Reserve		
Balance at beginning of year	240,242	238,329
Dividend paid	(20,003)	-
Transfer from investment revaluation reserve	(11,396)	1,913
Balance at end of year	208,843	240,242
Total Reserves	1,366,037	1,596,512

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 $115.1 million (2015: $129.3 million). The cumulative loss after tax on these disposals was $11.4 million (2015: profit $1.9 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.

16. **RETAINED PROFITS**

	2016	**2015**
	$'000	$'000
Balance at beginning of year	341,572	302,519
Dividends paid	(184,903)	(189,051)
Profit for the year	216,286	228,104
Balance at end of year	372,955	341,572

17. DIVIDENDS

	2016	2015
	$'000	$'000

(a) Dividends paid during the year

	2016 $'000	2015 $'000
Final dividend for the year ended 30 June 2015 of 15.5 cents fully franked at 30% tax rate paid 2 September 2015 (2015: 14.5 cents fully franked at 30% tax rate)	103,349	96,016
Interim dividend for the year ended 30 June 2016 of 15.0 cents fully franked at 30% tax rate paid 4 March 2016 (2015: 14.0 cents fully franked at 30% tax rate)	101,557	93,035
Total dividends paid	204,906	189,051

The final dividend contains a listed investment company (LIC) capital gain component of 3 cents per share (2015: nil).

(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:

	2016 $'000	2015 $'000
Final dividend for the year ended 30 June 2016 of 15.5 cents fully franked at 30% tax rate payable 9 September 2016 (2015: 15.5 cents fully franked at 30% tax rate)	105,360	103,349

The final dividend will not contain a LIC capital gain component (2015: 3 cents per share).

18. FRANKING ACCOUNT

	2016 $'000	2015 $'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	85,427	91,073
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(45,154)	(44,293)
	40,273	46,780
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	93,970	109,153

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

19. LISTED INVESTMENT COMPANY (LIC) CAPITAL GAIN ACCOUNT

	2016 $'000	2015 $'000
Balance of the LIC capital gain account	5,401	21,825
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	-	(20,003)
	5,401	1,822
This equates to an attributable amount of	7,716	2,603

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.

20. 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 2016 are in the process of being audited.

Annual General Meeting

The Annual General Meeting will be held at the Adelaide Oval, William Magarey Room, War Memorial Drive, North Adelaide on Wednesday 26 October 2016 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 the following cities:

Melbourne:
Grand Hyatt Hotel, 123 Collins Street, Melbourne on Thursday 27 October 2016 at 10.00 a.m.

Sydney:
Hilton Hotel, 488 George Street, Sydney on Friday 28 October 2016 at 10.00 a.m.

Brisbane:
Marriott Hotel, 515 Queen Street, Brisbane on Monday 31 October 2016 at 10.00 a.m.

Perth:
Duxton Hotel, 1 St Georges Terrace, Perth on Tuesday 1 November 2016 at 9.30 a.m.