



Argo Investments Limited

ABN 35 007 519 520

Appendix 4E

**Preliminary Final Report
for the year ended 30 June, 2014**
(previous corresponding period being
the year ended 30 June, 2013)

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
YEAR ENDED 30 JUNE, 2014**

(Comparative figures being the year ended 30 June, 2013)

These preliminary results are based on unaudited financial statements.

				<u>\$A'000</u>
Revenue from operating activities	up	12.3%	to	210,706
Profit for the year	up	11.9%	to	195,874

Dividends

Interim fully franked dividend paid 5 March, 2014	13.5 cents
Final fully franked dividend payable 3 September, 2014	<u>14.5 cents</u>
Total	<u>28.0 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	20 August, 2014
The election date for determining participation in the Dividend Reinvestment Plan	21 August, 2014

Previous corresponding period

Interim fully franked dividend paid 4 March, 2013	13.0 cents
Final fully franked dividend paid 4 September, 2013 (included 0.75 cent LIC capital gain component)	<u>13.5 cents</u>
Total	<u>26.5 cents</u>

Net Asset Backing

Net Tangible Asset Backing per Argo share was \$7.35 as at 30 June, 2014, compared with \$6.52 as at 30 June, 2013.

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 \$6.48 as at 30 June, 2014, compared with \$5.85 as at 30 June, 2013.



Media Release

4th August, 2014

Record profit and higher dividend for Argo Investments

Argo Investments Limited (ASX: "ARG"), a leading Australian listed investment company (LIC) with total assets of \$4.9 billion, today announced an 11.9% increase in profit to a record \$195.9 million for the year ended 30 June, 2014 – the company's highest full-year result in its 68 year history.

Argo is marking its unbroken run of paying annual dividends with a further 7.4% increase in the final dividend to a fully franked 14.5 cents per share (up from 13.5 cents per share). The annual dividend increases to a fully franked 28.0 cents per share (previous year 26.5 cents).

The record \$195.9 million profit compared with \$175.0 million in 2012-13 and \$167.3 million in 2011-12, and took Argo's earnings per share 9.0% higher to 30.2 cents per share, from 27.7 cents in the previous year.

Summary of financial results

	2014	2013	change
Profit	\$195.9 million	\$175.0 million	+11.9%
Earnings per share	30.2 cents	27.7 cents	+9.0%
Final dividend per share	14.5 cents	13.5 cents*	+7.4%
Total dividends per share for the full year	28.0 cents	26.5 cents	+5.7%
Net tangible asset backing (NTA) per share	\$7.35	\$6.52	+12.7%
Management expense ratio (MER)	0.15%	0.18%	-16.7%

* Included a 0.75 cent per share listed investment company (LIC) capital gain component

Overview

Argo's Managing Director, Mr Jason Beddow, said the improved result reflected increased dividends and distributions from the investments in the Company's portfolio. The result was also boosted by \$6.9 million of non-cash, one-off income items, being two dividends resulting from the demergers of Recall Holdings and Orora by Brambles and Amcor respectively, and a special dividend due to the in-specie distribution of Sydney Airport securities by Macquarie Group to its shareholders. This compares to a demerger dividend of \$0.6 million in the previous year, when Woolworths demerged SCA Property Group.

Over the financial year, Argo's share price performance (assuming dividends paid are reinvested) returned +22.7%, reflecting a combination of stronger equity markets and the Company's share price moving to a premium to NTA. Argo's investment portfolio performed in line with the broader Australian share market, returning +17.1% for the year after deducting all administration expenses and tax, compared with the S&P/ASX 200 Accumulation Index which returned +17.4% for the same period without taking into account any costs or tax.

The Share Purchase Plan and Dividend Reinvestment Plan were well supported by shareholders during the year and raised \$99.6 million and \$33.1 million respectively for further investment. Argo now has over 73,000 shareholders and more than 660 million shares on issue.

Investment portfolio – IPO activity continues

Mr Beddow said Argo spent \$259 million during the year on long-term investment purchases, partly funded by \$111 million in disposals and takeover proceeds.

“A feature of the past financial year has been the high level of initial public offerings (IPOs). Argo’s investment team analysed a large number of opportunities and has established positions in Affinity Education Group, Asaleo Care, Monash IVF Group, Pact Group, Steadfast Group and 3P Learning,” Mr Beddow said.

“We also invested in Managed Accounts Holdings prior to its recent IPO and added Tassal Group to the portfolio. Overall, the number of stocks held in the portfolio increased to 103 during the year,” he said.

The best performing stocks in the portfolio over the year were Challenger, Lend Lease Group, David Jones, Technology One and Macquarie Group, all of which increased in price by more than 50%. This was somewhat offset by relatively poor performances from Whitehaven Coal, Mermaid Marine Australia, Fleetwood Corporation and iSelect, which all fell by over 30%.

Directorate

Argo’s Chairman, Mr. Ian Martin AM, announced that the Company’s long-serving Deputy Chairman, Mr. Robert Rich, has advised the Board that he will retire at the Annual General Meeting in October, after 22 years’ service on Argo’s Board and a distinguished career in the investment industry.

“Mr. Rich’s contribution to the Company’s growth and success is greatly appreciated by the Board and management, and will be further acknowledged with shareholders at the Annual General Meeting,” Mr. Martin said.

Outlook

Mr Beddow said the Australian share market recorded another strong year, tracking similar movements in other major global markets, with particular strength in the US.

“While we acknowledge the continued improvement in the US economy, low interest rates globally have helped to fuel strong market returns,” he said.

“We note that dividend payout ratios in the Australian market remain elevated. As a result, earnings growth will be required to drive further dividend growth. We also consider that earnings growth will be necessary to justify current market valuations.

“Argo has no debt and cash reserves of \$195 million. We look forward to meeting our investee companies over the upcoming corporate results reporting season and will continue to selectively invest funds into quality, well managed companies with solid cash flows and dividend streams,” Mr Beddow said.

Media contact:

Jason Beddow
Managing Director
02 8274 4702 or 0409 900 709

STATEMENT OF PROFIT OR LOSS
for the year ended 30 June, 2014

	Note	2014 \$'000	2013 \$'000
Dividends and distributions	2	202,649	179,756
Interest		6,805	7,590
Other revenue		<u>1,252</u>	<u>218</u>
Total revenue		210,706	187,564
Net gains on trading investments		<u>4,495</u>	<u>4,130</u>
Income from operating activities		215,201	191,694
Administration expenses	3	<u>(7,269)</u>	<u>(7,172)</u>
Profit before income tax expense		207,932	184,522
Income tax expense thereon	4	<u>(12,058)</u>	<u>(9,487)</u>
Profit for the year		<u>195,874</u>	<u>175,035</u>
		2014 cents	2013 cents
Basic and diluted earnings per share	5	<u>30.2</u>	<u>27.7</u>

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June, 2014

	2014 \$'000	2013 \$'000
Profit for the year	<u>195,874</u>	<u>175,035</u>
Other comprehensive income:-		
Revaluation of long-term investments	532,059	622,404
Provision for deferred tax expense on revaluation of long-term investments	<u>(160,009)</u>	<u>(188,171)</u>
Other comprehensive income for the year	<u>372,050</u>	<u>434,233</u>
Total comprehensive income for the year	<u>567,924</u>	<u>609,268</u>

Note: all items in other comprehensive income will not be subsequently reclassified through the Statement of Profit or Loss.

(To be read in conjunction with the accompanying notes)

STATEMENT OF FINANCIAL POSITION
as at 30 June, 2014

	Note	2014 \$'000	2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	6 (a)	126,893	135,910
Receivables	7	38,334	33,125
Other financial cash assets	8	<u>70,000</u>	<u>60,000</u>
Total Current Assets		<u>235,227</u>	<u>229,035</u>
NON-CURRENT ASSETS			
Receivables	7	157	632
Investments	9	4,676,433	4,002,630
Plant and equipment	10	<u>345</u>	<u>383</u>
Total Non-Current Assets		<u>4,676,935</u>	<u>4,003,645</u>
TOTAL ASSETS		<u>4,912,162</u>	<u>4,232,680</u>
CURRENT LIABILITIES			
Payables	11	10,299	14,495
Derivative financial instruments	12	1,000	660
Current tax liabilities		12,360	5,917
Provisions	13	<u>480</u>	<u>614</u>
Total Current Liabilities		<u>24,139</u>	<u>21,686</u>
NON-CURRENT LIABILITIES			
Payables	11	-	150
Deferred tax liabilities	14	599,192	448,624
Provisions	13	<u>122</u>	<u>221</u>
Total Non-Current Liabilities		<u>599,314</u>	<u>448,995</u>
TOTAL LIABILITIES		<u>623,453</u>	<u>470,681</u>
NET ASSETS		<u>4,288,709</u>	<u>3,761,999</u>
SHAREHOLDERS' EQUITY			
Contributed equity	15	2,437,259	2,304,790
Reserves	16	1,548,931	1,181,322
Retained profits	17	<u>302,519</u>	<u>275,887</u>
TOTAL SHAREHOLDERS' EQUITY		<u>4,288,709</u>	<u>3,761,999</u>

(To be read in conjunction with the accompanying notes)

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June, 2014

	Contributed Equity \$'000 (note 15)	Reserves \$'000 (note 16)	Retained Profits \$'000 (note 17)	Total \$'000
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>
For the year ended 30 June, 2013				
Balance as at 1 July, 2012	<u>2,198,081</u>	<u>753,429</u>	<u>257,833</u>	<u>3,209,343</u>
Profit for the year	-	-	175,035	175,035
Other comprehensive income	<u>-</u>	<u>434,233</u>	<u>-</u>	<u>434,233</u>
Total comprehensive income for the year	<u>-</u>	<u>434,233</u>	<u>175,035</u>	<u>609,268</u>
Transactions with shareholders:-				
Dividend Reinvestment Plan	30,619	-	-	30,619
Share Purchase Plan	76,390	-	-	76,390
Cost of share issues net of tax	(300)	-	-	(300)
Executive performance rights reserve	-	(75)	-	(75)
Dividends paid	<u>-</u>	<u>(6,265)</u>	<u>(156,981)</u>	<u>(163,246)</u>
Total transactions with shareholders	<u>106,709</u>	<u>(6,340)</u>	<u>(156,981)</u>	<u>(56,612)</u>
Balance as at 30 June, 2013	<u><u>2,304,790</u></u>	<u><u>1,181,322</u></u>	<u><u>275,887</u></u>	<u><u>3,761,999</u></u>

(To be read in conjunction with the accompanying notes)

STATEMENT OF CASH FLOWS
for the year ended 30 June, 2014

	Note	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		184,387	157,728
Interest received		6,807	7,464
Other receipts		1,252	218
Proceeds from trading investments		15,629	11,704
Payments for trading investments		(10,793)	(5,231)
Other payments		(7,196)	(7,146)
Income tax paid		<u>(14,939)</u>	<u>(11,395)</u>
Net operating cash inflows	6 (b)	<u>175,147</u>	<u>153,342</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		115,476	136,702
Payments for long-term investments		(248,011)	(189,285)
Proceeds from other financial cash assets		140,000	20,000
Payments for other financial cash assets		(150,000)	(70,000)
Executive share scheme repayments		104	100
Payments for fixed assets		<u>(16)</u>	<u>(10)</u>
Net investing cash outflows		<u>(142,447)</u>	<u>(102,493)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Share Purchase Plan		99,631	76,390
Cost of share issues		(393)	(429)
Dividends paid – net of Dividend Reinvestment Plan		<u>(140,955)</u>	<u>(132,627)</u>
Net financing cash outflows		<u>(41,717)</u>	<u>(56,666)</u>
Net decrease in cash held		(9,017)	(5,817)
Cash at the beginning of the year		<u>135,910</u>	<u>141,727</u>
Cash at the end of the year	6 (a)	<u>126,893</u>	<u>135,910</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.

2. DIVIDENDS AND DISTRIBUTIONS

	2014 \$'000	2013 \$'000
Received/receivable from:-		
Long-term investments held at the end of the year	200,368	175,101
Long-term investments sold during the year	<u>2,281</u>	<u>4,655</u>
	<u>202,649</u>	<u>179,756</u>

3. ADMINISTRATION EXPENSES

Employment benefits	4,733	4,731
Depreciation	54	54
Other administration	<u>2,482</u>	<u>2,387</u>
	<u>7,269</u>	<u>7,172</u>

4. INCOME TAX EXPENSE

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

Profit before income tax expense	<u>207,932</u>	<u>184,522</u>
Prima facie tax expense calculated at 30% (2013: 30%)	62,380	55,357
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Tax offset for franked dividends	(46,982)	(42,635)
Non-taxable distributions	(1,209)	-
Other	(1,885)	(2,548)
(Over) provision in previous year	<u>(246)</u>	<u>(687)</u>
Income tax expense	<u>12,058</u>	<u>9,487</u>

	2014 \$'000	2013 \$'000
(b) Income tax expense composition:-		
Charge for tax payable relating to current year	12,430	10,568
(Decrease) in deferred tax liabilities	(126)	(394)
(Over) provision in previous year	<u>(246)</u>	<u>(687)</u>
	<u>12,058</u>	<u>9,487</u>

(c) Amounts recognised directly in other comprehensive income:-

Increase in deferred tax liabilities	<u>160,009</u>	<u>188,171</u>
--------------------------------------	----------------	----------------

5. EARNINGS PER SHARE

	2014 number '000	2013 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	649,399	632,185
	\$'000	\$'000
Profit for the year	195,874	175,035
	cents	cents
Basic and diluted earnings per share	<u>30.2</u>	<u>27.7</u>

6. CASH AND CASH EQUIVALENTS

- (a) Cash and cash equivalents includes cash on deposit (floating interest rates between 2.45% and 3.5% as at 30 June, 2014; 2013: 2.7% and 4.0%) with banks and fixed term deposits (fixed interest rates to maturity between 3.2% and 3.48% as at 30 June, 2014; 2013: 3.54% and 4.05%) with banks, all maturing within three months from date of deposit.

	2014 \$'000	2013 \$'000
Bank deposits	<u>126,893</u>	<u>135,910</u>

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

	2014	2013
	\$'000	\$'000
Profit for the year	195,874	175,035
Dividends received as securities in dividend reinvestment plans	(6,081)	(17,086)
Demerger dividends and distributions	(6,917)	(579)
Depreciation	54	54
Charges (from)/to provisions	(134)	136
Other movements	385	(75)
Increase in provision for income tax	6,443	6,680
Transfer from provision for deferred income tax	(9,165)	(8,618)
(Increase) in deferred tax assets	(257)	(67)
Changes in operating assets and liabilities:-		
Decrease in current investments	-	2,102
(Increase) in other debtors	(5,548)	(4,505)
Increase in other creditors	493	265
	<u>175,147</u>	<u>153,342</u>
Net cash provided by operating activities	<u>175,147</u>	<u>153,342</u>

(c) Financing Arrangements

Total lines of credit available:-		
Bank overdraft	200	200
Amount utilised	<u>-</u>	<u>-</u>
Undrawn facility	<u>200</u>	<u>200</u>

The bank overdraft is repayable on demand and is subject to a set-off arrangement against a credit account and to an annual review.

(d) Non-cash Financing Activities

Dividends paid totalling \$33.1 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2013: \$30.6 million).

7. RECEIVABLES

	2014	2013
	\$'000	\$'000
Current		
Dividends and distributions receivable	35,882	30,618
Interest receivable	969	971
Outstanding settlements	800	1,510
Executive share plan loan	370	-
Other	313	26
	<u>38,334</u>	<u>33,125</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.

	2014 \$'000	2013 \$'000
Non-Current		
Executive share plan loans	<u>157</u>	<u>632</u>

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

8. OTHER FINANCIAL CASH ASSETS

	2014 \$'000	2013 \$'000
Bank term deposits	<u>70,000</u>	<u>60,000</u>

Other financial cash assets are fixed term deposits (fixed interest rates to maturity between 3.40% and 3.48% as at 30 June, 2014; 2013: 3.80% and 3.84%) with banks, maturing from three to six months from date of deposit.

9. INVESTMENTS

	2014 \$'000	2013 \$'000
Non-Current		
Listed securities at fair value ⁽¹⁾	4,672,893	3,999,180
Unlisted securities at fair value ⁽²⁾	<u>3,540</u>	<u>3,450</u>
	<u>4,676,433</u>	<u>4,002,630</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.

(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 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:-

	2014 \$'000	2013 \$'000
Carrying amount at beginning of year	3,450	3,300
Fair value gains recognised in other comprehensive income	<u>90</u>	<u>150</u>
Carrying amount at end of year	<u>3,540</u>	<u>3,450</u>

10. PLANT AND EQUIPMENT

	2014 \$'000	2013 \$'000
Plant and equipment at cost	975	959
Accumulated depreciation	<u>(630)</u>	<u>(576)</u>
	<u>345</u>	<u>383</u>
Movements		
Carrying amount at beginning of year	383	427
Additions	16	10
Depreciation	<u>(54)</u>	<u>(54)</u>
Carrying amount at end of year	<u>345</u>	<u>383</u>

11. PAYABLES

Current		
Outstanding settlements	8,970	13,469
Directors' retiring allowance	150	-
Other	<u>1,179</u>	<u>1,026</u>
	<u>10,299</u>	<u>14,495</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.

	2014 \$'000	2013 \$'000
Non-Current		
Directors' retiring allowance	<u>-</u>	<u>150</u>

Directors' retiring allowance is non-interest bearing and unsecured.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Exchange traded options at fair value	<u>1,000</u>	<u>660</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

	2014 \$'000	2013 \$'000
Current		
Provision for employee entitlements	<u>480</u>	<u>614</u>
Non-Current		
Provision for employee entitlements	<u>122</u>	<u>221</u>

14. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributed to:-

Deferred tax liability on unrealised gains on long-term investments	599,284	457,109
Income receivable which is not assessable for tax until receipt	994	959
Deferred tax liability on unrealised gains on trading investments	<u>108</u>	<u>11</u>
	<u>600,386</u>	<u>458,079</u>
Offset by deferred tax assets:-		
Capital losses not utilised	(75)	(8,613)
Provisions and payables	(911)	(653)
Deferred tax on cost of share issues	<u>(208)</u>	<u>(189)</u>
	<u>(1,194)</u>	<u>(9,455)</u>
Net deferred tax liabilities	<u>599,192</u>	<u>448,624</u>
Movements		
Balance at beginning of year	448,624	269,171
(Credited) to profit or loss	(126)	(394)
Charged to other comprehensive income	160,009	188,171
Changes to the tax base of investments	<u>(9,315)</u>	<u>(8,324)</u>
Balance at end of year	<u>599,192</u>	<u>448,624</u>

The amount of net deferred tax liabilities expected to be settled in the next 12 months is \$0.7 million (2013: \$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 the proportion to the number of the shares held. The Company does not have a limited amount of authorised capital.

	2014 No. of shares	2013 No. of shares	2014 \$'000	2013 \$'000
Issued and fully paid ordinary shares:-				
Opening balance	643,456,209	626,452,410	2,304,790	2,198,081
Dividend reinvestment plan ^(a)	4,808,332	5,215,174	33,113	30,619
Share purchase plan ^(b)	13,914,945	11,788,625	99,631	76,390
Cost of share issues net of tax	-	-	(275)	(300)
Closing balance	<u>662,179,486</u>	<u>643,456,209</u>	<u>2,437,259</u>	<u>2,304,790</u>

(a) On 4 September, 2013, 2,480,493 shares were allotted at \$6.63 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2013.

On 5 March, 2014, 2,327,839 shares were allotted at \$7.16 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2014.

(b) On 8 April, 2014, 13,914,945 shares were allotted at \$7.16 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

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

16. RESERVES

	2014 \$'000	2013 \$'000
Executive Performance Rights Reserve	1,107	722
Investment Revaluation Reserve	1,309,495	968,246
Capital Profits Reserve	<u>238,329</u>	<u>212,354</u>
	<u>1,548,931</u>	<u>1,181,322</u>

Movements in reserves during the year

Executive Performance Rights Reserve

Balance at beginning of year	722	797
Accrued entitlement for unvested rights	523	448
Executive performance shares purchased	<u>(138)</u>	<u>(523)</u>
Balance at end of year	<u>1,107</u>	<u>722</u>

	2014 \$'000	2013 \$'000
Investment Revaluation Reserve		
Balance at beginning of year	968,246	512,276
Revaluation of long-term investments	532,059	622,404
Provision for deferred tax (expense) on revaluation of long-term investments	(160,009)	(188,171)
Realised (gains)/losses on sale of long-term investments transferred to capital profits reserve	(44,501)	29,569
Income tax expense /(benefit) thereon	13,700	(7,832)
Balance at end of year	<u>1,309,495</u>	<u>968,246</u>
Capital Profits Reserve		
Balance at beginning of year	212,354	240,356
Dividend paid	(4,826)	(6,265)
Transfer from investment revaluation reserve	30,801	(21,737)
Balance at end of year	<u>238,329</u>	<u>212,354</u>
Total Reserves	<u>1,548,931</u>	<u>1,181,322</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 \$110.8 million (2013: \$135.5 million). The cumulative profit after tax on these disposals was \$30.8 million (2013: loss \$21.7 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 long-term incentive (LTI) and short-term incentive (STI) 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.

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.

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 STI performance rights for the current reporting period, which are yet to be issued to participants, has been estimated.

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

	2014 \$'000	2013 \$'000
Balance at beginning of year	275,887	257,833
Dividends paid	(169,242)	(156,981)
Profit for the year	<u>195,874</u>	<u>175,035</u>
Balance at end of year	<u>302,519</u>	<u>275,887</u>

18. DIVIDENDS

(a) Dividends paid during the year

Final dividend for the year ended 30 June, 2013 of 13.5 cents fully franked at 30% tax rate paid 4 September, 2013 (2013: 13 cents fully franked at 30% tax rate)

86,867 81,439

Interim dividend for the year ended 30 June, 2014 of 13.5 cents fully franked at 30% tax rate paid 5 March, 2014 (2013: 13 cents fully franked at 30% tax rate)

87,201 81,807

Total dividends paid

174,068 163,246

The final dividend contained a listed investment company (LIC) capital gain component of 0.75 cent per share (2013: 1 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:-

	2014 \$'000	2013 \$'000
Final dividend for the year ended 30 June, 2014 of 14.5 cents fully franked at 30% tax rate payable 3 September, 2014 (2013: 13.5 cents fully franked at 30% tax rate)	<u>96,016</u>	<u>86,867</u>

The final dividend will not contain a LIC capital gain component (2013: 0.75 cent per share).

19. FRANKING ACCOUNT

	2014 \$'000	2013 \$'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	76,320	61,510
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	<u>(41,150)</u>	<u>(37,229)</u>
	<u>35,170</u>	<u>24,281</u>
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	<u>82,063</u>	<u>56,656</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

	2014 \$'000	2013 \$'000
Balance of the LIC capital gain account	208	5,034
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>-</u>	<u>(4,826)</u>
	<u>208</u>	<u>208</u>
This equates to an attributable amount of	<u>297</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 predominantly in the investment industry 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 Managing Director and 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, 2014 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 27 October, 2014 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 28 October, 2014 at 10.00 a.m. at the Melbourne Convention and Exhibition Centre, Level 2, Room 220, 1 Convention Centre Place, South Wharf, Melbourne and in Sydney on Wednesday 29 October, 2014 at 10.00 a.m. at the Wesley Conference Centre, The Lyceum, 220 Pitt Street, Sydney.