



Argo Investments Limited
ABN 35 007 519 520

Appendix 4D

Half-year Report
for the period ended 31 December 2017
(previous corresponding period being
the half-year ended 31 December 2016)

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER 2017**

(Comparative figures being the half-year ended 31 December 2016)

				\$A'000
Revenue from operating activities	up	4.0%	to	118,940
Profit for the half-year	up	6.2%	to	110,538

Dividend

Interim fully franked dividend payable 9 March 2018 (previous corresponding period 15.0 cents fully franked)	15.5 cents
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The Company's Dividend Reinvestment Plan will operate for the interim dividend. The Directors have resolved that the shares will be allotted at a 2% discount to the market price of Argo shares, which will be the volume-weighted average ex-dividend market price of the shares traded on the record date and the three business days following the record date.

The record date for determining entitlements to the interim dividend	19 February 2018
The election date for determining participation in the Dividend Reinvestment Plan	20 February 2018
Final fully franked dividend for year ended 30 June 2017 paid 15 September 2017	16.0 cents

Net Asset Backing

Net Tangible Asset Backing per Argo share was \$8.06 as at 31 December 2017, compared with \$7.63 as at 31 December 2016.

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 \$7.05 as at 31 December 2017, compared with \$6.73 as at 31 December 2016.



Media Release

5 February 2018

Argo raises interim dividend after strong half-year result

Argo Investments Limited (ASX code: ARG), a major Australian listed investment company with \$5.6 billion in assets, today announced a 6.2% increase in half-year profit to \$110.5 million. The interim dividend has also increased to 15.5 cents per share fully franked.

Summary of financial results	Half-year to 31.12.17	Half-year to 31.12.16	change
Profit	\$110.5 million	\$104.1 million	+6.2%
Earnings per share	15.9 cents	15.2 cents	+4.6%
Interim dividend per share	15.5 cents	15.0 cents	+3.3%
Net tangible asset backing (NTA) per share	\$8.06	\$7.63	+5.6%

The stronger first half profit was driven by improved dividends from a number of companies in the portfolio, led by BHP Billiton and Rio Tinto. Many companies in the resources sector had reduced their dividends this time last year, but most have rebounded as commodity prices continue to rise amid improving global growth. Overall, ordinary dividend revenue received in the portfolio increased by 8.4%. Income generated from Argo's trading activities was also higher.

Investment portfolio

During the half-year, Argo purchased \$99 million of long-term investments and received proceeds of \$49 million from long-term investment sales. The larger movements in the portfolio included:

Purchases

Aristocrat Leisure
CBL Corporation
Event Hospitality & Entertainment
Ramsay Health Care
Tabcorp Holdings
Telstra Corporation
Transurban
Westpac Banking Group

Sales

Australian United Investment Company
Milton Corporation
Programmed Maintenance (takeover)
Westfield Corporation
Woolworths

The Australian equity market has continued to rise, and compelling value buying opportunities have been hard to come by. We selectively increased our positions in a number of smaller companies, including Monash IVF Group, iSelect, Tassal Group, Speedcast, Managed Accounts and Steadfast Group, and a new holding was initiated in Novonix, a supplier of materials and services to the lithium battery industry. The number of stocks held in the portfolio reduced slightly to 96 and the cash balance at 31 December was \$235 million, representing 4.2% of the Company's total assets.

Investment performance

Argo's investment (NTA) performance returned +6.8% after all costs and tax over the half-year to 31 December 2017, underperforming the ASX200 Accumulation Index which returned +8.4% (without any allowance for costs or tax). This short-term underperformance was primarily due to the strong run of resources stocks, including many of the smaller companies in that sector. Argo generally holds lower than market weightings in these companies, as they often pay relatively low or no dividends and can be somewhat speculative. Argo's share price performance returned +8.2%.

For the full 2017 calendar year, the NTA return was +10.0%, led by a strong performance from Macquarie Bank and some recovery from Origin Energy and Santos on the back of the rising oil price. Argo's share price return was +13.4%. The index performance was +11.8% for the year.

Outlook

Global share markets have continued to march upwards, led by the US repeatedly hitting all-time highs. Positive economic indicators have firmed throughout the second half of 2017, with additional fuel provided by the Trump administration's tax cuts.

The Australian economy looks in reasonable shape, with historically reliable indicators such as the NAB business sentiment survey, government infrastructure spending and employment all producing strong readings.

Despite the positive economic outlook, we continue to be cautious of relatively high valuations in some sections of the Australian share market, as we noted at last year's Annual General Meeting in October. Since then we have seen the ASX200 Index return +7% in the December quarter and the A\$ jump by 8% since mid-December, and we feel that valuations are looking further stretched with some frothy areas of the market emerging.

The larger cap end of the Australian market outside of resources looks to be where there may be some better value, following another year of strong share price performance from smaller companies.

Argo is a long-term investor and we maintain our valuation discipline by not chasing stocks which we believe to be overvalued. However, the upcoming corporate results reporting season may throw up some opportunities for further purchases of quality companies that do not meet the short-term earnings expectations of the market.

Share Purchase Plan

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

Media contact:
Jason Beddow
Managing Director
(02) 8274 4702



Argo Investments Limited
ABN 35 007 519 520

Half-year Report
31 December 2017

Directors' Report

The Directors present the financial report of the consolidated entity, consisting of Argo Investments Limited and its controlled entity (Argo or Company), for the half-year ended 31 December 2017.

The Company's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth. It does this by investing in a diversified Australian equities portfolio which is actively managed in a low cost structure in a tax-aware manner.

REVIEW OF OPERATIONS

Profit for the half-year under review increased by 6.2% on the previous corresponding period to \$110.5 million and earnings per share rose 4.6% to 15.9 cents per share. The growth in profit was mostly due to higher dividends and distributions received from the investments in the portfolio.

The Directors have declared a fully franked interim dividend of 15.5 cents per share compared with 15.0 cents per share paid for the half-year to 31 December 2016. This dividend totals \$107.9 million, compared with \$103.6 million in the previous corresponding period and will be paid on 9 March 2018.

Net tangible asset backing per Argo share was \$8.06 as at 31 December 2017, compared with \$7.71 as at 30 June 2017 and \$7.63 as at December 2016.

During the half-year, \$20.5 million of additional capital was raised for investment from the Dividend Reinvestment Plan.

The following persons were Directors during the half-year and are in office at the date of this report:

<u>Name</u>	<u>Period of Directorship</u>
Geoffrey Ian Martin AM (Chairman)	Director since 28 October 2004
Jason Beddow (Managing Director)	Director since 3 February 2014
Anne Bernadette Brennan	Director since 1 September 2011
Christopher Edgar Cuffe AO	Director since 25 August 2016
Roger Andrew Davis	Director since 1 June 2012
Russell Allan Higgins AO	Director since 1 September 2011
Joycelyn Cheryl Morton	Director since 1 March 2012

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 3.

ROUNDING OF AMOUNTS

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

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

On behalf of the Board



G.I. Martin AM
Chairman

Sydney
5 February 2018

Auditor's Independence Declaration

As lead auditor for the review of Argo Investments Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Argo Investments Limited and the entities it controlled during the period.



M.T. Lojszczyk
Partner
PricewaterhouseCoopers

Sydney
5 February 2018

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Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Dividends and distributions		114,745	111,527
Interest		2,766	1,591
Other revenue		1,429	1,274
Total revenue		118,940	114,392
Net gains on trading investments		2,278	286
Income from operating activities		121,218	114,678
Administration expenses		(4,254)	(4,254)
Finance costs		-	(37)
Profit before income tax expense		116,964	110,387
Income tax expense thereon		(6,426)	(6,306)
Profit for the half-year		110,538	104,081
		cents	cents
Basic and diluted earnings per share	2	15.9	15.2

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2017

	2017 \$'000	2016 \$'000
Profit for the half-year	110,538	104,081
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	249,291	372,031
Provision for deferred tax expense on revaluation of long-term investments	(76,169)	(112,209)
Other comprehensive income for the half-year	173,122	259,822
Total comprehensive income for the half-year	283,660	363,903

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

as at 31 December 2017

	31 December 2017	30 June 2017
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	184,734	209,483
Receivables	9,533	52,521
Investments	16,479	9,129
Other financial cash assets	50,000	40,000
Total Current Assets	260,746	311,133
Non-Current Assets		
Receivables	89	99
Investments	5,386,483	5,087,851
Plant and equipment	270	275
Total Non-Current Assets	5,386,842	5,088,225
Total Assets	5,647,588	5,399,358
Current Liabilities		
Payables	1,134	4,068
Derivative financial instruments	8,438	2,987
Current tax liabilities	16,185	27,849
Provisions	563	540
Total Current Liabilities	26,320	35,444
Non-Current Liabilities		
Deferred tax liabilities	712,119	647,287
Provisions	133	113
Total Non-Current Liabilities	712,252	647,400
Total Liabilities	738,572	682,844
Net Assets	4,909,016	4,716,514
Shareholders' Equity		
Contributed equity	2,691,995	2,671,527
Reserves	1,807,303	1,669,531
Retained profits	409,718	375,456
Total Shareholders' Equity	4,909,016	4,716,514

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2017

	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	Total \$'000
Balance as at 1 July 2017	2,671,527	1,669,531	375,456	4,716,514
Profit for the half-year	-	-	110,538	110,538
Other comprehensive income	-	173,122	-	173,122
Total comprehensive income for the half-year	-	173,122	110,538	283,660
Transactions with shareholders:				
Dividend Reinvestment Plan	20,510	-	-	20,510
Cost of share issues net of tax	(42)	-	-	(42)
Executive performance rights reserve	-	(680)	-	(680)
Dividend paid	-	(34,670)	(76,276)	(110,946)
Total transactions with shareholders	20,468	(35,350)	(76,276)	(91,158)
Balance as at 31 December 2017	2,691,995	1,807,303	409,718	4,909,016

for the half-year ended 31 December 2016

Balance as at 1 July 2016	2,572,213	1,366,037	372,955	4,311,205
Profit for the half-year	-	-	104,081	104,081
Other comprehensive income	-	259,822	-	259,822
Total comprehensive income for the half-year	-	259,822	104,081	363,903
Transactions with shareholders:				
Dividend Reinvestment Plan	19,895	-	-	19,895
Share Purchase Plan	60,459	-	-	60,459
Cost of share issues net of tax	(238)	-	-	(238)
Executive performance rights reserve	-	(758)	-	(758)
Dividend paid	-	-	(105,360)	(105,360)
Total transactions with shareholders	80,116	(758)	(105,360)	(26,002)
Balance as at 31 December 2016	2,652,329	1,625,101	371,676	4,649,106

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2017

	2017	2016
	\$'000	\$'000
Cash flows from operating activities		
Dividends and distributions received	135,032	142,075
Interest received	2,544	1,472
Other receipts	1,431	1,272
Proceeds from trading investments	8,816	9,807
Payments for trading investments	(8,437)	(12,538)
Other payments	(5,371)	(5,467)
Income tax paid	(29,401)	(4,658)
Net operating cash inflows	104,614	131,963
Cash flows from investing activities		
Proceeds from sale of long-term investments	60,347	98,496
Payments for long-term investments	(89,199)	(89,435)
Proceeds from other financial cash assets	40,000	-
Payments for other financial cash assets	(50,000)	(25,000)
Executive share scheme repayments	11	10
Payments for fixed assets	(25)	(7)
Net investing cash outflows	(38,866)	(15,936)
Cash flows from financing activities		
Proceeds from Share Purchase Plan	-	60,458
Cost of share issues	(61)	(341)
Dividend paid – net of Dividend Reinvestment Plan	(90,436)	(85,465)
Net financing cash outflows	(90,497)	(25,348)
Net (decrease)/increase in cash held	(24,749)	90,679
Cash at the beginning of the half-year	209,483	93,144
Cash at the end of the half-year	184,734	183,823

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the half-year ended 31 December 2017

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

The general purpose financial report for the half-year ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this half-yearly report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Argo Investments Limited (Company) during the half-year, in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. EARNINGS PER SHARE

	2017 number '000	2016 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	694,977	685,098
	\$'000	\$'000
Profit for the half-year	110,538	104,081
	cents	cents
Basic and diluted earnings per share	15.9	15.2

3. DIVIDENDS

	2017 \$'000	2016 \$'000
Dividend paid during the half-year:		
Final dividend for the year ended 30 June 2017 of 16.0 cents fully franked at 30% tax rate paid 15 September 2017 (2016:15.5 cents fully franked at 30% tax rate)	110,946	105,360
Since the end of the half-year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the half-year: Interim dividend for the year ending 30 June 2018 of 15.5 cents fully franked at 30% tax rate payable 9 March 2018 (previous corresponding period: 15.0 cents fully fully franked at 30% tax rate)	107,896	103,625

4. CONTRIBUTED EQUITY

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

	2017 No. of shares	2016 No. of shares	2017 \$'000	2016 \$'000
Issued and fully paid ordinary shares:				
Opening balance	693,413,478	679,742,854	2,671,527	2,572,213
Dividend reinvestment plan ^(a)	2,688,134	2,717,901	20,510	19,895
Share purchase plan	-	8,373,743	-	60,459
Cost of share issues net of tax	-	-	(42)	(238)
Closing balance	696,101,612	690,834,498	2,691,995	2,652,329

(a) On 15 September 2017, 2,688,134 shares were allotted at \$7.63 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2017.

5. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the investment industry predominately within Australia.

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the Directors when making strategic, investment or resource allocation decisions.

The Company is domiciled in Australia and derives its revenue from the investment portfolio through the receipt of dividends, distributions, interest and other income. 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 half-year.

6. EVENTS AFTER BALANCE DATE

Since 31 December 2017, to the date of this report, there have been no events specific to the Company of which the Directors are aware which has had a material effect on the Company or its financial position.

7. CONTINGENCIES

At balance date the Directors are not aware of any material contingent liabilities or contingent assets.

Directors' Declaration

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

- (a) the consolidated financial statements and notes set out on pages 4 to 10 are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors



G.I. Martin AM
Chairman

Sydney
5 February 2018



Independent auditor's review report to the members of Argo Investments Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Argo Investments Limited (Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Argo Investments Limited (the Consolidated Entity). The Consolidated Entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Argo Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

PricewaterhouseCoopers, ABN 52 780 433 757

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**Independent auditor’s review report to the members of Argo Investments Limited
(continued)**

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Argo Investments Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Consolidated Entity’s financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers



M.T. Lojszczyk
Partner

Sydney
5 February 2018