

# Appendix 4D

## Half-year report



# Results for announcement to the market

## Half -year ended 31 December 2021

Comparative figures being the half-year ended 31 December 2020

Argo Investments Limited

ABN 35 007 519 520



				Consolidated \$A'000
Income from operating activities	up	88.8%	to	141,355
Profit for the half-year	up	91.5%	to	128,987

### Dividends

Interim fully franked dividend payable 11 March 2022 (previous corresponding period 14.0 cents fully franked)	16.0 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	21 February 2022
The election date for determining participation in the Dividend Reinvestment Plan	22 February 2022

Final fully franked dividend for year ended 30 June 2021 paid 17 September 2021	14.0 cents
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### Net Asset Backing

Net Tangible Asset Backing per share before any provision for deferred tax on the unrealised gains on the long-term investment portfolio was \$9.52 as at 31 December 2021, compared with \$8.01 as at 31 December 2020.

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 \$8.17 as at 31 December 2021, compared with \$7.07 as at 31 December 2020.

# 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 2021.

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 tax-aware manner within a low-cost structure.

## REVIEW OF OPERATIONS

Profit for the half-year under review increased by 91.5% on the previous corresponding period to \$129.0 million and earnings per share increased 91.4% to 17.8 cents per share. The rise in profit was primarily due to increased investment income as many companies lifted dividend payments as a result of the economic recovery after the initial impact COVID-19 had on the economy.

The Directors have declared a fully franked interim dividend of 16.0 cents per share compared with 14.0 cents per share paid for the half-year to 31 December 2020. This dividend totals \$116.3 million, compared with \$101.2 million in the previous corresponding period and will be paid on 11 March 2022.

Net tangible asset backing per Argo share was \$9.52 as at 31 December 2021, compared with \$9.01 as at 30 June 2021 and \$8.01 as at 31 December 2020.

During the half-year, \$19.5 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>
Russell Allan Higgins AO (Chairman)	Director since 1 September 2011
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
Elizabeth Anne Lewin	Director since 1 July 2018
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

A handwritten signature in black ink, appearing to read 'R.A. Higgins', written in a cursive style.

R.A. Higgins AO  
Chairman

Sydney  
7 February 2022



## Auditor's Independence Declaration

As lead auditor for the review of Argo Investments Limited for the half-year ended 31 December 2021, 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.

A handwritten signature in black ink, appearing to read 'Julian McCarthy', with a long horizontal stroke extending to the right.

Julian McCarthy  
Partner  
PricewaterhouseCoopers

Adelaide  
7 February 2022

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## Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
Dividends and distributions		135,973	73,850
Other income		4,010	1,724
Net gains/(losses) on trading investments		1,372	(689)
Income from operating activities		141,355	74,885
Administration expenses		(4,842)	(4,027)
Profit before income tax expense		136,513	70,858
Income tax expense thereon		(7,526)	(3,490)
Profit for the half-year		128,987	67,368
		cents	cents
Basic and diluted earnings per share	2	17.8	9.3

## Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2021

	2021 \$'000	2020 \$'000
Profit for the half-year	128,987	67,368
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	360,481	574,931
Provision for deferred tax expense on revaluation of long-term investments	(107,979)	(173,733)
Other comprehensive income for the half-year	252,502	401,198
Total comprehensive income for the half-year	381,489	468,566

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Financial Position

at 31 December 2021

	December 2021 \$'000	June 2021 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	84,176	179,297
Receivables	6,960	26,710
Investments	20,439	10,088
Total Current Assets	111,575	216,095
<b>Non-Current Assets</b>		
Investments	6,870,215	6,389,776
Property, plant and equipment	1,191	1,380
Total Non-Current Assets	6,871,406	6,391,156
Total Assets	6,982,981	6,607,251
<b>Current Liabilities</b>		
Payables	1,144	1,385
Derivative financial instruments	6,442	9,094
Current tax liabilities	29,609	34,563
Provisions	921	848
Total Current Liabilities	38,116	45,890
<b>Non-Current Liabilities</b>		
Payables	574	748
Deferred tax liabilities	1,001,052	916,024
Provisions	133	176
Total Non-Current Liabilities	1,001,759	916,948
Total Liabilities	1,039,875	962,838
Net Assets	5,943,106	5,644,413
<b>Shareholders' Equity</b>		
Contributed equity	2,941,103	2,921,659
Reserves	2,449,052	2,255,287
Retained profits	552,951	467,467
Total Shareholders' Equity	5,943,106	5,644,413

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2021

	<b>Contributed Equity</b> \$'000	<b>Reserves</b> \$'000	<b>Retained Profits</b> \$'000	<b>Total</b> \$'000
Balance as at 1 July 2021	2,921,659	2,255,287	467,467	5,644,413
Profit for the half-year	-	-	128,987	128,987
Other comprehensive income	-	252,502	-	252,502
Total comprehensive income for the half-year	-	252,502	128,987	381,489
Transactions with shareholders:				
Dividend Reinvestment Plan	19,495	-	-	19,495
Cost of share issues net of tax	(51)	-	-	(51)
Executive performance rights reserve	-	(733)	-	(733)
Dividend paid	-	(58,004)	(43,503)	(101,507)
Total transactions with shareholders	19,444	(58,737)	(43,503)	(82,796)
Balance as at 31 December 2021	2,941,103	2,449,052	552,951	5,943,106

for the half-year ended 31 December 2020

Balance as at 1 July 2020	2,883,783	1,342,956	495,500	4,722,239
Profit for the half-year	-	-	67,368	67,368
Other comprehensive income	-	401,198	-	401,198
Total comprehensive income for the half-year	-	401,198	67,368	468,566
Transactions with shareholders:				
Dividend Reinvestment Plan	18,772	-	-	18,772
Cost of share issues net of tax	(49)	-	-	(49)
Executive performance rights reserve	-	(177)	-	(177)
Dividend paid	-	-	(100,838)	(100,838)
Total transactions with shareholders	18,723	(177)	(100,838)	(82,292)
Balance as at 31 December 2020	2,902,506	1,743,977	462,030	5,108,513

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Cash Flows

for the half-year ended 31 December 2021

	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>		
Dividends and distributions received	146,351	80,993
Interest received	91	484
Other receipts	4,359	1,237
Proceeds from trading investments	3,034	12,153
Payments for trading investments	(14,664)	(500)
Other payments	(6,425)	(4,456)
Income tax (paid)/refunded	(35,409)	10,241
Net operating cash inflows	97,337	100,152
<b>Cash flows from investing activities</b>		
Proceeds from sale of long-term investments	190,732	124,763
Payments for long-term investments	(300,916)	(110,870)
Proceeds from other financial cash assets	-	10,000
Payments for other financial cash assets	-	(20,000)
Executive share scheme repayments	4	9
Payments for fixed assets	(27)	(6)
Net investing cash (outflows)/inflows	(110,207)	3,896
<b>Cash flows from financing activities</b>		
Payments for lease liabilities	(166)	(158)
Cost of share issues	(74)	(71)
Dividends paid – net of Dividend Reinvestment Plan	(82,011)	(82,066)
Net financing cash outflows	(82,251)	(82,295)
Net (decrease)/increase in cash held	(95,121)	21,753
Cash at the beginning of the half-year	179,297	168,728
Cash at the end of the half-year	84,176	190,481

(To be read in conjunction with the accompanying notes)

# Notes to the Financial Statements

for the half-year ended 31 December 2021

## 1. Basis of preparation

The general purpose financial report for the half-year ended 31 December 2021 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 2021 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

	2021 number '000	2020 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	726,253	721,670
	\$'000	\$'000
Profit for the half-year	128,987	67,368
	cents	cents
Basic and diluted earnings per share	<b>17.8</b>	<b>9.3</b>

### 3. Dividends

	2021 \$'000	2020 \$'000
<b>Dividends paid during the half-year</b>		
Final dividend for the year ended 30 June 2021 of 14.0 cents fully franked at 30% tax rate paid 17 September 2021 (2020: 14.0 cents fully franked at 30% tax rate)	101,507	100,838

The final dividend paid contained a listed investment company (LIC) capital gain component of 8.0 cents per share (2020: nil).

	2021 \$'000	2020 \$'000
<b>Dividend declared after balance date</b>		
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 ended 30 June 2022 of 16.0 cents fully franked at 30% tax rate payable 11 March 2022 (previous corresponding period: 14.0 cents fully franked at 30% tax rate)	116,346	101,184

The interim dividend declared will not contain a LIC capital gain component (previous corresponding period: nil).

### 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.

	2021 No. of shares	2020 No. of shares	2021 \$'000	2020 \$'000
Issued and fully paid ordinary shares:				
Opening balance	725,047,635	720,271,707	2,921,659	2,883,783
Dividend reinvestment plan <sup>(a)</sup>	2,112,186	2,473,303	19,495	18,772
Cost of share issues net of tax			(51)	(49)
Closing balance	<b>727,159,821</b>	<b>722,745,010</b>	<b>2,941,103</b>	<b>2,902,506</b>

(a) On 17 September 2021, 2,112,186 shares were allotted at \$9.23 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2021.

## **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 income from the investment portfolio through the receipt of dividends, distributions, interest and other income. Argo has a diversified portfolio of investments, with only income from BHP and Rio Tinto accounting for more than 10% of income.

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

## **6. Events after balance date**

Since 31 December 2021, 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 Company is 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 2021 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



R.A. Higgins AO  
Chairman

Sydney  
7 February 2022



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

## *Report on the half-year financial report*

### *Conclusion*

We have reviewed the half-year financial report of Argo Investments Limited (the Company) and the entities it controlled during the half-year (together the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, for the half-year ended on that date, the notes to the financial statements and the directors' declaration.

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

1. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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## *Responsibility of the directors 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 gives a true and fair view and is free from material misstatement whether due to fraud or error.

## *Auditor's responsibility for the review of the half-year financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 and of 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*.

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.

PRICEWATERHOUSE COOPERS

PricewaterhouseCoopers

Julian McCarthy  
Partner

Adelaide  
7 February 2022

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