

Appendix 4D

Half-year report



ARGO
INVESTMENTS



2023

Results for announcement to the market

Half-year ended 31 December 2022

Comparative figures being the half-year ended 31 December 2021

Argo Investments Limited ABN 35 007 519 520

| | | | | Consolidated \$A'000 |
|----------------------------------|----|------|----|-------------------------|
| Income from operating activities | up | 7.2% | to | 151,554 |
| Profit for the half-year | up | 6.2% | to | 136,985 |

Dividends

| | |
|--|------------|
| Interim fully franked dividend payable 10 March 2023 (previous corresponding period 16.0 cents fully franked) | 16.5 cents |
|--|------------|

| | |
|--|------------------|
| The record date for determining entitlements to the interim dividend | 20 February 2023 |
|--|------------------|

| | |
|---|------------------|
| The election date for determining participation in the Dividend Reinvestment Plan | 21 February 2023 |
|---|------------------|

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 DRP Terms and Conditions can be accessed on the Company's website at argoinvestments.com.au.

| | |
|---|------------|
| Final fully franked dividend for year ended 30 June 2022 paid 16 September 2022 | 17.0 cents |
|---|------------|

Net Tangible 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 \$8.75 as at 31 December 2022, compared with \$9.52 as at 31 December 2021.

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 \$7.73 as at 31 December 2022, compared with \$8.17 as at 31 December 2021.

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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 2022.

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 6.2% on the previous corresponding period to \$137.0 million and earnings per share increased 2.2% to 18.2 cents per share. The rise in profit was primarily due to increased investment income received from trading investments in the portfolio.

The Directors have declared a fully franked interim dividend of 16.5 cents per share compared with 16.0 cents per share paid for the half-year to 31 December 2021. This dividend totals \$124.2 million, compared with \$116.3 million in the previous corresponding period and will be paid on 10 March 2023.

Net tangible asset backing per Argo share was \$8.75 as at 31 December 2022, compared with \$8.45 as at 30 June 2022 and \$9.52 as at 31 December 2021.

During the half-year, \$24.8 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 Higgins AO (Chairman) | Director since 1 September 2011 |
| Jason Beddow (Managing Director) | Director since 3 February 2014 |
| Lianne Buck | Director since 1 July 2022 |
| Christopher Cuffe AO | Director since 25 August 2016 |
| Roger Davis | Director since 1 June 2012 |
| Elizabeth Lewin | Director since 1 July 2018 |
| Peter Warne | Director since 1 November 2022 |

Auditor's Independence Declaration

The Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 5.

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



R.A. Higgins AO
Chairman

6 February 2023



Auditor's Independence Declaration

As lead auditor for the review of Argo Investments Limited for the half-year ended 31 December 2022, 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
6 February 2023

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Dividends and distributions | | 135,676 | 135,973 |
| Other income | | 3,663 | 4,010 |
| Net gains on trading investments | | 12,215 | 1,372 |
| Income from operating activities | | 151,554 | 141,355 |
| Administration expenses | | (5,241) | (4,842) |
| Profit before income tax expense | | 146,313 | 136,513 |
| Income tax expense thereon | | (9,328) | (7,526) |
| Profit for the half-year | | 136,985 | 128,987 |
| | | cents | cents |
| Basic and diluted earnings per share | 2 | 18.2 | 17.8 |

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2022

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Profit for the half-year | 136,985 | 128,987 |
| Other comprehensive income: | | |
| <i>Items that will not be reclassified to profit or loss</i> | | |
| Revaluation of long-term investments | 220,460 | 360,481 |
| Provision for deferred tax expense on revaluation of long-term investments | (68,633) | (107,979) |
| Other comprehensive income for the half-year | 151,827 | 252,502 |
| Total comprehensive income for the half-year | 288,812 | 381,489 |

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

at 31 December 2022

| | December 2022 \$'000 | June 2022 \$'000 |
|--------------------------------------|----------------------------|------------------------|
| Current Assets | | |
| Cash and cash equivalents | 202,622 | 134,718 |
| Receivables | 8,781 | 30,649 |
| Investments | 14,456 | 14,406 |
| Other financial cash assets | - | 25,000 |
| Current tax assets | 1,793 | - |
| Total Current Assets | 227,652 | 204,773 |
| Non-Current Assets | | |
| Investments | 6,411,727 | 6,218,850 |
| Property, plant and equipment | 796 | 992 |
| Total Non-Current Assets | 6,412,523 | 6,219,842 |
| Total Assets | 6,640,175 | 6,424,615 |
| Current Liabilities | | |
| Payables | 1,226 | 1,482 |
| Derivative financial instruments | 4,788 | 5,972 |
| Current tax liabilities | - | 38,805 |
| Provisions | 998 | 964 |
| Total Current Liabilities | 7,012 | 47,223 |
| Non-Current Liabilities | | |
| Payables | 208 | 416 |
| Deferred tax liabilities | 810,349 | 740,134 |
| Provisions | 141 | 151 |
| Total Non-Current Liabilities | 810,698 | 740,701 |
| Total Liabilities | 817,710 | 787,924 |
| Net Assets | 5,822,465 | 5,636,691 |
| Shareholders' Equity | | |
| Contributed equity | 3,179,919 | 3,155,136 |
| Reserves | 1,900,019 | 1,861,010 |
| Retained profits | 742,527 | 620,545 |
| Total Shareholders' Equity | 5,822,465 | 5,636,691 |

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2022

| | Contributed Equity \$'000 | Reserves \$'000 | Retained Profits \$'000 | Total \$'000 |
|--|---------------------------------|--------------------|-------------------------------|-----------------|
| Balance as at 1 July 2022 | 3,155,136 | 1,861,010 | 620,545 | 5,636,691 |
| Profit for the half-year | - | - | 136,985 | 136,985 |
| Other comprehensive income | - | 151,827 | - | 151,827 |
| Total comprehensive income for the half-year | - | 151,827 | 136,985 | 288,812 |
| Transactions with shareholders: | | | | |
| Dividend Reinvestment Plan | 24,828 | - | - | 24,828 |
| Cost of share issues net of tax | (45) | - | - | (45) |
| Executive performance rights reserve | - | (298) | - | (298) |
| Dividend paid | - | (112,520) | (15,003) | (127,523) |
| Total transactions with shareholders | 24,783 | (112,818) | (15,003) | (103,038) |
| Balance as at 31 December 2022 | 3,179,919 | 1,900,019 | 742,527 | 5,822,465 |

for the half-year ended 31 December 2021

| | | | | |
|--|-----------|-----------|----------|-----------|
| 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 |

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2022

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| Dividends and distributions received | 148,864 | 146,351 |
| Interest received | 2,191 | 91 |
| Other receipts | 1,533 | 4,359 |
| Proceeds from trading investments | 22,609 | 3,034 |
| Payments for trading investments | (11,628) | (14,664) |
| Other payments | (6,251) | (6,425) |
| Income tax paid | (48,324) | (35,409) |
| Net operating cash inflows | 108,994 | 97,337 |
| Cash flows from investing activities | | |
| Proceeds from sale of long-term investments | 94,656 | 190,732 |
| Payments for long-term investments | (57,781) | (300,916) |
| Proceeds from other financial cash assets | 25,000 | - |
| Executive share scheme repayments | - | 4 |
| Payments for fixed assets | (21) | (27) |
| Net investing cash inflows/(outflows) | 61,854 | (110,207) |
| Cash flows from financing activities | | |
| Payments for lease liabilities | (185) | (166) |
| Cost of share issues | (64) | (74) |
| Dividends paid-net of Dividend Reinvestment Plan | (102,695) | (82,011) |
| Net financing cash outflows | (102,944) | (82,251) |
| Net increase/(decrease) in cash held | 67,904 | (95,121) |
| Cash at the beginning of the half-year | 134,718 | 179,297 |
| Cash at the end of the half-year | 202,622 | 84,176 |

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the half-year ended 31 December 2022

1. Basis of preparation

The general purpose financial report for the half-year ended 31 December 2022 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 2022 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

| | 2022 number '000 | 2021 number '000 |
|---|------------------------|------------------------|
| Weighted average number of ordinary shares on issue used in the calculation of earnings per share | 751,708 | 726,253 |
| | \$'000 | \$'000 |
| Profit for the half-year | 136,985 | 128,987 |
| | cents | cents |
| Basic and diluted earnings per share | 18.2 | 17.8 |

3. Dividends

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Dividends paid during the half-year | | |
| Final dividend for the year ended 30 June 2022 of 17.0 cents fully franked at 30% tax rate paid 16 September 2022 (2021: 14.0 cents fully franked at 30% tax rate) | 127,523 | 101,507 |
| The final dividend paid contained a listed investment company (LIC) capital gain component of 15.0 cents per share (2021: 8.0 cents). | | |

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Dividend declared after balance date | | |
| 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 2023 of 16.5 cents fully franked at 30% tax rate payable 10 March 2023 (previous corresponding period: 16.0 cents fully franked at 30% tax rate) | 124,223 | 116,346 |
| The interim dividend declared will not contain a LIC capital gain component (previous corresponding period: nil). | | |

Notes to the Financial Statements

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.

| | 2022 | 2021 | 2022 | 2021 |
|---|--------------------|--------------------|------------------|------------------|
| | No. of shares | No. of shares | \$'000 | \$'000 |
| Issued and fully paid ordinary shares: | | | | |
| Opening balance | 750,132,378 | 725,047,635 | 3,155,136 | 2,921,659 |
| Dividend reinvestment plan ^(a) | 2,734,348 | 2,112,186 | 24,828 | 19,495 |
| Cost of share issues net of tax | | | (45) | (51) |
| Closing balance | 752,866,726 | 727,159,821 | 3,179,919 | 2,941,103 |

(a) On 16 September 2022, 2,734,348 shares were allotted at \$9.08 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2022.

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 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 2022, 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 6 to 11 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 2022 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

6 February 2023



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 2022, 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 2022 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 2022 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

A handwritten signature in black ink, appearing to read 'Julian McCarthy', written over a faint, larger version of the signature.

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
6 February 2023

PricewaterhouseCoopers, ABN 52 780 433 757

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