Annual Report

Directory

Argo Investments Limited
ABN 35 007 519 520

Non-executive Directors
Russell A. Higgins AO, Chairman
Anne B. Brennan
Christopher E. Cuffe AO
Roger A. Davis
Elizabeth A. Lewin
Joycelyn C. Morton

Managing Director
Jason Beddow

Chief Operating Officer
Timothy C.A. Binks

Chief Financial Officer
Andrew B. Hill

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Annual General Meeting

Due to the COVID-19 pandemic, Argo's Annual General Meeting (AGM) will be a virtual meeting conducted online on Monday 25 October 2021.

Further details for the AGM will be advised with the Notice of Annual General Meeting which will be distributed to shareholders in September.

Argo's information meetings in various capital cities unfortunately will not be held this year. We are hopeful that we will be able to hold our information meetings next year.

"Argo'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."

Highlights

Net tangible assets per share at 30 June 2021

$9.01

Management expense ratio

0.14%

Full year dividends, fully franked

28.0c

Profit

$174.0m

Shareholders

94,100

Earnings per share

24.1c

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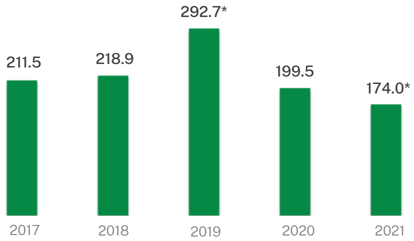
Five year summary

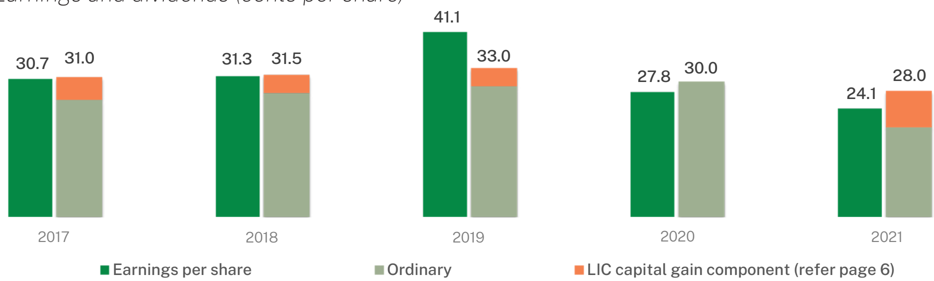
Profit ($ millions)



Total dividends ($ millions)

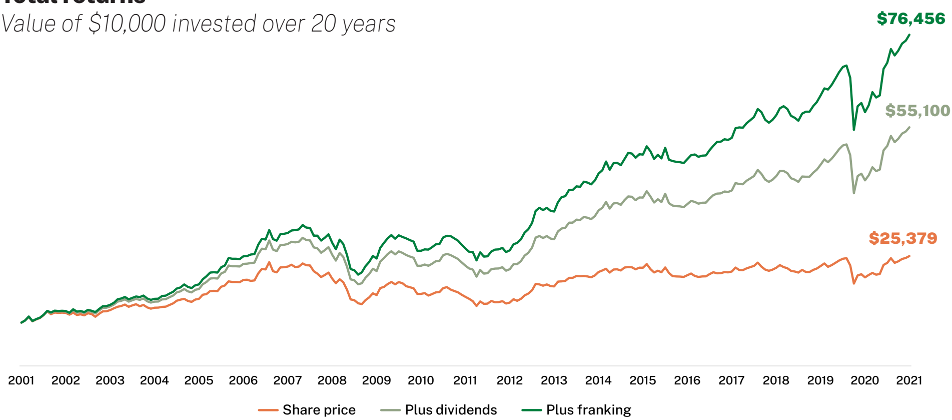
* includes demerger dividend

Earnings and dividends (cents per share)



Total returns

Value of $10,000 invested over 20 years



A $10,000 investment in Argo shares on 1 July 2001 would have grown to a value of $55,100 (+8.9% per annum) at 30 June 2021. The tax effective value taking into account franking credits is $76,456 (+10.7% per annum).

Investment portfolio sector allocation
at 30 June 2021

20 largest investments at 30 June 2021	$m	% of portfolio
Macquarie Group	384.5	5.8
BHP Group	370.0	5.6
CSL	317.5	4.8
Wesfarmers	297.9	4.5
Commonwealth Bank of Australia	275.0	4.2
Rio Tinto	265.6	4.0
Australia and New Zealand Banking Group	232.7	3.5
Westpac Banking Corporation	217.0	3.3
Telstra Corporation	174.9	2.7
National Australia Bank	155.6	2.4
Sonic Healthcare	143.1	2.2
Aristocrat Leisure	142.7	2.2
Australian United Investment Company	134.8	2.0
Reece	134.3	2.0
Woolworths Group	132.7	2.0
Ramsay Health Care	130.0	2.0
Transurban Group	117.7	1.8
APA Group	105.8	1.6
Eagers Automotive	100.7	1.5
Sydney Airport	93.2	1.4
	3,925.7	59.5
Cash and cash equivalents	179.3	2.7

Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation at 30 June 2021 of $6.5 billion.

Argo shares offer investors a low cost, professionally managed entry to the Australian sharemarket.

Argo is ranked by market capitalisation in the top 100 companies listed on the Australian Securities Exchange (ASX code: ARG).

Argo seeks to provide long-term capital growth and a regular income stream to over 94,000 shareholders.

Argo's total assets were $6.6 billion at 30 June 2021 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange (ASX).

Argo's Board of Directors and management team are both experienced and highly qualified, which are considered essential qualities for the effective surveillance of a long-term investment portfolio. The Board currently consists of six Non-executive Directors and the Managing Director.

The investment philosophy followed by Argo is straightforward. Management aims to provide consistent tax-effective income combined with long-term capital growth, by investing in a diversified portfolio of securities. The portfolio contains investments in 90 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is judged to be good quality management and prospects for sound earnings growth.

Successful equity investing depends on good quality research and analysis. Argo's investment team includes the Managing Director and a number of specialist research analysts. The research has two objectives: to monitor the portfolio of leading stocks and smaller companies, and to find new investments to complement the portfolio. The investment goal is to identify well-managed businesses with the potential and ability to generate growing and sustainable profits to fund increasing dividend payments.

Due to the spread of investments within the Company's portfolio, Argo shares are particularly suitable for investors who seek to maximise long-term returns through a balance of capital and dividend growth. This could include investors who are looking for broad exposure to the Australian sharemarket, passive investors and self-managed superannuation funds.

Argo shares can be purchased through any sharebroker and the market price of the shares is quoted on the ASX. There are no fees charged to Argo shareholders. Being a securities exchange listed company, only stockbrokers' charges apply.

Further information

We encourage investors to visit the Argo website at argoinvestments.com.au to obtain further up to date information about the Company's operations.

Shareholder benefits

Low-cost, internally managed

Internal management structure ensures low operating costs and no external fees. For the year ended 30 June 2021, total operating costs were 0.14% of average assets at market value.

Diversified and administratively simple

Exposure to a highly diversified portfolio of Australian equities through a single ASX trade.

Long-term, proven investment approach

Resilience and growth through various market cycles and conditions over 75 years of investing in Australia.

Fully-franked, sustainable dividends

Dividends paid every year since inception in 1946 and fully franked since 1995. In addition, dividends sometimes include a LIC capital gain component which provides a tax deduction for eligible shareholders.

Experienced board and management team

Highly experienced board and management team with strong governance and culture.

Strong balance sheet with no debt

Conservatively managed investment with a strong balance sheet and no debt.

Dividend Reinvestment Plan (DRP)

Argo's DRP gives shareholders the opportunity to reinvest their dividends. In addition, Argo has a Share Purchase Plan (SPP) which, when offered, gives shareholders the opportunity to acquire additional shares (up to $30,000) with no brokerage or transactions costs.

Directors' Report

The Directors present their Seventy Fifth Annual Report together with the financial report of the consolidated entity, consisting of Argo Investments Limited and its controlled entities (Argo or Company), for the financial year ended 30 June 2021, including the Independent Auditor's Report.

Directors

At the date of this report, the Board comprised six Non-executive Directors and the Managing Director.

The Directors in office during or since the end of the financial year are as follows:

Russell Allan Higgins AO

Position:	Independent Non-executive Director and Chairman
Joined Board:	2011; appointed Chairman in 2018
Committees:	Remuneration
Qualifications:	BEc, FAICD
Background and experience:	Experienced company director who has also held several senior government positions, particularly in the industry, science and energy sectors, and in economic and fiscal policy, in Australia and overseas
ASX directorships, current:	Argo Global Listed Infrastructure (since 2018, Chairman)
ASX directorships, last 3 years:	APA Group (2004-2019); Telstra Corporation (2009-2018)
Other directorships:	Telstra Foundation (Chair); Argo Service Company (Chair)

Anne Bernadette Brennan

Position:	Independent Non-executive Director
Joined Board:	2011
Committees:	Audit & Risk (Chair)
Qualifications:	BCom(Hons), FCA, FAICD
Background and experience:	Experienced company director with executive experience in a variety of financial roles with large corporates and chartered accounting firms, particularly in audit, corporate finance and transaction services
ASX directorships, current:	Spark Infrastructure Group (since 2020); Tabcorp Holdings (since 2020)
ASX directorships, last 3 years:	Charter Hall Group (2010-2021); Metcash (2018-2019); Nufarm (2011-2020)
Other directorships:	Argo Service Company; Rabobank New Zealand; NSW Treasury Corporation

Christopher Edgar Cuffe AO

Position:	Independent Non-executive Director
Joined Board:	2016
Committees:	Audit & Risk
Qualifications:	BCom, FCA, FAICD
Background and experience:	Extensive experience in the wealth management and philanthropic sectors, including as CEO of Colonial First State and Challenger Financial Services, and Chairman of UniSuper
ASX directorships, current:	Hearts and Minds Investments (since 2018, Chair); Global Value Fund (since 2014); Antipodes Global Investment Company (since 2016)
ASX directorships, last 3 years:	Class (2017-2020)
Other directorships:	Australian Philanthropic Services; Realside Financial Group; Third Link Investment Managers; Ventra Capital

Roger Andrew Davis

Position:	Independent Non-executive Director
Joined Board:	2012
Committees:	Remuneration (Chair)
Qualifications:	BEc(Hons), MPhil(Oxon), FCPA
Background and experience:	Experienced director and former Rhodes Scholar with extensive executive experience in banking and investment banking in Australia, Japan and the US
ASX directorships, current:	Charter Hall Retail (since 2018)
ASX directorships, last 3 years:	Bank of Queensland (2008-2019); Ardent Leisure (2008-2018)
Other directorships	AIG Australia (Chair)

Elizabeth Anne Lewin

Position:	Independent Non-executive Director
Joined Board:	2018
Committees:	Remuneration
Qualifications:	GAICD
Background and experience:	Extensive background in the financial services sector, including wealth management, investment banking and superannuation, in Australia and the UK
ASX directorships, current:	nil
ASX directorships, last 3 years:	nil
Other directorships:	Australian Chamber Orchestra; Kaldor Public Art Projects

Joycelyn Cheryl Morton

Position:	Independent Non-executive Director
Joined Board:	2012
Committees:	Audit & Risk
Qualifications:	BEc, FCA, FCPA, FIPA, FGIA, FAICD
Background and experience:	Experienced corporate and government company director with executive experience in corporate, tax and accounting roles both in Australia and overseas
ASX directorships, current:	Argo Global Listed Infrastructure (since 2015); Beach Energy (since 2018); Felix Group Holdings (since July 2021)
ASX directorships, last 3 years:	Thorn Group (2011-2018); Invocare (2015-2018)
Other directorships:	ASC; Salvation Army Red Shield Doorknock Appeal Sydney (Chair)

Jason Beddow

Position:	Non-Independent Managing Director
Joined Board:	2014
Qualifications:	BEng, GdipAppFin (SecInst)
Background and experience:	Started his career in mining engineering before moving into the investment industry, working in broking, research and funds management. Joined Argo in 2001 as an investment analyst, became Chief Investment Officer in 2008 and Chief Executive Officer in 2010
ASX directorships, current:	Argo Global Listed Infrastructure (since 2015, Managing Director)
ASX directorships, last 3 years:	nil
Other directorships:	Argo Service Company (Managing Director)

Directors' relevant interests

The Directors' relevant interests in shares and executive performance rights, as notified to the ASX in accordance with the *Corporations Act 2001,* at the date of this report are as follows:

	Shares	Performance Rights
R.A. Higgins AO	104,641	-
J. Beddow	352,370	345,153
A.B. Brennan	16,888	-
C.E. Cuffe AO	15,000	-
R.A. Davis	31,622	-
E.A. Lewin	13,741	-
J.C. Morton	27,837	-

Board and committee meetings

At the date of this report, the Board has an Audit & Risk Committee and a Remuneration Committee.

There were 7 Board meetings, 5 Audit & Risk Committee meetings and 4 Remuneration Committee meetings held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were:

	Board		Audit & Risk Committee		Remuneration Committee	
	No. of meetings held while a Director	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
R.A. Higgins AO	7	7	-	4*	4	4
J. Beddow	7	7	-	5*	-	4*
A.B. Brennan	7	7	5	5	-	-
C.E. Cuffe AO	7	7	5	5	-	-
R.A. Davis	7	7	-	1*	4	4
E.A. Lewin	7	7	-	1*	4	4
J.C. Morton	7	7	5	5	-	-

* By invitation

Secretary

Timothy Campbell Agar Binks BEc, CA, FGIA, GAICD held the role of Company Secretary during the year and at the date of this report.

Mr. Binks joined the Company in 2007 and is an experienced governance executive with a background in accounting, funds management and stockbroking. He was appointed Company Secretary in 2010 and Chief Operating Officer in 2015, whilst still maintaining the company secretarial duties.

Principal activities and state of affairs

The principal activities of the Company during the financial year were the investment of funds in Australian listed securities and short-term interest bearing securities. The Company's wholly owned subsidiary also provides management services to an external listed investment company under an Australian Financial Services Licence. More details are provided in the Operating and Financial Review below.

Operating and financial review

Summary of business model

This year Argo marks 75 years of investing on behalf of our shareholders.

Argo is a listed investment company which actively manages a diversified Australian equities portfolio in a tax-aware manner within a low-cost structure, with the objective of maximising long-term returns to shareholders through a balance of capital and dividend growth.

Argo generates the majority of its income by 'harvesting' the dividends and distributions received from the companies and trusts in its investment portfolio. Additional income is derived from interest earned on cash deposits, premium income from selling exchange-traded options, a small amount of share trading activity and fee income from managing an external listed investment company.

Argo's operational costs are relatively stable and are lower than those of most other managed investment products due to its internally managed listed investment company structure. In the 2021 financial year the Company's total operating costs were equivalent to 0.14% of average assets, which is very low by industry standards. Argo's main expense items are remuneration, share registry fees, insurance, software and office rent.

The above characteristics make for an efficient business model which benefits from economies of scale. The low proportion of variable costs implies that in general, profit will fluctuate according to the performance, and in particular the dividend payout policies, of each of the companies and trusts in the investment portfolio. At balance date there were 90 different stocks in the portfolio, providing the Company with dividend income from a diverse range of industries.

The majority of Argo's profit is paid out as dividends to its shareholders, with fully franked dividends a priority. Argo has paid dividends every year since it was established in 1946.

Argo shares offer investors a professionally managed, diversified and easily traded exposure to the Australian equity market, without the need to pay fees to an external investment manager.

For the last 20 years, the Company has produced a compound investment return of +8.2% per annum, as measured by the movement in net tangible asset (NTA) backing per share assuming dividends paid are reinvested. This return is after payment of all costs and tax and compares to a return of +8.2% per annum from the S&P ASX 200 Accumulation Index, although the index does not take into account any costs or tax. In addition, Argo's total shareholder return (TSR) based on the share price over the same 20 year period was +8.9% per annum, and +10.7% including the franking credits attached to the dividend payments.

In addition to managing Argo's portfolio and operations, the Company's wholly owned subsidiary, Argo Service Company Pty Ltd, manages an external listed investment company, Argo Global Listed Infrastructure Limited (ALI). The management activities are carried out by Argo personnel and include administration, financial reporting, company secretarial duties and supervision of ALI's share registry, asset custodian and its US-based portfolio manager.

Investment process

The investment team, led by the Managing Director, is responsible for constructing and maintaining an appropriately diversified portfolio which generates dividend income and long-term capital growth.

The investment process, which involves the monitoring and review of existing investments as well as analysing potential new investments, includes extensive research, company visits and industry studies, as well as economic analysis to help identify emerging trends and assist with the timing of transactions.

The closed-end structure of a listed investment company is ideally suited to building a long-term portfolio, as Argo does not experience investor redemptions which might otherwise force desirable long-term holdings to be sold. Instead, shareholders wishing to liquidate their holding in Argo simply sell their shares on the share market. This stability allows Argo to take advantage of short-term market fluctuations in order to buy or add to holdings when prices trade below the long-term valuations calculated by the investment team.

Review of activities and events during the year ended 30 June 2021

The 2021 financial year began with a very uncertain outlook for the world, the Australian economy and the corporate dividends from which Argo derives most of its income. However, as the year progressed, share markets globally began to look through to better economic times, rebounding strongly from the early pandemic lows in the last quarter of the 2020 financial year. Investor optimism was boosted by announcements in November that several COVID-19 vaccines had been successfully tested and production was commencing for global distribution.

In Australia we saw parts of the economy, such as the consumer discretionary sector, benefit almost immediately from rapid, direct support payments from the government and changes in consumer behaviour due to lockdowns and other travel and gathering restrictions. At the other end of the spectrum, tourism and hospitality suffered throughout the year.

However, the economic recovery broadened across more sectors of the economy as the year progressed, driven by huge and ongoing fiscal and monetary stimulus.

Commodity prices benefited greatly from supply shortages around the world, especially iron ore, pushing the Australian dollar higher. Among the smaller mining stocks, those with exposure to electric vehicle battery inputs were particularly strong.

Later in the year, inflation concerns started to emerge, especially for manufactured goods as the COVID-impacted global supply chains struggled to catch up with recovering demand. This has not translated to actual inflation yet, although in Australia housing and used car prices in particular are surging. There have also been increasing tensions with our largest trading partner China, which has implemented tariffs on several export products including wine, beef and coal. In addition, the Delta virus strain has returned several major cities to lockdowns, but this has at least boosted vaccine take-up after a slow start in Australia.

Despite these developing concerns, markets continued to shrug off any negative news, hitting new highs. In Australia, the best performing sectors over the financial year were consumer discretionary (+46%), financials (+41%) and technology (+40%). The laggards were the less economically sensitive sectors, in particular utilities (-19%).

During the year, Argo outlaid $350 million on investment purchases and $358 million was received due to disposals and takeover proceeds.

The larger movements in the portfolio during the year included:

Purchases
Aurizon Holdings*
Downer EDI
EML Payments*
IGO*
Newcrest Mining*
Suncorp Group
Sydney Airport
The Star Entertainment Group

**New portfolio position*

Sales
ANZ Banking Group
Boral
Commonwealth Bank of Australia
James Hardie Industries
Vocus Group (takeover)**
Washington H. Soul Pattinson

*** Sale of complete position and removal from portfolio*

Other new stocks added to the portfolio were Carbon Revolution, Endeavour Group (demerged from Woolworths), HUB24 (takeover of Xplore Wealth), Songtradr Inc and Superloop.

Other stocks exited were AMP, Ansell, Freedom Foods Group, Iluka Resources, Orora, Perpetual and Xplore Wealth (taken over by HUB24). The total number of holdings in the portfolio increased slightly to 90.

At the end of a very strong year for the Australian share market, Argo's investment portfolio had returned +28.5% after deducting all costs and tax (measured by the movement in NTA assuming dividends paid are reinvested) and Argo's share price performance returned +28.6% for the financial year, with the share price closing at a slight discount to NTA.

Our strong returns resulted in Argo outperforming the broader Australian share market return of +27.8% over the financial year, with our diversified portfolio benefiting from the rotation to value stocks as the recovery in corporate profits broadened across the economy.

Operationally, the impacts of social distancing on Argo's staff and administrative and investment functions have been minimal. Argo continues to cope well given its small workforce located in two separate offices and the nature of its operations, most of which can be conducted remotely. Regular meetings with our investee companies have continued online.

There has been no change to the composition of the Board of Directors during the financial year.

Discussion of results and financial position

Argo's profit for the year ended 30 June 2021 was 12.8% lower than the prior year and earnings per share fell by 13.3%. The ongoing economic impact of COVID-19 was the main factor, with dividend income in the portfolio down by 15.4% excluding the one-off, non-cash dividend resulting from Woolworths' demerger of Endeavour Group.

However, by the end of the financial year, dividends in most sectors were well on their way to recovery. The major banks which had cut or reduced dividends sharply at the end of last year, were able to start to increase payouts again as confidence in the economy grew and the need for bad debt provisioning subsided.

Our large resources sector holdings in BHP Group and Rio Tinto came through the year virtually unscathed by the pandemic, with very strong commodity prices allowing them to maintain strong dividends, which provided a significant part of Argo's portfolio income at a time when dividends from many other sectors dipped sharply.

Dividends from some of the stocks most impacted by pandemic-related travel restrictions, such as Sydney Airport and Transurban Group, were lower this year and income from interest on cash deposits, option writing and trading also decreased.

In response to the pandemic uncertainty, Argo reduced its operational expenses by 9% through freezing salaries for all staff and directors, cutting incentive payments substantially and reducing travel and meeting costs.

Despite the resulting 12.8% decrease in full year profit, we were able to draw on our reserves of retained earnings and franking credits to smooth out the reduction in dividends paid to Argo shareholders, with the 28 cents annual payout just 6.7% lower than last year.

Argo's balance sheet remains very strong, with the recovery in the share market pushing the investment portfolio value to new highs. Argo's total assets increased from $5.3 billion to $6.6 billion.

Argo has no debt and had cash on hand at 30 June 2021 of $179 million. Cash levels fluctuate throughout the year according to the timing of dividends received, dividends paid, capital raisings, and investment purchases and disposals.

The number of Argo shareholders has once again risen, with over 94,000 holders on the register at 30 June 2021. Approximately one third of those shareholders choose to reinvest their dividends into more Argo shares, to build their holding through the Dividend Reinvestment Plan.

Future prospects, strategies and risks

The Company has cash available for additional investments in the equity market and will continue to focus on producing results in accord with its stated investment objective.

The results of Argo's future investment activities will depend primarily on the performance of our investee companies, their resulting share price movements and the dividends and distributions we receive from them. Those prospects continue to be impacted by the health and economic effects of the pandemic, but to what extent and for how long is difficult to predict.

In addition, there will also be specific issues such as management competence, capital strength, industry trends and competitive behaviour which can affect our investee companies.

The benefit of a diversified portfolio is that different companies will be affected in different ways, helping to balance out some of the short-term impacts.

Argo has been able to withstand the worst of the pandemic impacts to date. We expect that corporate profits will continue to recover, despite market volatility due to the uncertainty of vaccine rollouts, possible inflation, and later the unwinding of stimulus measures.

Although the constantly changing nature of markets and other investment conditions requires Argo to diligently appraise any opportunities that may present themselves, we do not envisage any significant changes to Argo's business model which has stood the test of time through many other adverse events. Argo will continue to focus on controlling costs and providing tax-effective dividends to shareholders while achieving long-term capital growth.

Matters arising since year end

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year which has significantly affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years except as stated elsewhere in this report.

Dividends

A fully franked interim dividend of 14.0 cents per share was paid on 8 March 2021.

On 16 August 2021, the Directors declared a fully franked final dividend of 14.0 cents per share to be paid on 17 September 2021, which includes a 8.0 cents per share listed investment company (LIC) capital gain component. This enables eligible shareholders to claim a deduction in their 2022 income tax return.

Total fully franked dividends for the year amount to 28.0 cents per share. This compares with 30.0 cents per share last year.

The final dividend paid by the Company for the financial year ended 30 June 2020 of $100.8 million and referred to in the Directors' Report dated 17 August 2020 was paid on 18 September 2020.

Dividend reinvestment plan

The Dividend Reinvestment Plan (DRP) raised $38.0 million of new capital for investment during the year.

The DRP will operate for the 14.0 cents per share dividend payable on 17 September 2021 and the Directors have resolved that the shares will be allotted to participating shareholders at a discount of 2% from the market price of Argo shares, as defined by the DRP.

Share buy-back

The Company has an on-market share buy-back in place, in order that its shares can be bought back and cancelled where they can be purchased at a significant discount to the net tangible asset backing per share. Any such purchases have the effect of increasing the value of the remaining shares on issue.

No share buy-backs occurred during the year.

Indemnification of Directors and Officers and insurance arrangements

The Company indemnifies its past, present and future Directors and Officers against liabilities arising out of their position with the Company, except where the liability arises out of conduct involving a lack of good faith. The deed stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid a premium in respect of a Directors' and Officers' insurance policy covering the liability of past, present or future Directors and Officers, including executive officers of the Company. The terms of the policy prohibit disclosure of the details of the amount of insurance cover and the premium paid.

Non-audit services

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in Note 28 to the financial statements on page 65 of this report.

The Board has considered the position and, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

(a) all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

(b) the non-audit services provided do not undermine the general principles relating to audit independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

The Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 38.

Environmental regulations

The Company's operations are not directly affected by environmental regulations.

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.

Remuneration Report

This Report explains how the Board structures remuneration to motivate and reward executives for delivering performance that drives the achievement of Argo's business objectives and creates value for shareholders.

It provides remuneration information regarding the Key Management Personnel (KMP) for the financial year ended 30 June 2021.

KMP are those people who have authority and responsibility for planning, directing and controlling the activities of Argo. This includes the Non-executive Directors and the key executives.

The Non-executive Directors during the year were Mr. R.A. Higgins AO (Chairman), Ms. A.B. Brennan, Mr. C.E. Cuffe AO, Mr. R.A. Davis, Ms. E.A. Lewin and Ms. J.C. Morton.

Mr. J. Beddow (Managing Director) was an executive Director during the financial year. Other key executives were Mr. T.C.A. Binks (Chief Operating Officer) and Mr. A.B. Hill (Chief Financial Officer).

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Section 1 Principles of remuneration

The Board recognises that remuneration plays an important role in the delivery of Argo's business objectives and ongoing performance. The Board seeks to achieve the right balance of motivation, challenge and reward for its executives to encourage sustainable delivery of shareholder returns.

The key principles of Argo's remuneration strategy are:

- Align remuneration structure with shareholder interests
- Attract and retain talent
- Link a significant component of remuneration with the creation of shareholder value through relative outperformance
- Ensure remuneration is competitive and fair

Alignment of the long-term interests of shareholders and executives is achieved by a significant component of executive pay being performance based. This encourages executives to take a long-term approach to decision making and business success without taking excessive risks.

The equity component of any Short-term Incentive (STI) reward is deferred for a two year period and performance under the Long-term Incentive (LTI) is measured over a four year period. The actual remuneration received by executives is subject to Board discretion and reflective of the ongoing performance of the Company over an extended period.

Remuneration reward is measured on a relative basis, reflecting the Company's profitability relative to its peer group and its investment performance relative to the ASX 200 share market index.

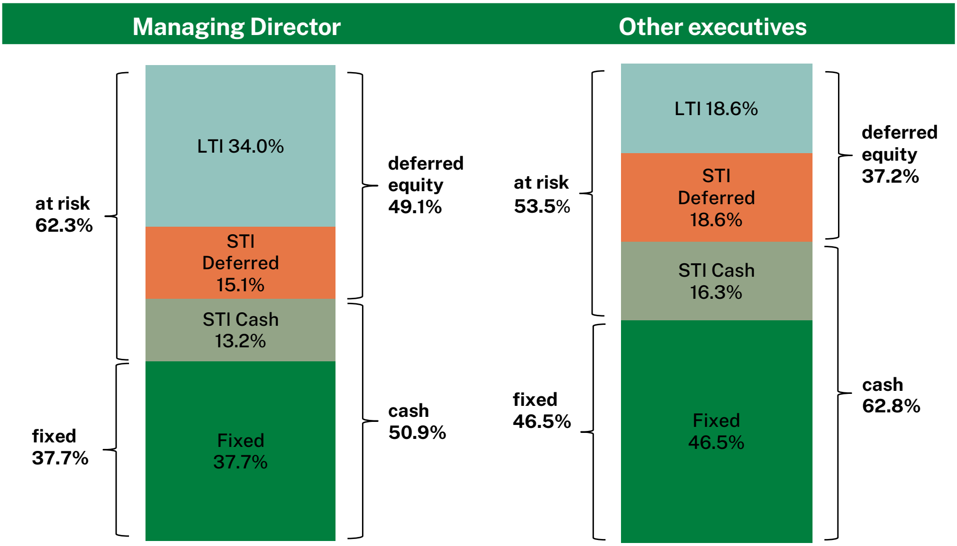
Section 2 Executive remuneration structure

The remuneration structure to reward the Company's executives includes a mix of fixed remuneration and short and long-term performance based 'at risk' remuneration which reflects both Company and individual performance. The amount of 'at risk' remuneration earned (if any) depends on the extent that key performance conditions are met or exceeded.

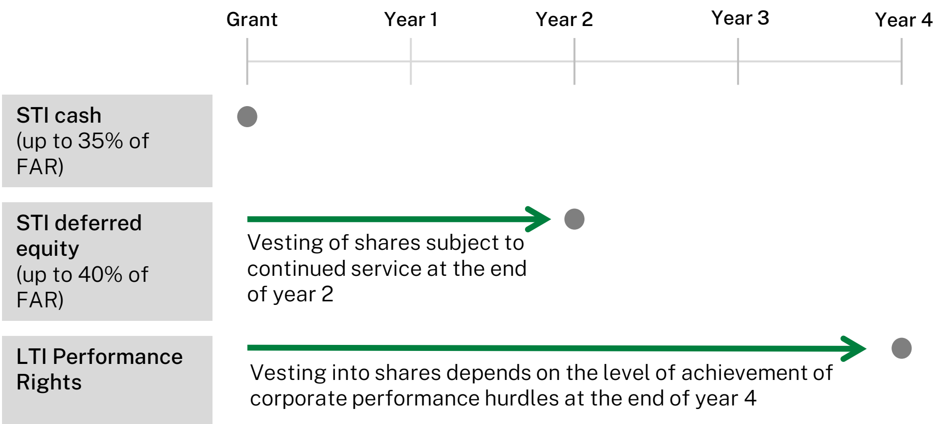
	Fixed	At risk	
	Fixed annual remuneration (**FAR**)	Short-term Incentive (**STI**)	Long-term Incentive (**LTI**)
Description	Base salary including superannuation	Reward for strong individual and Company performance over one year	Reward for strong Company performance over four years
Designed to	Attract and reward talented executives	Motivate superior executive performance during the year and retain talent	Align executive and shareholder interests over the long-term and retain talent
Achieved by	Ensuring competitive and appropriate compared to market benchmarks	Setting challenging key Company and individual performance indicators that align with business objectives	Only vesting into shares to the extent that the Company outperforms the ASX200 Index and its peer group over a four year period

Total target remuneration mix for year ended 30 June 2021

The following illustration is modelled on the executives’ maximum remuneration opportunity for the year under review. Actual remuneration for executives will differ due to the variable nature of the ‘at risk’ remuneration components.



At risk remuneration profile



Fixed annual remuneration (FAR)

What is FAR?	All executives receive a FAR component that is not performance based and is inclusive of statutory superannuation and any agreed salary sacrifice arrangement
How is FAR assessed?	The Board and Remuneration Committee review the levels of FAR annually, taking into account industry benchmarking, market factors and independent advice

Short-term incentive (STI)

What is the STI?	The STI is performance-linked remuneration awarded annually to executives and is determined by reference to both the Company's financial performance and an executive's individual performance
What is the performance period?	One year
What is the value of the STI?	The STI ranges from 0-75% of an executive's fixed annual remuneration (FAR). It comprises an STI cash component of up to 35% of FAR and a deferred STI performance rights component of up to 40% of FAR. The value of each executive's STI will depend upon their individual performance and the Company's financial performance over the one year performance period
What does deferred mean?	The STI performance rights component vests into Argo shares two years after grant, subject to continued service with the Company
What are the performance indicators?	Performance indicators comprise both key Company financial and individual objectives

What are the Company financial performance indicators?	1. TPR Performance: the Total Portfolio Return (TPR)* of the Company, adjusted for company tax paid or payable, must exceed the movement in the S&P ASX 200 Accumulation Index over the performance period 2. EPS Performance: the Company must achieve a superior one year earnings per share (EPS)** performance relative to its approved listed investment company (LIC) peer group * *independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested* ** *the Company's non-dilutive earnings per share which is measured as the profit for the year of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis*
What are the individual performance indicators?	Individual performance indicators are uniquely set for each executive, depending on their role and responsibilities Indicators may include strategic direction, analyst stock recommendations, risk management, succession planning, marketing, communication with internal and external stakeholders and management of Argo Global Listed Infrastructure Limited
How does the STI align with shareholder interests?	The STI is designed to challenge, motivate and reward executives to improve the Company's performance by meeting or exceeding business objectives, both financial and non-financial The STI supports the retention of high performing executives as the award comprises deferred STI performance rights which vest into shares two years later, subject to continued service The STI provides executives with the opportunity to hold equity in the Company, better aligning their interests with those of shareholders
How is STI achievement assessed?	STI achievement is measured annually by the Board and the Remuneration Committee

Long-term incentive (LTI)

What is the LTI?	The LTI is performance linked remuneration offered annually to executives and is determined by reference to the Company's financial performance over the performance period It is issued in two equal tranches, each subject to different performance hurdles
What is the performance period?	Four years
What is the value of the LTI?	LTI performance rights are granted to the value of 90% of the Managing Director's fixed annual remuneration (FAR) and 40% of the other executives' FAR The value of each executive's LTI will depend on the quantity of LTI performance rights that actually vest into shares due to the Company's financial performance against the performance hurdles of each tranche over the four year performance period
How is the LTI aligned with shareholder interests?	The LTI is designed to create a strong link between the long-term performance of the Company relative to the ASX 200 Index and relative to the performance of its listed investment company peer group LTI grants are based solely on financial performance, closely aligning shareholder value and executive reward
What are the performance hurdles?	Tranche 1 - TPR Performance: the Total Portfolio Return (TPR)[1] of the Company, adjusted for company tax paid or payable[2], must meet or exceed the movement in the S&P ASX 200 Accumulation Index over the performance period Tranche 2 - EPS Performance: the Earnings Per Share (EPS)[3] over the performance period must meet or exceed the average of the EPS performance of those member companies of the Australian Listed Investment Companies Association, excluding the Company, which have Australian equity portfolios 1 *independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested* 2 *adjusted to compare with index returns which are not subject to company tax* 3 *the Company's non-dilutive earnings per share which is measured as the profit for the year of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis*

Why were these performance hurdles chosen?	The S&P ASX 200 Accumulation Index is the benchmark index that tracks the combined returns (including dividends paid) of the largest 200 listed companies in Australia. It is the most appropriate measure of the Company's investment performance relative to the broader market EPS gauges how profitable the Company is per share and is therefore indicative of the Company's ability to pay dividends that will grow over time
How does the LTI vest?	The LTI is tested four years after grant, and any performance rights that do not vest at the performance measurement date, lapse without value

Level of performance condition achieved	% of Performance Rights to vest into shares
Tranche 1- TPR Performance	
Underperform condition	Nil
Achieve (meet) condition	40% vesting
Outperform condition by up to 100 bps	40-100% straight-line pro-rata vesting
Tranche 2- EPS Performance	
Underperform condition	Nil
Achieve (meet) condition	25% vesting
Outperform condition by 0-30%	25-100% straight-line pro-rata vesting

The final vesting proportions may be reduced in the event of negative absolute returns as follows:

- If the Company's absolute TPR is negative, only a maximum of 50% of the TPR Performance Rights can vest
- If the Company's absolute EPS growth is negative, none of the EPS performance rights will vest

Upon vesting, shares are purchased on market and allocated to executives

Other remuneration benefits

Argo Employee Share Ownership Plan

All employees other than the Directors are offered up to $1,000 per year in Company shares at market value. The costs of acquiring the shares on market are paid by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or the date the employee ceases employment.

Non-monetary benefits

Prior to 2004, interest free loans were issued to KMP to assist the purchase of shares in the Company. Table H on page 36, sets out the remaining balances of those KMP loans and the benefit of the interest not charged to the executives.

Additional conditions applying to Performance Rights

Service condition discretion

A service condition applies to the STI and LTI performance rights, which means vesting is subject to the individual executives remaining in service. The Board has discretion however to allow the Performance Rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement.

Clawback of executive remuneration

The Board has the discretion to claw back unvested performance rights if, after they have been granted, a material misstatement is discovered in the Company's accounts.

Prohibition of hedging

The Company's Securities Trading Policy prohibits executives from entering into arrangements which limit the economic risk of unvested Performance Rights.

Section 3 Relationship between remuneration and Company performance

The Company's remuneration structure includes STI and LTI incentives to align executive remuneration outcomes with the interests of shareholders. The Company's objective of maximising long-term returns to shareholders through a balance of capital and dividend growth is reflected in the STI and LTI performance indicators.

The table and charts below show relevant aspects of the Company's annual results and how they translate into executive remuneration outcomes when measured over the periods applicable to STI and LTI. The Company's relative performance as compared to its Australian listed investment company peers and the ASX 200 Accumulation Index is closely linked to remuneration actually received by executives as the STI and LTI performance indicators comprise these relative measures.

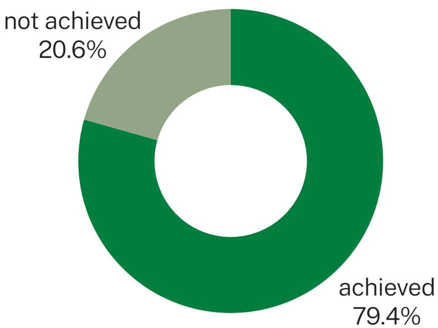
Table A: Linking remuneration outcomes to Company performance

Summary of annual results	2021	2020	2019	2018	2017
Profit ($m)	174.0	199.5	292.7	218.9	211.5
Earnings per share (cents)	24.1	27.8	41.1	31.3	30.7
Dividends ($m)	202.7	215.7	235.5	221.4	214.6
Dividends per share (cents, fully franked)	28.0	30.0	33.0	31.5	31.0
Management Expense Ratio (% of average assets)	0.14	0.16	0.15	0.15	0.16
Share price at 30 June ($)	8.93	7.19	8.12	7.97	7.67
Share price movement ($)	+1.74	-0.93	+0.15	+0.30	+0.30

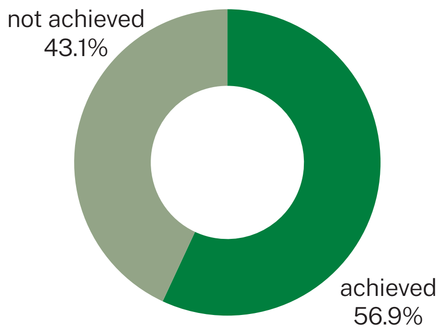
One year performance - links to STI awards	2021	2020	2019	2018	2017
Earnings Per Share growth	-13.4%	-32.4%	+31.3%	+2.0%	-4.1%
– relative to peer group	over	over	over	under	over
Investment (NTA) return adjusted for tax paid/payable[a]	+29.3%	-10.1%	+9.1%	+12.1%	+14.9%
– relative to ASX 200 accum. index[a]	over	under	under	under	under
Dividends per share growth	-6.7%	-9.1%	+4.8%	+1.6%	+1.6%
Average % of maximum STI achieved[b]	79.4%	30.8%	65.7%	45.5%	63.3%

(a) For 2017 to 2019 the former performance condition compared NTA return to index, both grossed up for franking credits.
(b) Includes non-financial performance measures.

STI outcomes - 2021

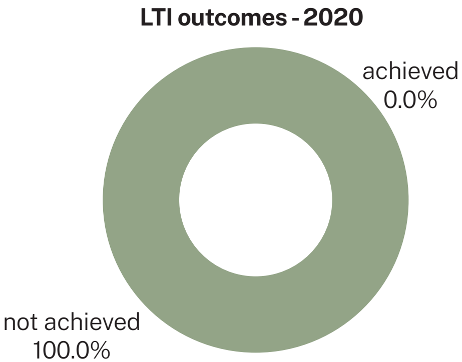


STI outcomes - 5 year average



Four year performance* - links to LTI awards	2020	2019	2018	2017	2016
Earnings Per Share growth (pa)	-3.5%	+4.6%	+1.0%	+2.6%	+4.5%
– relative to peer group	under	over	over	over	over
Investment (NTA) return after all costs (pa)[a]	+6.5%	+9.1%	+8.7%	+10.4%	+12.9%
– relative to ASX 200 accum. index[a]	under	under	under	under	over
Dividends per share growth (pa)	-1.2%	+2.0%	+2.1%	+3.1%	+3.8%
% of maximum LTI achieved	0.0%	50.0%	39.4%	50.0%	42.0%

*2021 LTI outcomes have not yet been tested and will be reported in next year's Annual Report.
(a) Adjusted for franking credits.



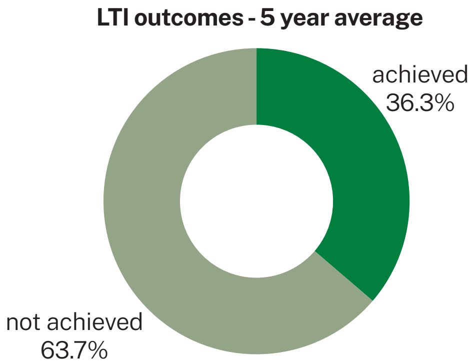


Table B: Actual executive remuneration outcomes (non-statutory disclosure)

		Total fixed remuneration[a] $	Annual STI to 30 June[b] $	Loan repayment[c] $	Prior years rights vested[d] $	Total received $
Managing Director						
J. Beddow	**2021**	**700,000**	**220,500**	**7,215**	**104,598**	**1,032,313**
	2020	700,000	73,500	8,503	451,192	1,233,195
Other Key Management Personnel						
T.C.A. Binks	**2021**	**288,000**	**81,650**	**-**	**42,170**	**411,820**
	2020	288,000	30,240	-	117,791	436,031
A.B. Hill	**2021**	**229,000**	**64,920**	**11,690**	**36,341**	**341,951**
	2020	229,000	24,050	13,605	98,976	365,631
Total	**2021**	**1,217,000**	**367,070**	**18,905**	**183,109**	**1,786,084**
	2020	1,217,000	127,790	22,108	667,959	2,034,857

(a) Base remuneration including superannuation and any salary sacrificing arrangements.

(b) Comprises the cash portion of the STI performance for the 12 months to 30 June and is paid in August each year. The STI deferred component for the year ended 30 June 2021 will be issued on 7 October 2021 as STI performance rights and will vest two years after grant, subject to the executive having continued service with the Company (2020: issued 8 October 2020).

(c) Comprises the amount of dividends received to repay the interest free loan pursuant to the superseded Argo Investments Executive Share Plan.

(d) The value of STI and LTI performance rights exercised during the year is based on the market price of shares of the Company on the date the performance rights were exercised.

This table clarifies payments actually received by the executives for the year under review.

These amounts are different to the statutory remuneration as Accounting Standards require a value to be placed on performance rights at the time of grant which is expensed over the life of the rights, even though the executives may not realise all (or any) actual value from the performance rights if performance and/or service conditions are not met, or are only partly met. Remuneration details prepared in accordance with statutory obligations and Accounting Standards are contained in Section 6 of this Report.

Section 4 Non-executive Directors’ remuneration

Non-executive Directors (NEDs) are awarded fixed fees, allowing for objectivity and independence in their assessment of Company and executive performance. However, the Board has a policy that all NEDs should, within three years of their initial appointment, establish and maintain a shareholding in the Company which is at least equivalent in value to one year's directors’ fees, to further align their interests with those of other shareholders.

The Board, after taking into account the recommendations of the Remuneration Committee, determines the amount of Board and Committee fees having regard to the level of fees paid to NEDs of companies of comparable size and complexity. The fees are within the aggregate annual limit approved by shareholders at the Annual General Meeting held in October 2015 ($1,100,000).

For the year ended 30 June 2021, NED remuneration remained unchanged from the year ended 30 June 2020. The Chairman received $237,300 inclusive of Committee and subsidiary company appointments. The base fee for each of the other NEDs was $101,500 with additional fees of $3,500 for Committee membership and subsidiary company board appointments, and $6,700 for Committee Chairs. Statutory superannuation payments are contributed on behalf of NEDs with any superannuation guarantee exemption being paid as Directors' fees. Further details of the Non-executive Directors' remuneration are provided in Section 6, Table C on page 31 of this report.

Following a review of NED remuneration, a 3.5% increase is being applied for the year ending 30 June 2022 including a 0.5% increase in the superannuation guarantee contribution.

A performance evaluation process for NEDs is undertaken each year and is described in the Corporate Governance Statement, which is available on the Company’s website.

Section 5 Remuneration governance

Remuneration Committee

The Remuneration Committee provides support and advice to the Board on setting appropriate remuneration levels, determining the remuneration structure and assessing performance.

External advice

The Remuneration Committee periodically engages independent external advisers to review and assist with aspects of the remuneration structure.

In 2019, the Financial Institutions Remuneration Group (FIRG) was engaged by the Remuneration Committee to assist it with a comprehensive review of executive remuneration compensation relating to key management personnel. No changes were recommended to the Board as a result of this review.

Executive service agreements

Key features of the service agreements for the executives include:

- Employment continues until terminated by either the executive or Argo
- Notice periods are six months for the Managing Director and three months for other executives
- A lump sum in lieu of notice may be paid
- If an executive commits a breach such as serious misconduct, wilful neglect or criminal offence, their services may be terminated immediately, without notice
- If the Company commits any serious or persistent breach, an executive may terminate immediately
- Unless stated otherwise above, no termination payments are provided for under the service agreements
- Compliance with policies of the Company including the Code of Conduct

Section 6 Remuneration disclosure tables

Table C: Non-executive Directors' remuneration

		Short-term		Post-employment	
		Directors' fees $	Committee fees $	Superannuation[a] $	Total $
Non-executive Directors					
R.A. Higgins AO	**2021**	**216,712**	**-**	**20,588**	**237,300**
	2020	216,712	-	20,588	237,300
A.B. Brennan	**2021**	**101,535**	**10,200**	**10,615**	**122,350**
	2020	101,535	10,200	10,615	122,350
C.E. Cuffe AO	**2021**	**101,523**	**3,500**	**9,977**	**115,000**
	2020	101,523	3,500	9,977	115,000
R.A. Davis	**2021**	**111,800**	**6,700**	**-**[b]	**118,500**
	2020	106,660	6,700	5,140[b]	118,500
E.A. Lewin	**2021**	**101,523**	**3,500**	**9,977**	**115,000**
	2020	101,523	3,500	9,977	115,000
J.C. Morton	**2021**	**106,511**	**3,500**	**4,989**[b]	**115,000**
	2020	106,511	3,500	4,989[b]	115,000
Total	**2021**	**739,604**	**27,400**	**56,146**	**823,150**
	2020	734,464	27,400	61,286	823,150

(a) Superannuation contributions made on behalf of Non-executive Directors to satisfy the Company's obligations under the Superannuation Guarantee Charge legislation.

(b) Superannuation guarantee exemptions applied with exemption amounts paid as Directors' fees.

Table D: Executive remuneration (statutory disclosures)

		Short-term			Post-employment	Share based[f]		
		Salaries[a] $	STI[b] $	Non-monetary benefits[e] $	Superannuation $	STI[g] $	LTI[h] $	Total $
Managing Director								
J. Beddow	**2021**	**724,174**	**193,000**[c]	**-**	**27,500**[c]	**108,065**	**12,182**	**1,064,921**
	2020	720,388	48,500[c]	185	25,000[c]	151,041	222,890	1,168,004
Other Key Management Personnel								
T.C.A. Binks	**2021**	**274,596**	**81,650**[d]	**-**	**21,694**	**44,713**	**4,548**	**427,201**
	2020	278,709	30,240[d]	-	21,003	62,611	39,645	432,208
A.B. Hill	**2021**	**215,330**	**64,920**[d]	**-**	**25,000**	**35,648**	**3,575**	**344,473**
	2020	210,603	24,050[d]	131	25,000	50,668	32,438	342,890
Total	**2021**	**1,214,100**	**339,570**	**-**	**74,194**	**188,426**	**20,305**	**1,836,595**
	2020	1,209,700	102,790	316	71,003	264,320	294,973	1,943,102

(a) Salaries include the movement in the provision for annual leave and long service leave and any salary sacrifice arrangements.

(b) STI cash payments are paid in August each year.

(c) The STI of $220,500 was paid $193,000 in cash and $27,500 as a superannuation contribution (2020: $73,500 of which $48,500 was paid in cash and $25,000 as a superannuation contribution).

(d) The STI was paid in cash.

(e) Comprises the benefit of interest free loans pursuant to the superseded Argo Investments Executive Share Plan.

(f) The Accounting Standards require that the expense relating to the share based incentive instruments be reflected over the performance period, regardless of whether the executive ever receives any actual value from them. If the performance rights lapse, the expense is reversed and the amount previously recognised for individual executives is also reversed.

(g) Argo Investments Limited Executive STI Performance Rights:

The values of the STI performance rights are calculated and allocated to each reporting period from the commencement of the performance period to the vesting date. The value of STI performance rights for the current reporting period, which are yet to be issued to executives, has been estimated.

(h) Argo Investments Limited Executive LTI Performance Rights:
The fair value of the LTI performance rights granted was calculated by estimating the value of dividends an award recipient would not receive during the performance measurement period and subtracting this amount from the value of the grant date share price, and applying the Monte Carlo simulation.

Argo Employee Share Ownership Plan:
Employees received $1,000 of Company shares at market value pursuant to the Argo Employee Share Ownership Plan.

(i) The Directors' and Officers' liability insurance contract does not specify premiums in respect of individual Directors and Officers and the policy also prohibits disclosure of the premium paid.

Table E: Executive performance percentages

		Actual STI as % of STI opportunity	% of STI opportunity not achieved	Share based remuneration as proportion of remuneration(1)	Total performance related remuneration
J. Beddow	**2021**	**90.0%**	**10.0%**	**11.3%**	**32.0%**
	2020	30.0%	70.0%	32.0%	38.3%
T.C.A. Binks	**2021**	**81.0%**	**19.0%**	**11.5%**	**30.6%**
	2020	30.0%	70.0%	23.7%	30.7%
A.B. Hill	**2021**	**81.0%**	**19.0%**	**11.4%**	**30.2%**
	2020	30.0%	70.0%	24.2%	31.3%

(1) These percentages are based on the Accounting Standard disclosures and reflect the net effect of the various outcomes described in (g) and (h) above.

Table F: Executive Performance Rights[1] - granted

		Number	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Number yet to vest	Accounting value yet to vest Min.[2]	Accounting value yet to vest Max.[3]
								$	$
J. Beddow	STI	23,826	8/10/19	$7.33	8/10/21	22/10/21	23,826	-	14,748
		11,067	8/10/20	$6.82	8/10/22	22/10/22	11,067	-	29,408
		-	-	-	-	-	-	-	136,130[4]
	LTI	74,720	16/10/17	$6.35	16/10/21	30/10/21	74,720	-	8,740
		74,280	15/10/18	$6.26	15/10/22	29/10/22	74,280	-	38,407
		78,260	8/10/19	$6.56	8/10/23	23/10/23	78,260	-	88,942
		83,000	8/10/20	$6.11	8/10/24	22/10/24	83,000	-	119,938
		345,153					345,153	-	436,313
T.C.A. Binks	STI	9,948	8/10/19	$7.33	8/10/21	22/10/21	9,948	-	6,158
		4,553	8/10/20	$6.82	8/10/22	22/10/22	4,553	-	12,099
		-	-	-	-	-	-	-	56,010[4]
	LTI	13,080	16/10/17	$6.35	16/10/21	30/10/21	13,080	-	1,497
		13,490	15/10/18	$6.26	15/10/22	29/10/22	13,490	-	6,824
		14,310	8/10/19	$6.56	8/10/23	23/10/23	14,310	-	15,908
		15,180	8/10/20	$6.11	8/10/24	22/10/24	15,180	-	21,461
		70,561					70,561	-	119,957
A.B. Hill	STI	7,850	8/10/19	$7.33	8/10/21	22/10/21	7,850	-	4,859
		3,621	8/10/20	$6.82	8/10/22	22/10/22	3,621	-	9,622
		-	-	-	-	-	-	-	44,540[4]
	LTI	10,790	16/10/17	$6.35	16/10/21	30/10/21	10,790	-	1,304
		10,720	15/10/18	$6.26	15/10/22	29/10/22	10,720	-	5,723
		11,380	8/10/19	$6.56	8/10/23	23/10/23	11,380	-	13,356
		12,070	8/10/20	$6.11	8/10/24	22/10/24	12,070	-	18,013
		56,431					56,431	-	97,417
Total		**472,145**					**472,145**	**-**	**653,687**

Refer Table G for footnotes.

Table G: Executive Performance Rights[1] - vested, exercised and lapsed

		Grant date	Number of rights vested during the year	Number of shares purchased on exercise	Value at exercise date[5]	Number of rights lapsed during the year[6]	Value at lapse date[7]
					$		$
J. Beddow	STI	15/10/18	13,781	13,781	104,598	-	-
	LTI	26/10/16	75,960	-	-	75,960	437,530
			89,741	13,781	104,598	75,960	437,530
T.C.A. Binks	STI	15/10/18	5,556	5,556	42,170	-	-
	LTI	26/10/16	12,770	-	-	12,770	73,555
			18,326	5,556	42,170	12,770	73,555
A.B. Hill	STI	15/10/18	4,788	4,788	36,341	-	-
	LTI	26/10/16	10,520	-	-	10,520	60,595
			15,308	4,788	36,341	10,520	60,595
Total			**123,375**	**24,125**	**183,109**	**99,250**	**571,680**

(1) The STI and LTI performance rights granted do not have an exercise price and no amount is payable by the recipient.

(2) The minimum value of STI and LTI performance rights yet to vest is $nil as the performance and service conditions may not be met and consequently the STI and LTI performance rights may not vest.

(3) The maximum value yet to vest of STI performance rights has been determined as the amount of the fair value of the STI performance rights from the commencement of the performance period to the vesting date that is yet to be expensed.

The maximum value of LTI performance rights yet to vest has been determined as the amount of the grant date fair value of the LTI performance rights that is yet to be expensed.

Ultimately, the value received from STI and LTI performance rights will be determined by the quantity of rights that vest and the market value.

(4) The maximum value yet to vest of STI performance rights which are expected to be granted on 7 October 2021 has been determined as the estimated fair value of the STI performance rights yet to be expensed.

(5) The value of STI and LTI performance rights exercised during the year is calculated as the market price of shares of the Company on the date the performance rights were exercised.

(6) The 2016 LTI performance rights lapsed on 26 October 2020 because the performance condition was not satisfied.

(7) The value of LTI performance rights that lapsed during the year represents the benefit forgone, and is calculated at the date the rights lapsed assuming the performance condition had been satisfied. Rights granted 26 October 2016 have a fair value of $5.76.

Table H: Executive loans

	Opening balance $	Closing balance $	Highest balance in period $
J. Beddow	22,706	15,491	22,706
A.B. Hill	11,690	-	11,690
Total	**34,396**	**15,491**	**34,396**

Prior to 2004, interest free loans were issued to key management personnel to assist the purchase of shares pursuant to the Argo Investments Executive Share Plan. The dividends paid on the shares, less an amount equal to the estimated tax payable by the executives on the dividends, are utilised to repay the loan. The shares cannot be dealt with by the executive until the loan has been repaid in full.

Table I: Key Management Personnel equity holdings

The number of ordinary shares and performance rights in the Company held or controlled by key management personnel or their related parties during the financial year:

(a) **Shareholdings**

	Opening balance	Changes during the year	Closing balance
R.A. Higgins AO	101,049	3,592	104,641
J. Beddow	338,589	13,781	352,370
A.B. Brennan	16,308	580	16,888
C.E. Cuffe AO	15,000	-	15,000
R.A. Davis	31,622	-	31,622
E.A. Lewin	13,270	471	13,741
J.C. Morton	26,881	956	27,837
T.C.A. Binks	29,066	6,815	35,881
A.B. Hill	121,282	7,376	128,658

(b) **STI performance rights holdings**

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	37,607	11,067	(13,781)	-	34,893
T.C.A. Binks	15,504	4,553	(5,556)	-	14,501
A.B. Hill	12,638	3,621	(4,788)	-	11,471

(c) **LTI performance rights holdings**

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	303,220	83,000	-	(75,960)	310,260
T.C.A. Binks	53,650	15,180	-	(12,770)	56,060
A.B. Hill	43,410	12,070	-	(10,520)	44,960

Corporate Governance Statement

The Corporate Governance Statement for the year ended 30 June 2021 can be accessed in the Corporate Governance section of the Company's website at www.argoinvestments.com.au.

Relevant governance charters, policies and codes are also available in this section of the website.

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

On behalf of the Board

R.A. Higgins AO
Chairman
16 August 2021

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
16 August 2021

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Consolidated Statement of Profit or Loss

for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Dividends and distributions	2	196,826	210,039
Interest		692	3,731
Other income		2,405	3,115
Net (losses)/gains on trading investments		(11,948)	8,268
Income from operating activities		187,975	225,153
Administration expenses	3	(8,299)	(9,155)
Profit before income tax expense		179,676	215,998
Income tax expense thereon	4	(5,687)	(16,542)
Profit for the year		173,989	199,456
		cents	cents
Basic and diluted earnings per share	5	24.1	27.8

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2021

	2021 $'000	2020 $'000
Profit for the year	173,989	199,456
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of long-term investments	1,313,645	(792,097)
Provision for deferred tax (expense)/benefit on revaluation of long-term investments	(401,369)	235,268
Other comprehensive income for the year	912,276	(556,829)
Total comprehensive income for the year	1,086,265	(357,373)

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

at 30 June 2021

	Note	2021 $'000	2020 $'000
Current Assets			
Cash and cash equivalents	6	179,297	168,728
Receivables	7	26,710	17,063
Investments	8	10,088	2,500
Other financial cash assets	9	-	10,000
Current tax assets		-	14,534
Total Current Assets		216,095	212,825
Non-Current Assets			
Investments	8	6,389,776	5,068,924
Property, plant and equipment	10	1,380	1,789
Total Non-Current Assets		6,391,156	5,070,713
Total Assets		6,607,251	5,283,538
Current Liabilities			
Payables	11	1,385	1,149
Derivative financial instruments	12	9,094	10,645
Current tax liabilities		34,563	-
Provisions	13	848	773
Total Current Liabilities		45,890	12,567
Non-Current Liabilities			
Payables	11	748	1,055
Deferred tax liabilities	14	916,024	547,538
Provisions	13	176	139
Total Non-Current Liabilities		916,948	548,732
Total Liabilities		962,838	561,299
Net Assets		5,644,413	4,722,239
Shareholders' Equity			
Contributed equity	15	2,921,659	2,883,783
Reserves	16	2,255,287	1,342,956
Retained profits	17	467,467	495,500
Total Shareholders' Equity		5,644,413	4,722,239

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	Total $'000
Balance as at 1 July 2020	2,883,783	1,342,956	495,500	4,722,239
Profit for the year	-	-	173,989	173,989
Other comprehensive income	-	912,276	-	912,276
Total comprehensive income for the year	-	912,276	173,989	1,086,265
Transactions with shareholders:				
Dividend Reinvestment Plan	37,976	-	-	37,976
Cost of share issues net of tax	(100)	-	-	(100)
Executive performance rights reserve	-	55	-	55
Dividends paid	-	-	(202,022)	(202,022)
Total transactions with shareholders	37,876	55	(202,022)	(164,091)
Balance as at 30 June 2021	2,921,659	2,255,287	467,467	5,644,413

for the year ended 30 June 2020

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	Total $'000
Balance as at 1 July 2019	2,838,980	1,928,508	503,831	5,271,319
Profit for the year	-	-	199,456	199,456
Other comprehensive income	-	(556,829)	-	(556,829)
Total comprehensive income for the year	-	(556,829)	199,456	(357,373)
Transactions with shareholders:				
Dividend Reinvestment Plan	44,902	-	-	44,902
Cost of share issues net of tax	(99)	-	-	(99)
Executive performance rights reserve	-	(126)	-	(126)
Dividends paid	-	(28,597)	(207,787)	(236,384)
Total transactions with shareholders	44,803	(28,723)	(207,787)	(191,707)
Balance as at 30 June 2020	2,883,783	1,342,956	495,500	4,722,239

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Dividends and distributions received		163,322	226,808
Interest received		730	3,552
Other receipts		2,365	3,151
Proceeds from trading investments		11,870	27,952
Payments for trading investments		(31,133)	(9,110)
Other payments		(7,490)	(8,887)
Income tax refund/(paid)		10,571	(30,815)
Net operating cash inflows	27	150,235	212,651
Cash flows from investing activities			
Proceeds from sale of long-term investments		362,480	160,787
Payments for long-term investments		(347,640)	(221,739)
Proceeds from other financial cash assets		40,000	75,000
Payments for other financial cash assets		(30,000)	(85,000)
Executive share scheme repayments		19	22
Payments for fixed assets		(13)	(67)
Net investing cash inflows/(outflows)		24,846	(70,997)
Cash flows from financing activities			
Payments for lease liabilities		(323)	(309)
Cost of share issues		(143)	(141)
Dividends paid – net of Dividend Reinvestment Plan		(164,046)	(191,482)
Net financing cash outflows		(164,512)	(191,932)
Net increase/(decrease) in cash held		10,569	(50,278)
Cash at the beginning of the year		168,728	219,006
Cash at the end of the year	6	179,297	168,728

(To be read in conjunction with the accompanying notes)

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for the year ended 30 June 2021

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Notes to the Financial Statements
for the year ended 30 June 2021

1. Summary of significant accounting policies

These financial statements are the financial statements of the consolidated entity, consisting of Argo Investments Limited and its controlled entities (Argo or Company) which are presented in Australian currency. The Company is incorporated and domiciled in Australia. Argo is a company limited by shares.

The financial statements were authorised for issue by the Directors on 16 August 2021. The Directors have the power to amend and reissue the financial statements.

The significant accounting policies which have been adopted in the preparation of these financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001.* Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. The Company is a 'for profit' entity for the purpose of preparing the financial statements.

These financial statements have been prepared using the conventional historical cost basis except for the fair value accounting of investments detailed in Note 1(d)(ii) and exchange traded options in Note 1(e).

The accounting policies adopted are consistent with those of the previous financial year.

(b) Principles of consolidation

The Company meets the definition of an investment entity (see Note 1(c)).

The Company's wholly owned subsidiary, Argo Service Company Pty Ltd (ASCO), provides services to the Company. The consolidated financial statements incorporate the assets and liabilities of ASCO as at 30 June 2021 and its results for the year then ended. Intercompany transactions and balances between the Company and ASCO are eliminated on consolidation.

The Company has determined that for any entities that it controls or has significant influence over, that do not provide services to the Company, consolidation is not required provided the Company measures its investments in these entities at fair value in its financial statements.

(c) Investment entity

The Company has determined that it is an investment entity under the definition in AASB 10 *Consolidated Financial Statements* as it meets the following criteria:

(i) The Company has obtained funds from shareholders for the purpose of providing them with investment management services;

(ii) The Company's business purpose, which it communicated directly to shareholders, is investing solely for returns from capital appreciation and investment income; and

(iii) The performance of investments made by the Company are measured and evaluated on a fair value basis.

The Company also meets all of the typical characteristics of an investment entity.

(d) **Investments**

(i) **Classification**

Purchases and sales of investments are recognised on trade-date, being the date the Company commits to purchase or sell the asset.

Current assets

Investments classified as Current Assets comprise holdings of trading securities and are categorised as financial assets measured at fair value through the Consolidated Statement of Profit or Loss. Investments are initially recognised at fair value and transaction costs are expensed. An investment is classified in this category if acquired principally for the purpose of selling in the short term.

Non-current assets

Investments classified as Non-Current Assets comprise holdings of long-term securities and are revalued at fair value through other comprehensive income. Investments are initially recognised at fair value.

(ii) **Valuation**

Trading securities and long-term securities are continuously carried at fair value using price quotations in an active stock market.

The fair value of securities which are not listed on a securities exchange are valued using appropriate valuation techniques as reasonably determined by the Directors.

(iii) **Gains and losses**

Investments are considered to have been sold when contractual rights to the investment expire or contractual rights to receive cash flows have been transferred and substantially all the risk and rewards of ownership have not been retained.

Current assets

Realised gains and losses from the sale of trading securities are included in the Consolidated Statement of Profit or Loss in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of the trading securities are included in the Consolidated Statement of Profit or Loss in the period in which they arise.

Non-current assets

Realised gains and losses on the sale of long-term investments, net of tax, are transferred from the investment revaluation reserve and recorded in the capital profits reserve.

Unrealised gains and losses arising from changes in the fair value of long-term securities are recognised in other comprehensive income and reflected in the investment revaluation reserve.

(e) **Derivative financial instruments**

The Company sells Australian Securities Exchange traded options to earn income. Where the Company sells a call option, it is obligated to deliver securities at an agreed price if the holder exercises the option. Where the Company sells a put option, it is obligated to purchase securities at an agreed price if the holder exercises the option.

The premium received for selling options is not initially brought to account as income but is recognised in the Consolidated Statement of Financial Position as a liability. When the option expires, is exercised or is repurchased, the premium received is brought to account and is included in net gains on trading investments in the Consolidated Statement of Profit or Loss.

Any open option positions at balance date are carried at their fair value and unrealised gains and losses are included in the Consolidated Statement of Profit or Loss.

(f) **Income**

Income is recognised when the right to receive payment is established.

(g) **Property, plant and equipment**

Items of plant and equipment are depreciated over their estimated useful lives to the Company using the straight line method of depreciation at rates ranging from 7.5% to 33.3%.

Items of property right of use assets are depreciated on a straight line method over the period of the lease.

(h) **Income tax**

The income tax expense is the tax payable on current year taxable income based on the company tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax balances attributable to revaluation amounts recognised in other comprehensive income are also recognised in the investment revaluation reserve. The revaluation of long-term investments is net of tax on unrealised capital gains by recognising a deferred tax liability. Where the Company disposes of long-term securities in the investment portfolio, tax is calculated on the net gains made according to the particular parcels allocated to the sale for tax purposes. The tax recognised in the investment revaluation reserve is then transferred to the capital profits reserve. The associated deferred tax liability is similarly adjusted and transferred to tax payable.

Argo Investments Limited (the parent) and its wholly owned subsidiary have formed an income tax consolidated group. Each entity in the group recognises its own current and deferred tax amounts. The current tax liability of both entities is subsequently assumed by the parent entity.

The entities have also entered into a tax funding agreement whereby the subsidiary compensates the parent entity for any current tax payable or receivable and deferred tax assets relating to unused tax losses or unused tax credits.

(i) **Employee entitlements**

Provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and long service leave (based on wage rates expected at the time of settling the liability) when it is probable that settlement will be required and they are capable of being reliably measured.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(j) **Argo Investments Limited Executive Performance Rights Plan**

The share based short-term incentive (STI) performance rights are measured at fair value. The amount of these rights is expensed on a straight line basis over the period between the performance commencement date and the expected date that the rights will vest.

The share based long-term incentive (LTI) performance rights are measured at fair value, and recorded as an expense on a straight line basis over the period between grant date and the expected date that the rights will vest.

(k) **Argo Investments Executive Share Plan Loans**

The interest free loans were issued to executives pursuant to the superseded Argo Investments Executive Share Plan and are recognised initially at fair value and subsequently measured at amortised cost.

(l) **Receivables**

Receivables include dividends, distributions and securities sold where settlement has not occurred at the end of the reporting period. Amounts are generally received within 30 days of recognition.

(m) **Payables**

Payables include liabilities for goods and services provided to the Company and for securities purchased where settlement has not occurred at the end of the reporting period. Amounts are usually paid within 30 days of recognition.

(n) **Leases**

The Company recognises operating leases as property right of use assets with a corresponding liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The property right of use assets are depreciated over the life of a lease on a straight-line basis. Lease liabilities are accounted for over the period of the lease with lease payments allocated between principal and finance cost.

(o) **Cash and cash equivalents**

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include bank deposits held at call, other short-term bank fixed term deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, cash management trusts and bank overdrafts.

(p) **Other financial cash assets**

Other financial cash assets are bank fixed term deposits with maturities from three to six months from date of acquisition.

(q) **Earnings per share**

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period.

If applicable, diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) **Goods and services tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO).

Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Consolidated Statement of Financial Position. Cash flows relating to GST are included in the Consolidated Statement of Cash Flows on a gross basis.

(s) **Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity, net of tax.

(t) **Provision for dividend**

A provision for dividend is only made for the amount of any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

(u) **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.

(v) **New accounting standards**

The Company adopts Accounting Standards and interpretations at the date at which their application becomes mandatory.

There are no standards or interpretation that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(w) **Critical accounting estimates and judgements**

There are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

2. Dividends and distributions

	2021 $'000	2020 $'000
Received/receivable from:		
Long-term investments held at the end of the year	189,177	207,847
Long-term investments sold during the year	7,649	1,833
Trading investments sold during the year	-	359
	196,826	**210,039**

3. Administration expenses

	2021 $'000	2020 $'000
Employment benefits	5,076	5,890
Depreciation	422	414
Other	2,801	2,851
	8,299	**9,155**

4. Income tax expense

	2021 $'000	2020 $'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	179,676	215,998
Prima facie tax expense calculated at 30% (2020: 30%)	53,903	64,799
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(37,710)	(50,449)
Non-taxable distributions	(5,734)	-
Other	(4,800)	2,373
Under/(over) provision in previous year	28	(181)
Income tax expense	**5,687**	**16,542**
(b) Income tax expense composition:		
Charge for tax payable relating to current year	5,143	18,316
Increase/(decrease) in deferred tax liabilities	516	(1,593)
Under/(over) provision in previous year	28	(181)
	5,687	**16,542**
(c) Amounts recognised directly in other comprehensive income:		
Increase/(decrease) in deferred tax liabilities	**401,369**	**(235,268)**

5. 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	722,897	717,978
	$'000	$'000
Profit for the year	173,989	199,456
	cents	cents
Basic and diluted earnings per share	**24.1**	**27.8**

6. Cash and cash equivalents

Cash and cash equivalents includes cash on deposit with banks (floating interest rates between 0.01% and 0.25% at 30 June 2021; 2020: between 0.25% and 0.50%), fixed term deposits with banks (2021: nil at 30 June 2021; 2020: fixed interest rates to maturity between 0.74% and 0.89%), maturing within three months from date of deposit, and cash management trusts.

	2021 $'000	2020 $'000
Bank deposits and cash management trusts	**179,297**	**168,728**

7. Receivables

	2021 $'000	2020 $'000
Current		
Dividends and distributions receivable	26,195	14,414
Interest receivable	4	42
Outstanding settlements	-	2,148
Other	511	459
	26,710	**17,063**

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within two business days of the transaction date. None of the receivables are past due or impaired.

8. Investments

	2021 $'000	2020 $'000
Current		
Listed securities at fair value[1]	**10,088**	**2,500**
Non-Current		
Listed securities at fair value[1]	6,384,904	5,066,712
Unlisted securities at fair value[2]	4,872	2,212
	6,389,776	**5,068,924**

The fair value of investments is based on the fair value measurement hierarchy disclosed in Note 29.

(1) The fair value of listed securities is established from the quoted prices (unadjusted) in the active market of the ASX 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 inputs which include the cost and the net tangible asset values provided by the responsible entities of the securities.

Reconciliation of changes in unlisted securities valued in accordance with Level 3 of the fair value measurement hierarchy:

	2021 $'000	2020 $'000
Carrying amount at beginning of year	2,212	4,744
Additions	2,666	1,201
Disposal	-	(3,514)
Fair value loss recognised in other comprehensive income	(6)	(219)
Carrying amount at end of year	**4,872**	**2,212**

The fair value of each non-current security (long-term investment) is disclosed in Note 30.

There were 750 investment transactions during the financial year. The total brokerage paid on these transactions was $2.8 million.

9. Other financial cash assets

	2021 $'000	2020 $'000
Bank term deposits	**-**	**10,000**

Other financial cash assets are fixed term deposits with banks (2020: fixed interest rate to maturity of 0.85%) maturing from three to six months from date of deposit.

10. Property, plant and equipment

	2021 $'000	2020 $'000
Plant and equipment at cost	1,548	1,535
Accumulated depreciation	(1,148)	(1,035)
	400	500
Property right of use assets	1,599	1,599
Accumulated depreciation	(619)	(310)
	980	1,289
	1,380	**1,789**
Movements		
Carrying amount at beginning of year	1,789	537
Additions:		
- plant and equipment at cost	13	67
- property right of use assets	-	1,599
Depreciation	(422)	(414)
Carrying amount at end of year	**1,380**	**1,789**

The Company's operating leases are recognised as a property right of use assets and a corresponding liability.

Assets and liabilities arising from a lease are initially measured on a present value basis using a incremental borrowing rate of 3%. The right of use assets are depreciated over the life of the lease on a straight line basis.

Lease liabilities are disclosed in Note 11.

11. Payables

	2021 $'000	2020 $'000
Current		
Lease liabilities	307	283
Other	1,078	866
	1,385	**1,149**
Non- Current		
Lease liabilities	**748**	**1,055**

Payables are non-interest bearing and unsecured. Lease liabilities have been determined based on the present value of the lease payments and are accounted for over the period of the lease.

12. Derivative financial instruments

	2021 $'000	2020 $'000
Exchange traded options at fair value	**9,094**	**10,645**

The fair value of exchange traded options is established from the quoted prices (unadjusted) in the active market of the ASX for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

13. Provisions

	2021 $'000	2020 $'000
Current		
Provision for employee entitlements	**848**	**773**
Non-Current		
Provision for employee entitlements	**176**	**139**

14. Deferred tax liabilities

	2021 $'000	2020 $'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	917,863	550,871
Income receivable which is not assessable for tax until receipt	1,642	1,175
Deferred tax liability/(asset) on unrealised gains on trading investments	317	(146)
	919,822	551,900
Offset by deferred tax assets:		
Capital losses not utilised	-	(269)
Provisions and payables	(3,689)	(3,944)
Deferred tax on cost of share issues	(109)	(149)
	(3,798)	(4,362)
Net deferred tax liabilities	**916,024**	**547,538**
Movements		
Balance at beginning of year	547,538	766,481
Debited/(credited) to profit or loss	516	(1,593)
Charged to other comprehensive income	401,369	(235,268)
Changes to the tax base of investments	(33,399)	17,918
Balance at end of year	**916,024**	**547,538**

The amount of net deferred tax liabilities expected to be settled in the next 12 months is $0.9 million (2020: $2.2 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 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	720,271,707	714,930,941	2,883,783	2,838,980
Dividend reinvestment plan[(a)]	4,775,928	5,340,766	37,976	44,902
Cost of share issues net of tax			(100)	(99)
Closing balance	**725,047,635**	**720,271,707**	**2,921,659**	**2,883,783**

(a) On 18 September 2020, 2,473,303 shares were allotted at $7.59 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2020.

On 12 March 2021, 2,302,625 shares were allotted at $8.34 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2021.

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

16. Reserves

	2021 $'000	2020 $'000
Executive Performance Rights Reserve	577	522
Investment Revaluation Reserve	1,990,774	1,103,837
Capital Profits Reserve	263,936	238,597
	2,255,287	**1,342,956**
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	522	648
Accrued entitlement for unvested rights	464	1,039
Executive performance shares purchased	(409)	(1,165)
Balance at end of year	577	522
Investment Revaluation Reserve		
Balance at beginning of year	1,103,837	1,653,417
Revaluation of long-term investments	1,313,645	(792,097)
Provision for deferred tax (expense)/benefit on revaluation of long-term investments	(401,369)	235,268
Realised (gains)/losses on sale of long-term investments transferred to capital profits reserve	(48,765)	10,341
Income tax expense/(benefit) thereon	23,426	(3,092)
Balance at end of year	1,990,774	1,103,837
Capital Profits Reserve		
Balance at beginning of year	238,597	274,443
Dividend paid	-	(28,597)
Transfer from investment revaluation reserve	25,339	(7,249)
Balance at end of year	263,936	238,597
Total Reserves	**2,255,287**	**1,342,956**

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 $357.9 million (2020: $127.4 million). The cumulative profit after tax on these disposals was $25.3 million (2020: loss $7.2 million), which has been transferred from the investment revaluation reserve to the capital profits reserve.

Nature and purpose of reserves

Executive performance rights reserve

This reserve contains the fair value of the short-term incentive (STI) and long-term incentive (LTI) performance rights pursuant to the Argo Investments Limited Executive Performance Rights Plan. When rights are exercised, shares are purchased on market and issued to the executive.

STI performance rights
The values of the STI performance rights are calculated and allocated to each reporting period from the commencement of the performance periods to the vesting dates. The value of the STI performance rights for the current reporting period, which are yet to be issued to participants, has been estimated.

LTI performance rights
The values of the LTI performance rights are calculated at grant dates and allocated to each reporting period from the grant dates to the vesting dates.

Investment revaluation reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred capital gains tax are recorded in this reserve.

Capital profits reserve

Gains or losses arising from the sale of long-term investments, net of any tax expense or benefit, are recorded in this reserve.

17. Retained profits

	2021 $'000	**2020** $'000
Balance at beginning of year	495,500	503,831
Dividends paid	(202,022)	(207,787)
Profit for the year	173,989	199,456
Balance at end of year	**467,467**	**495,500**

18. Capital management

The Company's objective in managing its capital is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved by the process of providing shareholders with a steady stream of fully franked dividends and enhancement of capital invested, with the goal of paying an increasing level of dividends and providing attractive total returns over the long term.

The Company recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, it may be necessary to vary the amount of dividends paid, issue new shares from time to time or buy back its own shares.

The Company's capital consists of its shareholders' equity and the changes to this capital are shown in the Consolidated Statement of Changes in Equity.

19. Dividends

	2021 $'000	2020 $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June 2020 of 14.0 cents fully franked at 30% tax rate paid 18 September 2020 (2019: 17.0 cents fully franked at 30% tax rate)	100,838	121,538
Interim dividend for the year ended 30 June 2021 of 14.0 cents fully franked at 30% tax rate paid 8 March 2021 (2020: 16.0 cents fully franked at 30% tax rate)	101,184	114,846
Total dividends paid	**202,022**	**236,384**

The final dividend paid did not contain a listed investment company (LIC) capital gain component (2020: 4.0 cents). The interim dividend paid did not contain a LIC capital gain component (2020: nil).

	2021 $'000	2020 $'000
(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:		
Final dividend for the year ended 30 June 2021 of 14.0 cents fully franked at 30% tax rate payable 17 September 2021 (2020: 14.0 cents fully franked at 30% tax rate)	**101,507**	**100,838**

The final dividend declared will contain a LIC capital gain component of 8.0 cents per share (2020: nil).

20. Franking account

	2021 $'000	2020 $'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	124,218	114,719
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(43,503)	(43,216)
	80,715	**71,503**
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	**188,335**	**166,840**

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.

21. New Zealand imputation account

New Zealand imputation credits of $3.2 million (NZ$3.4 million) were attached to dividends received and are available for distribution. The company's ability to distribute NZ imputation credits is dependent upon the receipt of NZ imputation credits from the investment portfolio. There will be no NZ imputation credits attached to the final dividend payable on 17 September 2021.

22. Listed Investment Company (LIC) capital gain account

	2021 $'000	2020 $'000
Balance of the LIC capital gain account	60,252	5,640
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(58,004)	-
	2,248	**5,640**
This equates to an attributable amount of	**3,211**	**8,057**

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 gain distributions from LIC securities held in the investment portfolio.

23. 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 Woolworths income (due to the demerger dividend) accounting for more than 10% of income.

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

24. Related parties

	2021 $	2020 $
(a) **Key management personnel compensation**		
Short-term	2,320,674	2,074,670
Post-employment (superannuation)	130,340	132,289
Share based	208,731	559,293
	2,659,745	**2,766,252**

Detailed remuneration disclosures are provided in the Remuneration Report.

	2021 $	2020 $
(b) **Key management personnel loans**		
Balance at beginning of year	34,395	56,503
Loan repayments	(18,904)	(22,108)
Balance at end of year	**15,491**	**34,395**
Notional interest not charged	-	316

The loan repayments are made in accordance with the terms of the Argo Investments Executive Share Plan.

(c) **Argo Global Listed Infrastructure Limited**

Argo Global Listed Infrastructure Limited (ASX: ALI) is an Australian investment company which invests in international securities in the infrastructure sector.

At balance date, the Company's ALI shares had a fair value of $28.4 million (2020: $27.0 million) as disclosed in Note 30.

The Company receives a fee for managing the operations of ALI, via its wholly owned subsidiary, Argo Service Company Pty Ltd. Fees of $4.0 million (2020: $4.2 million) were received or receivable in the financial year ended 30 June 2021 with Cohen & Steers, the Portfolio Manager, receiving 50% of this fee to manage and invest the portfolio. Management fees of $0.4 million (2020: $0.3 million) were receivable at balance date.

There are five Directors of ALI, of which three are also Directors of the Company.

25. Parent entity disclosures

In accordance with the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the *Corporations Act 2001* the following summarised parent entity information is set out below.

As at, and throughout, the financial year ended 30 June 2021 the parent entity is Argo Investments Limited.

	2021 $'000	2020 $'000
Profit of the parent entity		
Profit for the year	174,041	199,462
Total comprehensive income for the year	1,086,318	(357,367)
Financial position of the parent entity as at 30 June		
Current assets	213,728	211,158
Total assets	6,606,154	5,283,087
Current liabilities	44,133	11,530
Total liabilities	961,753	560,912
Net assets	5,644,401	4,722,175
Total equity of the parent entity comprising of:		
Contributed equity	2,921,659	2,883,783
Reserves	2,255,287	1,342,956
Retained profits	467,455	495,436
Total equity attributable to shareholders of the parent entity	5,644,401	4,722,175

Argo Investments Limited has an agreement in place with Argo Service Company Pty Ltd to provide up to $250,000 (2020: $250,000) financing to cover any negative cash flow requirements arising from its operations. The facility was not utilised during the financial year to 30 June 2021.

26. Share based payments

(a) Argo Employee Share Ownership Plan

The Directors may at such time or times as determined, issue invitations to eligible employees to apply for shares under the Argo Employee Share Ownership Plan (ESOP) as part of the employees' remuneration. Each eligible employee is offered up to $1,000 per year in shares at market value. The costs of acquiring the shares on market are paid for by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or on the date the employee ceases employment. The ESOP was approved by shareholders at the 1997 Annual General Meeting.

During the year, 1,703 (2020: 1,560) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $13,011 (2020: $12,984) and had a market value of $15,208 (2020: $11,216) at $8.93 per share (2020: $7.19 per share) at balance date.

(b) Argo Investments Limited Executive Performance Rights Plan

The Argo Investments Limited Executive Performance Rights Plan (Plan) is designed to provide participants with performance-linked incentives as shareholder value is created. Under the Plan, performance rights are granted to executives to satisfy their STI and LTI entitlements. These performance rights only vest if certain performance and service conditions are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

A detailed discussion of the performance and service conditions for performance rights granted or to be granted is set out in the Remuneration Report.

The STI and LTI performance rights are granted under the Plan for no consideration, carry no dividend or voting rights and do not have an exercise price.

When exercisable, each performance right is convertible into an ordinary Company share, subject to certain adjustments allowable under the Plan.

Set out below are summaries of rights granted under the Plan:

STI performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
15/10/18	15/10/20	29/10/20	53,938	-	(53,938)	-	-
8/10/19	8/10/21	22/10/21	87,888	-	-	-	87,888
8/10/20	8/10/22	22/10/22	-	44,239(1)	-	-	44,239
			141,826	**44,239**	**(53,938)**	**-**	**132,127**

(1) The fair value at grant date of the STI performance rights issued during the year was $6.82 (2020: $7.33) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The following inputs were used to calculate the fair value of the STI performance rights issued:

(a) Share price at valuation date 8 October 2020: $7.61 (8 October 2019: $8.18); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2020: 5.5%).

(2) STI performance rights expense of $413,487 (2020: $563,734) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

(3) The weighted average remaining life of the STI performance rights outstanding at the end of the year was 0.6 year (2020: 0.9 year).

During the year, 53,938 (2020: 71,516) shares were acquired by the Company on behalf of eligible employees for exercised STI performance rights at a cost of $409,666 (2020: $601,676) and had a market value of $481,666 (2020: $514,200) at $8.93 per share (2020: $7.19 per share) at balance date.

LTI performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
26/10/16	26/10/20	9/11/20	157,420	-	-	(157,420)[2]	-
16/10/17	16/10/21	30/11/21	167,050	-	-	-	167,050
15/10/18	15/10/22	29/10/22	171,030	-	-	-	171,030
8/10/19	8/10/23	23/10/23	181,060	-	-	-	181,060
8/10/20	8/10/24	22/10/24	-	191,820[1]	-	-	191,820
			676,560	**191,820**	**-**	**(157,420)**	**710,960**

(1) The fair value at grant date of the LTI performance rights issued during the year was $6.11 (2020: $6.56) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The Monte Carlo simulation has been used to determine the probabilities of meeting the performance conditions and the expected level of vesting under each performance condition. The following inputs were used to calculate the fair value of the LTI performance rights issued:

(a) Share price at valuation date 8 October 2020: $7.61 (8 October 2019: $8.18); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2020: 5.5%).

(2) 157,420 LTI performance rights lapsed because the performance condition was not satisfied.

(3) LTI performance rights expense totalling $50,880 (2020: $475,083) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

(4) The weighted average remaining life of the LTI performance rights outstanding at the end of the year was 1.9 years (2020: 1.9 years).

During the year, no LTI performance rights were vested or exercised (2020: 66,120).

27. Cash flow information

	2021 $'000	2020 $'000
(a) Reconciliation of net cash provided by operating activities to profit for the year:		
Profit for the year	173,989	199,456
Dividends received as securities in dividend reinvestment plan	(2,610)	(2,666)
Demerger dividends and distributions	(19,113)	-
Depreciation	422	414
Charges to provisions	194	204
Other movements	1,919	(626)
Increase/(decrease) in provision for income tax	49,097	(30,910)
Transfer from provision for deferred income tax	(33,177)	17,355
Decrease/(increase) in deferred tax assets	255	(819)
Changes in operating assets and liabilities:		
(Increase)/decrease in current investments	(7,588)	8,095
(Increase)/decrease in other debtors	(11,814)	19,836
(Decrease)/increase in other creditors	(1,339)	2,312
Net cash provided by operating activities	**150,235**	**212,651**

(b) Non-cash financing activities

Dividends paid totalling $38.0 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2020: $44.9 million).

28. Auditor's remuneration

	2021 $	2020 $
During the year the following remuneration amounts were paid or payable for services provided by the Auditor:		
Audit services		
Audit and review of financial reports	144,737	144,715
Audit related services		
AFSL compliance audit and review	7,018	7,018
Non-audit services		
Taxation and professional services	24,123	11,543
Total remuneration	**175,878**	**163,276**

29. Financial risk management

The risks associated with the holding of financial instruments such as investments, cash and cash equivalents, other financial cash assets, receivables and payables include credit risk, liquidity risk and market risk.

Credit risk

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

In relation to cash and cash equivalents disclosed in Note 6, the maximum exposure to credit risk is the carrying amount of bank deposits, cash management trusts and any interest accrued.

The Company's cash investments are managed internally under Board approved guidelines. Funds are invested for the short to medium term with the major Australian banks which have a Standard & Poor's short-term rating of A2 and above. The maturities of bank term deposits in cash and cash equivalents are within three months while bank term deposits in other financial cash assets mature from three to six months. Cash management trusts invest predominantly in short term securities with an A1+ rating.

The credit risk exposure for the Company's receivables as disclosed in Note 7 is the carrying amount.

Credit risk exposure also arises in relation to option positions held by the Company. The extent of this exposure is reflected in the carrying value and is disclosed in Note 12.

None of the assets exposed to credit risk are past due or considered to be impaired.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due.

The Company has no borrowings and monitors its cash flow requirements daily which includes the amount required for purchases of securities, the amount receivable from sales of securities, and dividends and distributions to be paid or received.

The Company's inward cash flows depend mainly upon the amount of dividends and distributions received from the investment portfolio as well as the proceeds from the sale or takeover of investments. Should these inflows drop by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are purchases of investments and dividends paid to shareholders, the level of both is controllable by the Board and management.

The assets of the Company are largely in the form of tradeable securities which, if necessary, could be sold on market to meet obligations. Current financial liabilities are disclosed in Note 11.

Market risk

Market risk is the risk that changes in market prices will affect the fair value of financial instruments.

The Company is a listed investment company that invests in tradeable securities. Due to the nature of its business, the Company will always be subject to market risk as it invests its capital in securities which have fluctuating market prices.

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the long-term investment portfolio, would lead to a reduction in the Company's equity of $223.6 million (2020: $177.4 million) and $447.3 million (2020: $354.8 million) respectively, after tax. The investment revaluation reserve at 30 June 2021 has an after tax balance of $1,990.8 million (2020: $1,103.8 million). It would require a 45% (2020: 31%) after tax fall in the value of the long-term investment portfolio to fully deplete this reserve.

The Company seeks to reduce the market risk of the long-term investment portfolio by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and market sectors are reviewed and risk is appropriately managed. The Company does not have set parameters as to a minimum or maximum amount of the long-term investment portfolio that can be invested in a single company or sector.

The Company's assets are spread across investment industry sectors as below:

	2021	2020
Materials	15%	15%
Banks	14%	14%
Health Care	11%	12%
Other Financials	11%	10%
Consumer Staples	10%	10%
Industrials	9%	7%
Consumer Discretionary	7%	6%
Telecommunication Services & I.T.	7%	6%
Listed Investment Companies	4%	5%
Energy	4%	5%
Property	3%	3%
Cash and cash equivalents	3%	3%
Utilities	2%	4%
	100%	100%

The following investments represent over 5% of the investment portfolio:

	2021	2020
Macquarie Group	5.8%	5.6%
BHP Group	5.6%	5.1%

The fair value of the Company's derivative financial instruments, being exchange traded options, are subject to market risk, as changes in market price will affect the fair value of the financial instrument. The Company seeks to reduce the market risk of these derivatives by imposing Board approved maximum exposure limits for each security and in total. The total exposure position is determined and monitored on a daily basis. The fair value of exchange traded options at balance date was $9.4 million (2020: $10.6 million) and is disclosed in Note 12. Investments with a market value of $183.7 million (2020: $100.2 million) were lodged with the ASX Clearing Corporation as collateral for any option positions written by the Company in the Exchange Traded Option Market.

The Company is not materially exposed to interest rate risk, as all of its cash investments and bank term deposits mature in the short-term and have a fixed interest rate.

The Company is not significantly exposed to currency risk, as the majority of investments are quoted in Australian dollars. At balance date all investments were quoted in Australian dollars.

Fair value measurement

The Company measures the fair value of its long-term investments, as required by Accounting Standard AASB 13 *Fair Value Measurement,* based on the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

30. Long-term investments

The following long-term investments are valued at fair value through other comprehensive income.

	2021 No. of shares or units	2021 $'000	2020 No. of shares or units	2020 $'000
Adbri Ltd.	7,681,385	26,654	7,681,385	24,427
AGL Energy Ltd.	2,292,000	18,794	3,642,000	62,096
ALS Ltd.	5,104,023	66,556	5,104,023	33,482
Alumina Ltd.	12,429,285	20,446	12,429,285	20,197
Amcor plc	6,068,564	91,817	5,568,564	80,633
AMP Ltd.	-	-	5,381,674	9,983
Ansell Ltd.	-	-	336,972	12,367
APA Group	11,882,525	105,754	10,882,525	121,122
Argo Global Listed Infrastructure Ltd.	13,040,389	28,428	13,040,389	26,994
Aristocrat Leisure Ltd.	3,312,665	142,743	3,264,665	83,249
Aurizon Holdings Ltd	13,223,772	49,192	-	-
Australia and New Zealand Banking Group Ltd.	8,265,275	232,667	9,765,275	182,025
Australian United Investment Company Ltd.	13,264,840	134,771	14,314,840	115,234
Bega Cheese Ltd.	5,546,932	32,671	3,568,294	15,879
BHP Group Ltd.	7,618,304	370,021	7,406,304	265,294
Boral Ltd.	5,596,552	41,135	11,596,552	43,951
Brambles Ltd.	6,001,109	68,653	6,001,109	65,232
Brickworks Ltd.	584,009	14,641	584,009	9,245
Carbon Revolution Ltd.	4,133,107	4,588	-	-
Challenger Ltd.	5,440,311	29,432	5,440,311	23,992
Coles Group Ltd.	5,290,027	90,407	5,040,027	86,537
Commonwealth Bank of Australia	2,753,731	275,015	3,103,731	215,461
Computershare Ltd.	5,458,117	92,242	4,901,166	64,941
Crown Resorts Ltd.	1,609,184	19,165	2,609,184	25,231
CSL Ltd.	1,113,370	317,522	1,113,370	319,537
Diversified United Investment Ltd.	8,927,716	46,335	9,269,575	39,210
Downer EDI Ltd.	10,615,059	59,338	6,159,538	26,979
Eagers Automotive Ltd.	6,083,588	100,744	6,083,588	41,064
Eclipx Group Ltd.	12,086,416	27,436	12,086,416	15,108
EML Payments Ltd.	4,978,681	17,326	-	-
Endeavour Group Ltd.	3,479,526	21,886	-	-
Estia Health Ltd.	11,809,250	29,169	11,809,250	18,127
Event Hospitality & Entertainment Ltd.	2,912,387	36,813	3,262,387	27,437
Freedom Foods Group Ltd.	-	-	4,225,897	12,720
Genworth Mortgage Insurance Australia Ltd.	779,528	1,715	3,208,901	6,642

	2021 No. of shares or units	2021 $'000	2020 No. of shares or units	2020 $'000
GPT Group	3,480,667	17,055	3,480,667	14,514
GUD Holdings Ltd.	2,236,508	26,816	2,066,508	23,785
Harvey Norman Holdings Ltd.	5,213,182	28,568	5,213,182	18,455
Healius Ltd.	15,820,664	73,250	13,820,664	42,153
HUB24 Ltd.	60,576	1,727	-	-
IGO Ltd.	3,080,970	23,508	-	-
Iluka Resources Ltd.	-	-	1,000,000	8,540
Insurance Australia Group Ltd.	4,910,330	25,337	4,910,330	28,333
Intrepica Pty Ltd.	8,509,112	2,212	8,509,112	2,212
InvoCare Ltd.	2,743,277	31,740	2,743,277	28,750
IRESS Ltd.	1,417,413	18,299	969,680	10,618
James Hardie Industries plc	742,000	33,590	1,400,000	38,528
Lendlease Group	4,980,092	57,072	4,480,092	55,419
Lynas Corporation Ltd	6,779,221	38,709	6,000,000	11,610
Macquarie Group Ltd.	2,458,151	384,529	2,458,151	291,537
McGrath Ltd.	10,000,000	5,850	10,000,000	1,900
Milton Corporation Ltd.	13,469,198	84,856	15,969,198	65,314
Mirvac Group	6,000,551	17,522	6,000,551	13,021
Monash IVF Group Ltd.	19,982,646	16,985	19,982,646	10,591
National Australia Bank Ltd.	5,934,685	155,607	6,309,685	114,962
Newcrest Mining Ltd.	1,390,410	35,150	-	-
NOVONIX Ltd.	14,240,028	31,613	13,296,969	11,568
Oil Search Ltd.	7,371,125	28,084	7,371,125	23,366
Orica Ltd.	1,955,364	25,967	1,955,364	32,537
Origin Energy Ltd.	11,351,603	51,196	11,351,603	66,293
Orora Ltd.	-	-	1,500,000	3,810
Pact Group Holdings Ltd.	4,172,314	15,438	4,172,314	9,137
Peet Ltd.	18,152,705	21,783	18,152,705	17,608
Perpetual Ltd.	-	-	130,000	3,857
Premier Investments Ltd.	1,250,000	35,688	1,250,000	21,563
QANTM Intellectual Property Ltd.	4,900,053	5,660	4,900,053	5,782
QBE Insurance Group Ltd.	8,540,088	92,148	7,790,088	69,020
Ramsay Health Care Ltd.	2,023,131	127,356	2,023,131	134,579
Ramsay Health Care Ltd. reset conv. preference	25,000	2,617	25,000	2,571
Reece Ltd.	5,687,741	134,288	5,706,493	52,443

	2021 No. of shares or units	2021 $'000	2020 No. of shares or units	2020 $'000
Rio Tinto Ltd.	2,097,139	265,582	2,097,139	205,436
Rural Funds Group	16,281,523	43,146	16,281,523	31,261
Santos Ltd.	10,942,014	77,579	10,942,014	57,993
Scentre Group	7,526,662	20,623	7,526,662	16,333
Songtradr Inc.	100,000	2,660	-	-
Sonic Healthcare Ltd.	3,726,053	143,080	3,626,053	110,341
South32 Ltd.	2,000,000	5,860	6,265,004	12,781
Spark Infrastructure	7,101,109	15,977	6,868,363	14,836
Steadfast Group Ltd.	13,478,079	59,304	12,778,079	42,934
Stockland	4,017,934	18,724	4,017,934	13,299
Suncorp Group Ltd.	7,496,097	83,282	5,882,097	54,292
Superloop Ltd.	1,075,269	1,000	-	-
Sydney Airport	16,093,841	93,183	14,758,175	83,679
Tabcorp Holdings Ltd.	10,548,951	54,644	10,586,538	35,782
Talga Group Ltd	703,311	935	-	-
Tassal Group Ltd.	10,766,165	38,543	9,251,055	31,916
Technology One Ltd.	6,814,564	63,444	5,964,564	52,429
Telstra Corporation Ltd.	46,514,800	174,896	44,514,800	139,331
The Star Entertainment Group Ltd.	10,000,000	36,900	5,300,000	15,052
Transurban Group	8,273,736	117,735	8,273,736	116,908
Treasury Wine Estates Ltd.	3,250,000	37,960	3,250,000	34,060
Viva Energy Group Ltd.	14,002,255	27,024	8,000,000	14,560
Vocus Group Ltd.	-	-	5,652,447	16,675
Washington H. Soul Pattinson and Company Ltd.	1,721,970	58,082	2,182,606	42,626
Wesfarmers Ltd.	5,040,027	297,866	5,040,027	225,944
Westpac Banking Corporation	8,407,648	217,001	11,908,448	213,757
Woodside Petroleum Ltd.	1,700,873	37,776	1,700,873	36,824
Woolworths Group Ltd.	3,479,526	132,674	3,229,526	120,397
Xplore Wealth Ltd.	-	-	12,603,572	706
Total long-term investments		**6,389,776**		**5,068,924**

31. Events occurring after the reporting period

No matters or circumstances have occurred subsequent to the financial year end that have significantly affected, or may affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Directors' Declaration

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

(a) the consolidated financial statements and notes set out on pages 39 to 71 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 30 June 2021 and of its performance for the financial 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2021.

Dated this 16th day of August 2021

Signed in accordance with a resolution of the Directors

R.A. Higgins AO
Chairman

Independent auditor's report

To the members of Argo Investments Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Argo Investments Limited (the Company) and its controlled entities (together, Argo) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of Argo's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Argo 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 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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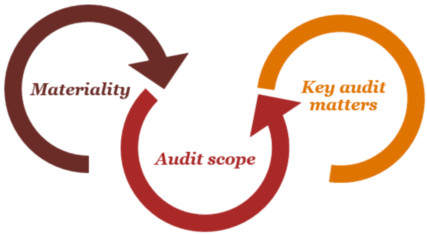
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Argo, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall materiality for Argo of $56.4 million, which represents approximately 1% of net assets of Argo at 30 June 2021.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets as the benchmark because, in our view, net assets is:
  - the benchmark against which the performance of Argo is most commonly measured;
  - the key driver of the business and determinant of Argo's value; and
  - a generally accepted benchmark for listed investment companies.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable net asset related thresholds.

Audit scope

- Our audit focused on assessing the financial statements for risks of material misstatement in account balances, transactions or disclosures, and designing and performing audit procedures to obtain reasonable assurance that the financial statements as a whole were free of material misstatement due to fraud or error. This included identifying areas of higher risks, based on quantitative and qualitative assessment of Argo's operations and activities.
- Argo operates out of its Adelaide and Sydney offices with the finance function based in Adelaide. The investment management and administration operations for Argo are conducted by the Company's subsidiary, Argo Service Company Pty Ltd.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Existence and valuation of investments Argo has investments of $6,399.8 million as at 30 June 2021 (refer note 8 of the financial report). Investments predominantly consist of listed Australian equities. Whilst there is not significant judgement in determining the valuation of Argo's investments, these represent a key measure of Argo's performance and comprise a significant proportion of total assets in the consolidated statement of financial position. The fluctuations in investment valuation will also impact the realised and unrealised gains/(losses) recognised in the consolidated statement of profit or loss and the consolidated statement of comprehensive income which also affects the deferred tax provisions. Given the pervasive impact investments have on Argo's key financial metrics, we determined the existence and valuation of investments to be a key audit matter.	Our audit procedures over listed investments included: 1) Recalculation of the movement of investments for the year, including purchases, sales and other relevant transactions. 2) Verifying the mathematical accuracy of the investments balance by multiplying quantity held by share or unit price as at 30 June 2021. 3) Testing a sample of investment purchases and sales by agreeing the transaction recorded to purchase and sale confirmations from brokers. 4) Agreeing a sample of investment quantity holdings at 30 June 2021 to external share registries. 5) Agreeing a sample of market prices used to fair value the investments to independent market pricing sources. 6) Assessing the operating effectiveness of relevant controls over the investments. 7) Evaluating the adequacy of the disclosures made in note 8 of the financial report in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of Argo to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Argo or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/admin/file/content/02/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 17 to 37 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers

Julian McCarthy
Partner

Adelaide
16 August 2021

Shareholder information at 31 July 2021

	Ordinary Shareholders
Number of shareholders holding:	
1- 1,000 shares	30,256
1,001- 5,000 shares	33,256
5,001- 10,000 shares	14,089
10,001- 100,000 shares	16,145
100,001 or more shares	507
Total number of shareholders (entitled to one vote per share)	**94,253**
Number of shareholders holding less than a marketable parcel	1,794

20 largest shareholders of ordinary shares	No. of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	9,984,442	1.38
RCY Pty. Limited	6,166,887	0.85
JIT Pty. Limited	4,950,972	0.68
Australian Executor Trustee Limited (IPS Super a/c)	2,934,968	0.40
TRIGT Pty. Limited	2,852,478	0.39
Netwealth Investments Limited (Wrap Services a/c)	2,668,018	0.37
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,488,891	0.34
Citicorp Nominees Pty. Limited	2,341,461	0.32
McLennan Australia Corporation Pty. Ltd.	2,329,043	0.32
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,138,401	0.29
Milton Corporation Limited	2,010,741	0.28
Donald Cant Pty. Ltd.	1,874,225	0.26
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd (DRP a/c)	1,823,240	0.25
Bougainville Copper Limited	1,440,000	0.20
Salur Holdings Pty. Limited	1,426,521	0.20
Kalymna Pty. Ltd.	1,351,087	0.19
Poplar Pty. Ltd.	1,285,942	0.18
Jacaranda Pastoral Pty. Ltd.	1,177,614	0.16
HSBC Custody Nominees (Australia) Limited (Euroclear Bank SA NV a/c)	1,118,129	0.15
Resthaven Incorporated	1,084,077	0.15
	53,447,137	**7.36**

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

ARGO
INVESTMENTS

75
YEARS