

Appendix 4E

Preliminary final report

An aerial photograph of a harbor. On the right side, there is a large, curved pier or breakwater structure. To the left of this structure, the water is filled with numerous sailboats of various sizes. The water is a deep blue-green color. The sky is not visible in this aerial shot.

2023

Results for announcement to the market

Year ended 30 June 2023

Comparative figures being the year ended 30 June 2022

Argo Investments Limited
ABN 35 007 519 520



				Consolidated \$A'000
Income from operating activities	down	10.2%	to	303,312
Profit for the year	down	13.2%	to	271,707

Dividends

Interim fully franked dividend paid 10 March 2023	16.5 cents
Final fully franked dividend payable 15 September 2023	18.0 cents
Total	34.5 cents

The final dividend does not include a LIC capital gain component.

The Company's Dividend Reinvestment Plan will operate for the final dividend. The Directors have resolved that the shares will be allotted at the market price of Argo shares, which will be the volume weighted average ex-dividend market price of the shares traded on the record date and the three business days following the record date. No discount will apply.

The record date for determining entitlements to the final dividend	28 August 2023
The election date for determining participation in the Dividend Reinvestment Plan	29 August 2023

Previous corresponding period

Interim fully franked dividend paid 11 March 2022	16.0 cents
Final fully franked dividend paid 16 September 2022	17.0 cents
Total	33.0 cents

Net Asset Backing

Net Tangible Asset Backing per Argo share was \$9.03 as at 30 June 2023 compared with \$8.45 as at 30 June 2022.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains was to be deducted, the net tangible asset backing per share would be \$7.94 as at 30 June 2023, compared with \$7.51 as at 30 June 2022.

Consolidated Statement of Profit or Loss

for the year ended 30 June 2023

		2023 \$'000	2022 \$'000
	Note		
Dividends and distributions	2	273,060	326,217
Other income		7,487	5,828
Net gains on trading investments		22,765	5,628
Income from operating activities		303,312	337,673
Administration expenses	3	(10,489)	(9,610)
Profit before income tax expense		292,823	328,063
Income tax expense thereon	4	(21,116)	(15,135)
Profit for the year		271,707	312,928
		cents	cents
Basic and diluted earnings per share	5	36.1	42.7

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2023

	2023 \$'000	2022 \$'000
Profit for the year	271,707	312,928
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	420,737	(474,678)
Provision for deferred tax (expense)/benefit on revaluation of long-term investments	(128,724)	138,650
Other comprehensive income/(loss) for the year	292,013	(336,028)
Total comprehensive income/(loss) for the year	563,720	(23,100)

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Current Assets			
Cash and cash equivalents	6	125,255	134,718
Receivables	7	36,890	30,649
Investments	8	10,452	14,406
Other financial cash assets	9	-	25,000
Total Current Assets		172,597	204,773
Non-Current Assets			
Investments	8	6,713,768	6,218,850
Property, plant and equipment	10	599	992
Total Non-Current Assets		6,714,367	6,219,842
Total Assets		6,886,964	6,424,615
Current Liabilities			
Payables	11	1,487	1,482
Derivative financial instruments	12	8,062	5,972
Current tax liabilities		14,375	38,805
Provisions	13	1,021	964
Total Current Liabilities		24,945	47,223
Non-Current Liabilities			
Payables	11	167	416
Deferred tax liabilities	14	863,783	740,134
Provisions	13	158	151
Total Non-Current Liabilities		864,108	740,701
Total Liabilities		889,053	787,924
Net Assets		5,997,911	5,636,691
Shareholders' Equity			
Contributed equity	15	3,204,096	3,155,136
Reserves	16	2,040,788	1,861,010
Retained profits	17	753,027	620,545
Total Shareholders' Equity		5,997,911	5,636,691

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June 2023

	Contributed Equity \$'000 (Note 15)	Reserves \$'000 (Note 16)	Retained Profits \$'000 (Note 17)	Total \$'000
Balance as at 1 July 2022	3,155,136	1,861,010	620,545	5,636,691
Profit for the year	-	-	271,707	271,707
Other comprehensive income	-	292,013	-	292,013
Total comprehensive income for the year	-	292,013	271,707	563,720
Transactions with shareholders:				
Dividend Reinvestment Plan	49,050	-	-	49,050
Cost of share issues net of tax	(90)	-	-	(90)
Executive performance rights reserve	-	285	-	285
Dividends paid	-	(112,520)	(139,225)	(251,745)
Total transactions with shareholders	48,960	(112,235)	(139,225)	(202,500)
Balance as at 30 June 2023	3,204,096	2,040,788	753,027	5,997,911

for the year ended 30 June 2022

Balance as at 1 July 2021	2,921,659	2,255,287	467,467	5,644,413
Profit for the year	-	-	312,928	312,928
Other comprehensive loss	-	(336,028)	-	(336,028)
Total comprehensive loss for the year	-	(336,028)	312,928	(23,100)
Transactions with shareholders:				
Dividend Reinvestment Plan	41,998	-	-	41,998
Share Purchase Plan	191,846	-	-	191,846
Cost of share issues net of tax	(367)	-	-	(367)
Executive performance rights reserve	-	(245)	-	(245)
Dividends paid	-	(58,004)	(159,850)	(217,854)
Total transactions with shareholders	233,477	(58,249)	(159,850)	15,378
Balance as at 30 June 2022	3,155,136	1,861,010	620,545	5,636,691

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the year ended 30 June 2023

		2023	2022
	Note	\$'000	\$'000
Cash flows from operating activities			
Dividends and distributions received		258,219	249,508
Interest received		4,568	323
Other receipts		3,274	5,301
Proceeds from trading investments		40,092	16,918
Payments for trading investments		(11,282)	(18,730)
Other payments		(10,330)	(9,386)
Income tax paid		(50,583)	(47,977)
Net operating cash inflows		233,958	195,957
Cash flows from investing activities			
Proceeds from sale of long-term investments		123,505	338,572
Payments for long-term investments		(188,705)	(569,203)
Proceeds from other financial cash assets		25,000	-
Payments for other financial cash assets		-	(25,000)
Executive share scheme repayments		-	15
Payments for fixed assets		(43)	(48)
Net investing cash outflows		(40,243)	(255,664)
Cash flows from financing activities			
Payments for lease liabilities		(355)	(339)
Proceeds from Share Purchase Plan		-	191,846
Cost of share issues		(128)	(524)
Dividends paid-net of Dividend Reinvestment Plan		(202,695)	(175,855)
Net financing cash (outflows)/inflows		(203,178)	15,128
Net decrease in cash held		(9,463)	(44,579)
Cash at the beginning of the year		134,718	179,297
Cash at the end of the year	6	125,255	134,718

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the year ended 30 June 2023

1. Basis of preparation

The preliminary consolidated financial statements have been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the preliminary consolidated financial statements and notes comply with the measurement and recognition requirements of International Financial Reporting Standards (IFRS).

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

The preliminary consolidated financial statements incorporate the assets and liabilities of the Company's wholly owned subsidiary Argo Service Company Pty Ltd as at 30 June 2023, and its results for the year then ended. Intercompany transactions and balances between Argo Investments Limited and Argo Service Company Pty Ltd are eliminated on consolidation.

2. Dividends and distributions

	2023 \$'000	2022 \$'000
Received/receivable from:		
Long-term investments held at the end of the year	270,509	323,027
Long-term investments sold during the year	1,730	2,392
Trading investments held at the end of the year	178	582
Trading investments sold during the year	643	216
	273,060	326,217

3. Administration expenses

	2023 \$'000	2022 \$'000
Employment benefits	6,837	6,387
Depreciation	436	436
Other	3,216	2,787
	10,489	9,610

4. Income tax expense

	2023 \$'000	2022 \$'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	292,823	328,063
Prima facie tax expense calculated at 30% (2022: 30%)	87,847	98,419
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(62,669)	(77,543)
Non-taxable distributions	-	(4,051)
Other	(3,104)	(2,536)
(Over)/under provision in previous year	(958)	846
Income tax expense	21,116	15,135
(b) Income tax expense composition:		
Charge for tax payable relating to current year	22,307	13,790
Increase in deferred tax liabilities	(233)	499
(Over)/under provision in previous year	(958)	846
	21,116	15,135
(c) Amounts recognised directly in other comprehensive income:		
Increase/(decrease) in deferred tax liabilities	128,724	(138,650)

5. Earnings per share

	2023 number '000	2022 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	753,110	732,559
	\$'000	\$'000
Profit for the year	271,707	312,928
	cents	cents
Basic and diluted earnings per share	36.1	42.7

6. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Bank deposits and cash management trusts	125,255	134,718

Cash and cash equivalents includes cash on deposit with banks (floating interest rate of 4.10% at 30 June 2023; 2022: 0.85%), fixed term deposits with banks (fixed interest rates to maturity between 4.34% and 4.70% at 30 June 2023; 2022: nil) maturing within three months from date of deposit, and cash management trusts.

7. Receivables

	2023 \$'000	2022 \$'000
Current		
Dividends and distributions receivable	35,652	29,782
Interest receivable	397	327
Other	841	540
	36,890	30,649

Receivables are non-interest bearing and unsecured. None of the receivables are past due or impaired.

8. Investments

	2023 \$'000	2022 \$'000
Current		
Listed securities at fair value ⁽¹⁾	10,452	14,406
Non-Current		
Listed securities at fair value ⁽¹⁾	6,696,732	6,201,392
Unlisted securities at fair value ⁽²⁾	17,036	17,458
	6,713,768	6,218,850

(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:

	2023 \$'000	2022 \$'000
Carrying amount at beginning of year	17,458	4,872
Additions	321	10,330
Fair value (loss)/gain recognised in other comprehensive income	(743)	2,256
Carrying amount at end of year	17,036	17,458

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

There were 462 investment transactions during the financial year. The total brokerage paid on these transactions was \$1.1 million.

9. Other financial cash assets

	2023 \$'000	2022 \$'000
Bank term deposits	-	25,000

Other financial cash assets are fixed term deposits with banks (2022: fixed interest rate to maturity of 0.81%) maturing from three to six months from date of deposit.

10. Property, plant and equipment

	2023 \$'000	2022 \$'000
Plant and equipment at cost	859	825
Accumulated depreciation	(620)	(503)
	239	322
Property right of use assets	1,599	1,599
Accumulated depreciation	(1,239)	(929)
	360	670
Carrying amount at end of year	599	992
Movements		
Carrying amount at beginning of year	992	1,380
Additions - plant and equipment at cost	43	48
Depreciation	(436)	(436)
Carrying amount at end of year	599	992

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 an 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

	2023 \$'000	2022 \$'000
Current		
Lease liabilities	249	332
Other	1,238	1,150
	1,487	1,482
Non-Current		
Lease liabilities	167	416

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

	2023 \$'000	2022 \$'000
Exchange traded options at fair value	8,062	5,972

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

	2023 \$'000	2022 \$'000
Current		
Provision for employee entitlements	1,021	964
Non-Current		
Provision for employee entitlements	158	151

14. Deferred tax liabilities

	2023 \$'000	2022 \$'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	865,390	741,541
Income receivable which is not assessable for tax until receipt	2,523	1,964
	867,913	743,505
Offset by deferred tax assets:		
Provisions and payables	(3,358)	(2,736)
Deferred tax on unrealised losses on trading investments	(621)	(459)
Deferred tax on cost of share issues	(151)	(176)
	(4,130)	(3,371)
Net deferred tax liabilities	863,783	740,134
Movements		
Balance at beginning of year	740,134	916,024
(Credited)/debited to profit or loss	(233)	499
Charged to other comprehensive income	128,724	(138,650)
Changes to the tax base of investments	(4,842)	(37,739)
Balance at end of year	863,783	740,134

The amount of net deferred tax liabilities expected to be settled in the next 12 months is \$0.4 million (2022: \$0.4 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.

	2023 No. of shares	2022 No. of shares	2023 \$'000	2022 \$'000
Issued and fully paid ordinary shares:				
Opening balance	750,132,378	725,047,635	3,155,136	2,921,659
Dividend Reinvestment Plan ^(a)	5,431,739	4,456,088	49,050	41,998
Share Purchase Plan	-	20,628,655	-	191,846
Cost of share issues net of tax			(90)	(367)
Closing balance	755,564,117	750,132,378	3,204,096	3,155,136

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

On 10 March 2023, 2,697,391 shares were allotted at \$8.98 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2023.

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

16. Reserves

	2023 \$'000	2022 \$'000
Executive Performance Rights Reserve	617	332
Investment Revaluation Reserve	1,831,496	1,538,075
Capital Profits Reserve	208,675	322,603
	2,040,788	1,861,010
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	332	577
Accrued entitlement for unvested rights	1,166	971
Executive performance shares purchased	(881)	(1,216)
Balance at end of year	617	332
Investment Revaluation Reserve		
Balance at beginning of year	1,538,075	1,990,774
Revaluation of long-term investments	420,737	(474,678)
Provision for deferred tax (expense)/benefit on revaluation of long-term investments	(128,724)	138,650
Realised losses/(gains) on sale of long-term investments transferred to capital profits reserve	3,779	(168,571)
Income tax expense thereon	(2,371)	51,900
Balance at end of year	1,831,496	1,538,075
Capital Profits Reserve		
Balance at beginning of year	322,603	263,936
Dividend paid	(112,520)	(58,004)
Transfer from investment revaluation reserve	(1,408)	116,671
Balance at end of year	208,675	322,603
Total Reserves	2,040,788	1,861,010

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 \$123.8 million (2022: \$372.6 million). The cumulative loss after tax on these disposals was \$1.4 million (2022: profit after tax of \$116.7 million), which has been transferred from the investment revaluation reserve to the capital profits reserve.

Nature and purpose of reserves

Executive performance rights reserve

This reserve contains the fair value of the 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

	2023 \$'000	2022 \$'000
Balance at beginning of year	620,545	467,467
Dividends paid	(139,225)	(159,850)
Profit for the year	271,707	312,928
Balance at end of year	753,027	620,545

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

	2023 \$'000	2022 \$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2022 of 17.0 cents fully franked at 30% tax rate paid 16 September 2022 (2021: 14.0 cents fully franked at 30% tax rate)	127,523	101,507
Interim dividend for the year ended 30 June 2023 of 16.5 cents fully franked at 30% tax rate paid 10 March 2023 (2022: 16.0 cents fully franked at 30% tax rate)	124,222	116,347
Total dividends paid	251,745	217,854

The final dividend paid contain a listed investment company (LIC) capital gain component of 15.0 cents (2022: 8.0 cents). The interim dividend paid did not contain a LIC capital gain component (2022: nil).

	2023 \$'000	2022 \$'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 2023 of 18.0 cents fully franked at 30% tax rate payable 15 September 2023 (2022: 17.0 cents fully franked at 30% tax rate)	136,002	127,523

The final dividend declared will not contain a LIC capital gain component (2022: 15.0 cents).

20. Franking account

	2023 \$'000	2022 \$'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	204,013	194,836
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(58,286)	(54,653)
	145,727	140,183
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	340,029 cents	327,094 cents
This equates to a per share amount of	45.0	43.6

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

	2023 \$'000	2022 \$'000
Balance of the imputation account	10,037	6,502

New Zealand imputation credits of \$10.0 million (NZ\$10.9 million) were attached to dividends received and are available for distribution. There will be no NZ imputation credits attached to the final dividend payable on 15 September 2023.

22. Listed Investment Company (LIC) capital gain account

	2023 \$'000	2022 \$'000
Balance of the LIC capital gain account	14,009	116,142
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	-	(112,520)
	14,009	3,622
This equates to an attributable amount of	20,013	5,174

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 BHP Group income accounting for more than 10% of income.

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

24. 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.

25. Contingencies

At balance date the Company is not aware of any material contingent liabilities or contingent assets.

Audit of Accounts

The accounts for the year ended 30 June 2023 are in the process of being audited.