

Appendix 4D

Half-year report



Results for announcement to the market

Half-year ended 31 December 2022

Comparative figures being the half-year ended 31 December 2021

Argo Investments Limited ABN 35 007 519 520

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

Dividends

Interim fully franked dividend payable 10 March 2023 (previous corresponding period 16.0 cents fully franked)	16.5 cents
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The record date for determining entitlements to the interim dividend	20 February 2023
The election date for determining participation in the Dividend Reinvestment Plan	21 February 2023

The Company's Dividend Reinvestment Plan will operate for the interim dividend. The Directors have resolved that the shares will be allotted at a 2% discount to the market price of Argo shares, which will be the volume weighted average ex-dividend market price of the shares traded on the record date and the three business days following the record date.

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

Final fully franked dividend for year ended 30 June 2022 paid 16 September 2022	17.0 cents
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Net Tangible Asset Backing

Net Tangible Asset Backing per share before any provision for deferred tax on the unrealised gains on the long-term investment portfolio was \$8.75 as at 31 December 2022, compared with \$9.52 as at 31 December 2021.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains was to be deducted, the net tangible asset backing per share would be \$7.73 as at 31 December 2022, compared with \$8.17 as at 31 December 2021.

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Directors' Report

The Directors present the financial report of the consolidated entity, consisting of Argo Investments Limited and its controlled entity (Argo or Company), for the half-year ended 31 December 2022.

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

Review of operations

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

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

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

During the half-year, \$24.8 million of additional capital was raised for investment from the Dividend Reinvestment Plan.

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

<u>Name</u>	<u>Period of Directorship</u>
Russell Higgins AO (Chairman)	Director since 1 September 2011
Jason Beddow (Managing Director)	Director since 3 February 2014
Lianne Buck	Director since 1 July 2022
Christopher Cuffe AO	Director since 25 August 2016
Roger Davis	Director since 1 June 2012
Elizabeth Lewin	Director since 1 July 2018
Peter Warne	Director since 1 November 2022

Auditor's Independence Declaration

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

Rounding of amounts

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

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

On behalf of the Board



R.A. Higgins AO
Chairman

6 February 2023

Auditor's Independence Declaration

As lead auditor for the review of Argo Investments Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
6 February 2023

Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2022

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

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2022

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

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

at 31 December 2022

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

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2022

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

for the half-year ended 31 December 2021

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

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2022

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

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the half-year ended 31 December 2022

1. Basis of preparation

The general purpose financial report for the half-year ended 31 December 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this half-yearly report is to be read in conjunction with the Annual Report for the year ended 30 June 2022 and any public announcements made by Argo Investments Limited (Company) during the half-year, in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

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

2. Earnings per share

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

3. Dividends

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

	2022 \$'000	2021 \$'000
Dividend declared after balance date		
Since the end of the half-year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the half-year:		
Interim dividend for the year ended 30 June 2023 of 16.5 cents fully franked at 30% tax rate payable 10 March 2023 (previous corresponding period: 16.0 cents fully franked at 30% tax rate)	124,223	116,346
The interim dividend declared will not contain a LIC capital gain component (previous corresponding period: nil).		

Notes to the Financial Statements

4. Contributed equity

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

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

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

5. Financial reporting by segments

The Company operates in the investment industry predominately within Australia.

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

The Company is domiciled in Australia and derives its income from the investment portfolio through the receipt of dividends, distributions, interest and other income. Argo has a diversified portfolio of investments, with only income from BHP accounting for more than 10% of income.

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

6. Events after balance date

Since 31 December 2022, to the date of this report, there have been no events specific to the Company of which the Directors are aware which has had a material effect on the Company or its financial position.

7. Contingencies

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

Directors' Declaration

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

- (a) the consolidated financial statements and notes set out on pages 6 to 11 are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



R.A. Higgins AO
Chairman

6 February 2023



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Argo Investments Limited (the Company) and the entities it controlled during the half-year (together the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, for the half-year ended on that date, the notes to the financial statements and the directors' declaration.

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

1. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001

T +61 8 8218 7000, F +61 8 8218 7999, www.pwc.com.au

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Responsibility of the directors for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PRICEWATERHOUSE COOPERS

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'J McCarthy', with a long, sweeping horizontal line extending from the end of the signature.

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
6 February 2023

PricewaterhouseCoopers, ABN 52 780 433 757

Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001

T +61 8 8218 7000, F +61 8 8218 7999, www.pwc.com.au

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