

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:		
<i>Items that will not be reclassified to profit or loss</i>		
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

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		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)

Notes to the Financial Statements

for the year ended 30 June 2021

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 2021, 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

	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 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

	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	2020	2021	2020
	No. of shares	No. of shares	\$'000	\$'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	2020
	\$'000	\$'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. 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 2021 are in the process of being audited.