



Argo Investments Limited

ABN 35 007 519 520

Appendix 4D

Half-year Report
for the period ended 31 December 2020
(previous corresponding period being
the half-year ended 31 December 2019)

RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER 2020

(Comparative figures being the half-year ended 31 December 2019)

				Consolidated \$A'000
Income from operating activities	down	43.6%	to	74,885
Profit for the half-year	down	43.3%	to	67,368

Dividend

Interim fully franked dividend payable 12 March 2021 (previous corresponding period 16.0 cents fully franked)	14.0 cents
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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 record date for determining entitlements to the interim dividend	22 February 2021
The election date for determining participation in the Dividend Reinvestment Plan	23 February 2021
Final fully franked dividend for year ended 30 June 2020 paid 18 September 2020	14.0 cents

Net 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 \$8.01 as at 31 December 2020, compared with \$8.54 as at 31 December 2019.

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 \$7.07 as at 31 December 2020, compared with \$7.47 as at 31 December 2019.





Argo Investments Limited
ABN 35 007 519 520

Half-year Report
31 December 2020

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 2020.

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 decreased by 43.3% on the previous corresponding period to \$67.4 million and earnings per share reduced 44.0% to 9.3 cents per share. The fall in profit was primarily due to reduced investment income as many companies lowered or suspended dividend payments as a result of the economic impact of the COVID-19 pandemic.

The Directors have declared a fully franked interim dividend of 14.0 cents per share compared with 16.0 cents per share paid for the half-year to 31 December 2019. This dividend totals \$101.2 million, compared with \$114.9 million in the previous corresponding period and will be paid on 12 March 2021.

Net tangible asset backing per Argo share was \$8.01 as at 31 December 2020, compared with \$7.27 as at 30 June 2020 and \$8.54 as at 31 December 2019.

During the half-year, \$18.8 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 Allan Higgins AO (Chairman)	Director since 1 September 2011
Jason Beddow (Managing Director)	Director since 3 February 2014
Anne Bernadette Brennan	Director since 1 September 2011
Christopher Edgar Cuffe AO	Director since 25 August 2016
Roger Andrew Davis	Director since 1 June 2012
Elizabeth Anne Lewin	Director since 1 July 2018
Joycelyn Cheryl Morton	Director since 1 March 2012

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 3.

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

Sydney
8 February 2021

Auditor's Independence Declaration

As lead auditor for the review of Argo Investments Limited for the half-year ended 31 December 2020, 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.



J.S. McCarthy
Partner
PricewaterhouseCoopers

Sydney
8 February 2021

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Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Dividends and distributions		73,850	124,349
Interest		467	2,215
Other income		1,257	1,196
Net (losses)/gains on trading investments		(689)	5,075
Income from operating activities		74,885	132,835
Administration expenses		(4,027)	(4,799)
Profit before income tax expense		70,858	128,036
Income tax expense thereon		(3,490)	(9,199)
Profit for the half-year		67,368	118,837
		cents	cents
Basic and diluted earnings per share	2	9.3	16.6

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2020

	2020 \$'000	2019 \$'000
Profit for the half-year	67,368	118,837
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	574,931	100,853
Provision for deferred tax expense on revaluation of long-term investments	(173,733)	(32,082)
Other comprehensive income for the half-year	401,198	68,771
Total comprehensive income for the half-year	468,566	187,608

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

as at 31 December 2020

	31 December 2020	30 June 2020
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	190,481	168,728
Receivables	6,893	17,063
Investments	777	2,500
Other financial cash assets	20,000	10,000
Current tax assets	-	14,534
Total Current Assets	218,151	212,825
Non-Current Assets		
Investments	5,631,600	5,068,924
Property, plant and equipment	1,584	1,789
Total Non-Current Assets	5,633,184	5,070,713
Total Assets	5,851,335	5,283,538
Current Liabilities		
Payables	1,051	1,149
Derivative financial instruments	19,439	10,645
Current tax liabilities	4,347	-
Provisions	823	773
Total Current Liabilities	25,660	12,567
Non-Current Liabilities		
Payables	905	1,055
Deferred tax liabilities	716,100	547,538
Provisions	157	139
Total Non-Current Liabilities	717,162	548,732
Total Liabilities	742,822	561,299
Net Assets	5,108,513	4,722,239
Shareholders' Equity		
Contributed equity	2,902,506	2,883,783
Reserves	1,743,977	1,342,956
Retained profits	462,030	495,500
Total Shareholders' Equity	5,108,513	4,722,239

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2020

	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	Total \$'000
Balance as at 1 July 2020	2,883,783	1,342,956	495,500	4,722,239
Profit for the half-year	-	-	67,368	67,368
Other comprehensive income	-	401,198	-	401,198
Total comprehensive income for the half-year	-	401,198	67,368	468,566
Transactions with shareholders:				
Dividend Reinvestment Plan	18,772	-	-	18,772
Cost of share issues net of tax	(49)	-	-	(49)
Executive performance rights reserve	-	(177)	-	(177)
Dividend paid	-	-	(100,838)	(100,838)
Total transactions with shareholders	18,723	(177)	(100,838)	(82,292)
Balance as at 31 December 2020	2,902,506	1,743,977	462,030	5,108,513

for the half-year ended 31 December 2019

Balance as at 1 July 2019	2,838,980	1,928,508	503,831	5,271,319
Profit for the half-year	-	-	118,837	118,837
Other comprehensive income	-	68,771	-	68,771
Total comprehensive income for the half-year	-	68,771	118,837	187,608
Transactions with shareholders:				
Dividend Reinvestment Plan	23,031	-	-	23,031
Cost of share issues net of tax	(50)	-	-	(50)
Executive performance rights reserve	-	(645)	-	(645)
Dividend paid	-	(28,597)	(92,941)	(121,538)
Total transactions with shareholders	22,981	(29,242)	(92,941)	(99,202)
Balance as at 31 December 2019	2,861,961	1,968,037	529,727	5,359,725

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2020

	2020	2019
	\$'000	\$'000
Cash flows from operating activities		
Dividends and distributions received	80,993	147,456
Interest received	484	2,166
Other receipts	1,237	1,191
Proceeds from trading investments	12,153	3,512
Payments for trading investments	(500)	(1,412)
Other payments	(4,456)	(5,884)
Income tax refunded/(paid)	10,241	(23,198)
Net operating cash inflows	100,152	123,831
Cash flows from investing activities		
Proceeds from sale of long-term investments	124,763	100,427
Payments for long-term investments	(110,870)	(73,601)
Proceeds from other financial cash assets	10,000	-
Payments for other financial cash assets	(20,000)	(60,000)
Executive share scheme repayments	9	11
Payments for fixed assets	(6)	(4)
Net investing cash inflows/(outflows)	3,896	(33,167)
Cash flows from financing activities		
Payments for lease liabilities	(158)	-
Cost of share issues	(71)	(71)
Dividend paid – net of Dividend Reinvestment Plan	(82,066)	(98,507)
Net financing cash outflows	(82,295)	(98,578)
Net increase/(decrease) in cash held	21,753	(7,914)
Cash at the beginning of the half-year	168,728	219,006
Cash at the end of the half-year	190,481	211,092

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the half-year ended 31 December 2020

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

The general purpose financial report for the half-year ended 31 December 2020 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 2020 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

	2020 number '000	2019 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	721,670	716,626
	\$'000	\$'000
Profit for the half-year	67,368	118,837
	cents	cents
Basic and diluted earnings per share	9.3	16.6

3. DIVIDENDS

	2020 \$'000	2019 \$'000
Dividend paid during the half-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
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 ending 30 June 2021 of 14.0 cents fully franked at 30% tax rate payable 12 March 2021 (previous corresponding period: 16.0 cents fully franked at 30% tax rate)	101,184	114,847

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.

	2020 No. of shares	2019 No. of shares	2020 \$'000	2019 \$'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)	2,473,303	2,861,032	18,772	23,031
Cost of share issues net of tax	-	-	(49)	(50)
Closing balance	722,745,010	717,791,973	2,902,506	2,861,961

(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.

5. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the investment industry 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 no single investment 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 2020, 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 Directors are 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 4 to 10 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 2020 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

Sydney
8 February 2021

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 2020, 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 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Basis for conclusion

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Responsibility of the directors for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 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

J.S. McCarthy
Partner

Adelaide
8 February 2021

PricewaterhouseCoopers, ABN 52 780 433 757

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