ARGO INVESTMENTS LIMITED

TAX TRANSPARENCY REPORT
2020-2021

Introduction

Argo Investments Limited (Argo or Company) actively manages a diversified portfolio of Australian listed securities with the objective of providing both long-term capital growth and dividend income for its shareholders.

The Board of Argo is committed to responsible financial and business practices and the highest standards of corporate governance to protect and advance shareholders' interests. As part of this commitment, the Board has determined that the Company publish a Tax Transparency Report in accordance with the Voluntary Tax Transparency Code as developed by the Board of Taxation.

Risk management framework

Argo's Risk Management Policy addresses the elements of the Company's risk management framework including how risks are identified and managed and who is responsible for risk.

The Risk Management Policy is available at:
https://www.argoinvestments.com.au/Risk-Management-Policy.pdf

Responsibilities

Board
The Board oversees the operational and financial risks of the Company, including taxation risk with the assistance and recommendations of the Audit & Risk Committee.

Audit & Risk Committee
The Board has delegated responsibilities to the Audit & Risk Committee in relation to financial reporting, internal financial controls and facilitating the external audit.

Management
Management has developed the Company's taxation compliance strategy and designed its taxation risk management system. Management regularly reports to the Audit & Risk Committee on taxation matters and discusses any relevant issues.

The Managing Director and the Chief Financial Officer provide management representation assurance letters twice a year to the Board confirming the Company's financial statements are founded on a sound system of risk management and internal control.

Taxation compliance strategy

Argo's taxation compliance strategy is to provide conservative tax effective accounting under current taxation legislation and ATO guidance to ensure tax obligations are met. The Company looks for certainty in tax outcomes and therefore does not pursue risky or uncertain positions.

Taxation risk management

In accordance with the Company's risk management framework, the Company's business environment is regularly reviewed for new taxation risks and its current taxation risks are continually monitored.

Argo's risk management and internal control systems ensure compliance by the Company with its taxation obligations.

Management consults the Company's external auditor and tax advisers, PricewaterhouseCoopers (PWC) on all significant transactions and medium/high taxation risk matters to ensure correct application to enable the Company to meet its taxation obligations.

Taxation risk controls

To reduce the risk of misstatement in the calculation and provision for taxation, the Company has the following controls in place:

- As part of the half-year review and full-year audit, PWC review the Company's provision for tax payable and confirm the franking account and Listed Investment Company (LIC) capital gain account balances;

- PWC annually review and confirm accounting and tax treatment of investment transactions to ensure treatment is consistent with ATO legislation, guidance and class rulings; and

- Management prepares the Company's annual tax return and engages PWC to review and lodge it.

Income tax reconciliations

A reconciliation of Argo's accounting profit to its income tax expense is included in Note 4 of the Company's 2021 Annual Report in accordance with International Financial Reporting Standards (IFRS).

The Company provides the following information to enhance transparency of Argo's tax outcomes in accordance with the Voluntary Tax Transparency Code:

1) Reconciliation of accounting profit for the year ended 30 June 2021 to income tax to be paid;

2) Effective company tax rates; and

3) Reconciliation of tax liability payable at 30 June 2021 to tax paid for the 2020-21 year.

1) Reconciliation of accounting profit for the year ended 30 June 2021 to income tax to be paid

	2021 $ 000
Profit for the year before tax	179,676
Nominal tax at 30%	53,903
Less: franking credits on dividends received	(37,710)
Less: non-taxable demerger dividend	(5,734)
Less: other non-taxable items	(4,800)
Plus: under provision in previous year	28
Income tax expense as per Statement of Profit or Loss	**5,687**
Plus: tax on realised capital gains	24,364
Plus: deferred tax temporary differences	8,716
Less: PAYG tax instalments paid	(4,204)
Tax payable as per Statement of Financial Position at 30 June 2021	**34,563**

2) Effective company tax rates

Franked dividends received by the Company include tax credits which represent the tax already paid and distributed by the source companies.

Including the tax paid on dividends received and the non-taxable dividend from the demerger of Endeavour Group from Woolworths Group, the effective tax rate would be as follows:

	2021 $ 000
Profit for the year before tax	179,676
Franking and foreign tax credits received	37,720
Non-taxable demerger dividend	5,734
Income tax expense as per Statement of Profit or Loss	5,687
Tax expense including franking and demerger dividend	**49,141**
Effective tax rate including franking and demerger dividend	**27.3**%

The effective tax rate, including tax paid on dividends received and the non-taxable demerger dividend, is less than the company tax rate of 30% due to non-assessable trust income received, dividends accrued at balance date and the under provision of tax from the previous year.

The effective tax rate, excluding the effect of franking credits received on dividends and the demerger dividend, would be 3.2%.

3) Reconciliation of tax liability payable at 30 June 2021 to tax paid for the 2020-21 year

	2021 $ 000
Tax payable as per Statement of Financial Position at 30 June 2021	34,563
Less: PAYG instalments paid post June 2021	(35,409)
Under provision of tax for 2020-21 year	846

The under provision amount above arises from non-assessable amounts and adjustments as per annual tax statements received after 30 June 2021 from trusts. The under provision amount has been accounted for in the Company's financial statements for the year ended 30 June 2022.