

Annual Report



2022

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2022 overview

Profit

\$312.9m

\$174.0m in 2021

Earnings per share

34.3c

Excl. one-off, non-cash income
21.4c per share in 2021

Full year dividends

33.0c

Fully franked per share
28.0c per share in 2021

LIC capital gain

15.0c

LIC tax benefit
8.0c per share in 2021

Management expense ratio

0.14%

0.14% in 2021

Argo shareholders

96,100

94,100 shareholders in 2021

Letter from the Chairman



Russell Higgins AO
Chairman

Dear valued shareholder,

It is with great pleasure that I present Argo's 2022 Annual Report.

Argo delivered a strong result for the 2022 financial year, reporting a record full year profit of \$312.9 million, an increase of +80%. Argo's profit was bolstered by increased investment income with many companies in the portfolio significantly increasing their dividends and paying special dividends.

Argo's performance is particularly pleasing given the considerable share market volatility and challenging economic conditions driven by numerous domestic and overseas factors.

The Board recently declared a final dividend of 17 cents per share bringing dividends for the full year to 33 cents per share, fully franked. This represents an +18% increase on the previous year and marks the seventy sixth consecutive year Argo has paid dividends to our shareholders.

The final dividend also included a record LIC capital gain component of 15 cents per share as a result of substantial capital gains being crystallised in our portfolio, predominantly due to the takeover of Sydney Airport. When Argo makes a discounted capital gain, the tax benefit can be passed on to our shareholders, with eligible investors able to claim a tax deduction in relation to this capital gain. This is a key benefit of Argo which distinguishes us from many other managed investment funds and LICs. For more information, please visit the Shareholder Centre on our website.

In March 2022, we successfully completed our first Share Purchase Plan in four years to raise \$192 million with 14,500 shareholders participating.

I would like to reiterate that Argo is owned by our shareholders and operates for the benefit of our shareholders. As always, we remain focused on maximising long-term returns to our shareholders through reliable fully franked dividend income and capital growth.

On behalf of the Board, I thank you for your continued and loyal support of Argo during the year and welcome all our new shareholders.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. Higgins', written in a cursive style.

Russell Higgins AO

Chairman

30 August 2022

Letter from the Managing Director



Jason Beddow
Managing Director

Dear valued shareholder,

During what has been a turbulent period, Argo's portfolio of quality Australian listed companies displayed resilience, outperforming the share market and generating record dividend income.

For the Australian share market, financial year 2022 can be broadly divided into distinct halves. Earlier in the year, highly supportive monetary and fiscal policy drove share prices to new post-COVID highs.

However, sentiment turned sharply as central banks globally reacted to rising inflation by withdrawing stimulus and raising official interest rates. Further adding to investor concerns, the Russian invasion of Ukraine exacerbated supply chain disruptions and drove up energy prices, not to mention the terrible human toll.

The combined effects of these macro-economic headwinds saw Australian shares fall dramatically in the second half of the financial year. Over the 12 months to 30 June 2022, the S&P/ASX 200 Accumulation Index declined -6.5%. In comparison, Argo's performance, measured by the NTA return after all costs and tax, was -3.1%.

Our strong relative performance reflects our conservative investment approach which focuses on company fundamentals. This saw us avoid several companies and sectors with inflated valuations, including many poor-performing technology stocks and speculative mining businesses.

We expect the Australian and global economies will continue to confront difficulties. In this uncertain environment, I remind shareholders that Argo has successfully navigated through various market cycles and disruptive events since 1946.

We have done this by taking a long-term view and remaining true to our established investment process. We continue to consistently apply this approach when investing our shareholders' capital.

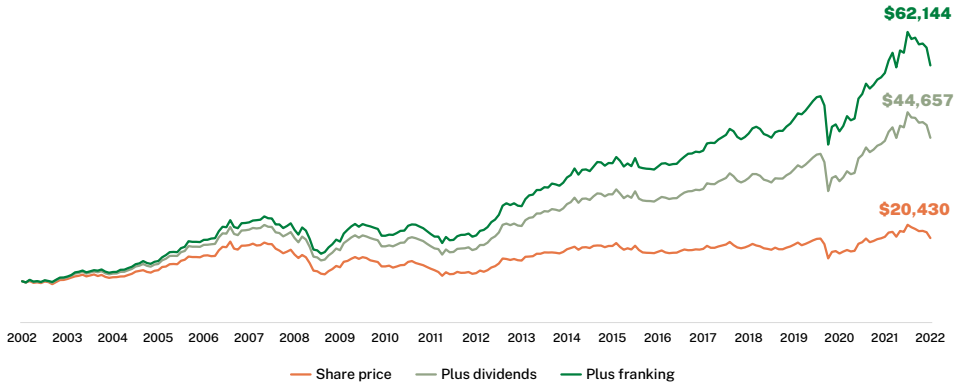
Yours faithfully,

A handwritten signature in black ink that reads "Beddow". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jason Beddow
Managing Director
30 August 2022

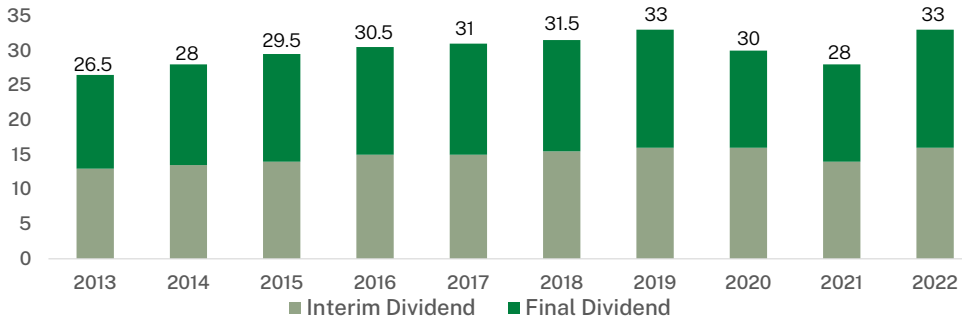
Shareholder returns

Long-term returns – \$10,000 invested over 20 years

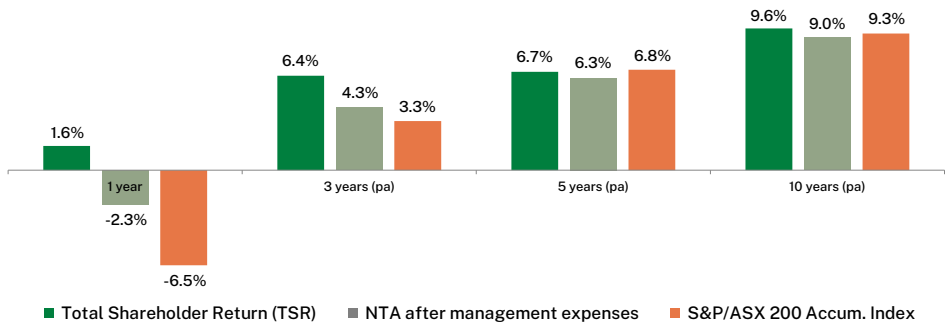


A \$10,000 investment in Argo shares on 1 July 2002 would have grown to a value of \$44,657 (+7.8% per annum) at 30 June 2022. The tax effective value taking into account franking credits is \$62,144 (+9.6% per annum).

Annual dividends paid (cents per share)



Performance (assuming dividends reinvested)



All figures above are to 30 June 2022.

About Argo Investments

Argo Investments is one of Australia's oldest and largest listed investment companies (LICs). We offer investors low-cost, conservative and diversified exposure to approximately 90 Australian listed companies.

Through various economic cycles and disruptive events since Argo was founded in 1946, our long-term investment approach and straightforward business model has proven resilient.

Today, Argo is one of the ASX's top 100 companies, investing approximately \$6.4 billion on behalf of more than 96,100 shareholders from across Australia and around the world.

Argo has a strong track record of delivering capital appreciation and has paid shareholders dividends every year since being established more than 75 years ago.

Low-cost, straightforward business model

Argo generates revenue primarily from dividends and distributions received from the companies in our investment portfolio. The majority of that income is paid out to our shareholders as fully franked dividends.

Our operating costs are relatively stable and are lower than most other managed investment products. Argo has few employees and is internally managed, meaning no fees are paid to external managers.

Our efficient business model also benefits from economies of scale with costs remaining relatively stable, even as Argo's assets increase.

Simple to invest

Argo shares are bought and sold on the ASX. There are no upfront, ongoing or exit fees to invest in Argo. The only costs to invest are stockbroking charges to buy or sell shares.

Argo's history

Adelaide-based chartered accountant Alf Adamson and lawyer Kevin Ward QC founded Argo in 1946 with £10,000 of capital invested on behalf of a small group of South Australian shareholders. From a boutique investment firm, Argo steadily grew through acquisitions of listed and unlisted companies, new share issues and capital appreciation.

Over its more than 75 years, Argo has weathered various market cycles and disruptive events including the oil crises of the 1970s, the 1987 share market crash, the Tech Wreck, the Asian Economic Crisis, the Global Financial Crisis and, more recently, the COVID-19 pandemic.

Our name

The name Argo comes from the Greek myth of *Jason and the Argonauts* who sailed in their ship the Argo in search of the illusive golden fleece. The ancient ship has long been incorporated into our visual brand and has come to represent Argo's journey over time which has seen the Company safely navigate through various conditions.

Our objective

Maximise long-term shareholder returns through reliable fully franked dividend income and capital growth.

Actively managing a diversified portfolio of Australian shares with a low-cost, internally managed business model, we apply a conservative, long-term investment approach which has proven resilient since 1946.

Shareholder benefits



Low-cost, internally managed

Internal management structure ensures low operating costs and no external fees. For the year ended 30 June 2022, total operating costs were 0.14% of average assets at market value.



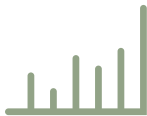
Fully-franked, sustainable dividends

Dividends paid every year since inception in 1946 and fully franked since 1995. In addition, dividends sometimes include a LIC capital gain component which provides a tax deduction for eligible shareholders.



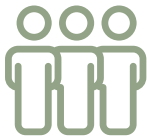
Diversified and administratively simple

Exposure to a highly diversified portfolio of Australian equities through a single ASX trade.



Long-term, proven investment approach

Resilience and growth through various market cycles and conditions over 75 years of investing in Australia.



Experienced board and management team

Highly experienced board and management team with strong governance and conservative culture.



Strong balance sheet with no debt

Conservatively managed investment with a strong balance sheet and no debt.



Dividend Reinvestment Plan (DRP)

Argo's DRP gives shareholders the opportunity to reinvest their dividends. In addition, Argo has a Share Purchase Plan (SPP) which, when offered, gives shareholders the opportunity to acquire additional shares (up to \$30,000) with no brokerage or transactions costs.

Investment approach

Since 1946, Argo has invested in Australian listed companies, applying a patient and conservative approach navigating through various market cycles, events and conditions.

Investment philosophy

We strongly believe in the cumulative effect of investing in quality companies for the long-term, while avoiding the temptation to seek short-term gains in higher-risk situations.

Investment process

Our investment process helps us identify companies with a strong market position, disciplined business strategy, a strong board and management team and an established track record of delivering earnings and dividend growth.

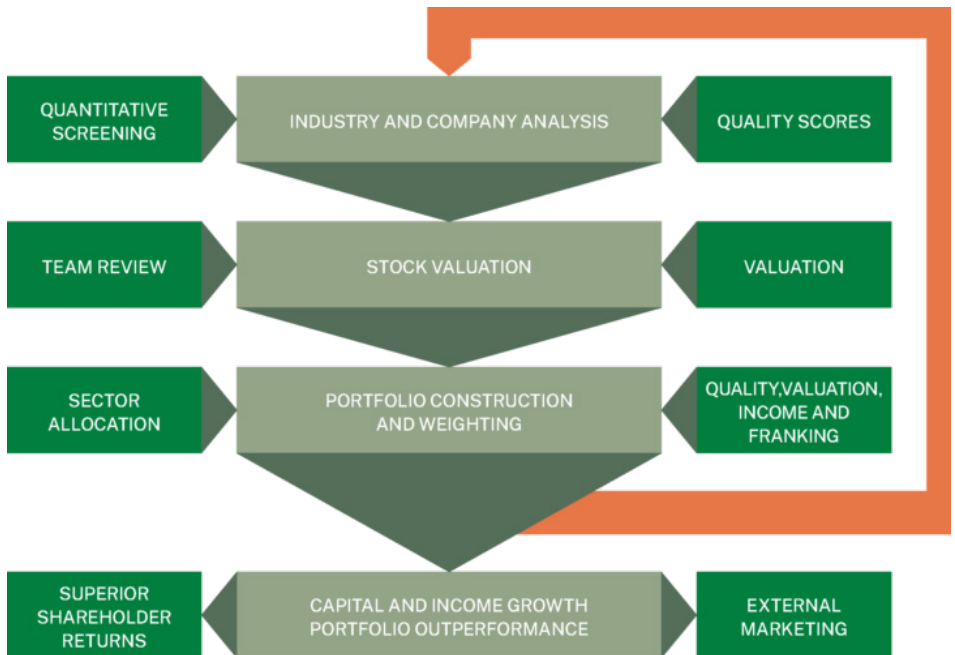
We undertake extensive qualitative and quantitative research before we invest any of our shareholders' capital in a company.

We review external information, although primarily conduct our own research to ensure independence. Based on a detailed analysis of a company's financial metrics, we construct a valuation. Being long-term and patient investors, we only buy a stock when it is trading below our valuation.

The investment team continually monitors and reviews all investments to ensure our portfolio meets our investment objective.

ESG integration

Analysis of environmental, social and governance (ESG) factors are inherent to our assessment of a company's risk profile and impacts on its long-term value. For more detail see our ESG Investment Statement on our website.



Portfolio overview

Argo's investment portfolio is focused on quality and diversification. Comprising of approximately 90 Australian companies from across a broad range of industries, our portfolio consists of companies that offer both capital growth and consistent and growing dividends.

Highly diversified

Many of our shareholders invest in Argo because we offer an easy and effective way to gain exposure to a diverse portfolio of Australian listed companies.

Our portfolio is not overly exposed to any one sector of the economy. Importantly, it includes exposure to Australian companies with overseas operations providing further diversification.

This diversification helps reduce volatility.

Quality companies

Our portfolio is weighted towards established companies with reliable cashflows and sustainable dividends which we pass through to our shareholders as fully franked dividends. Importantly, Argo's portfolio is made up of companies that have sound long-term growth prospects. These tend to be at the larger end of the share market and include many

household names. In addition, we own some smaller, growing companies with attractive long-term prospects and the potential to become future leading Australian listed companies.

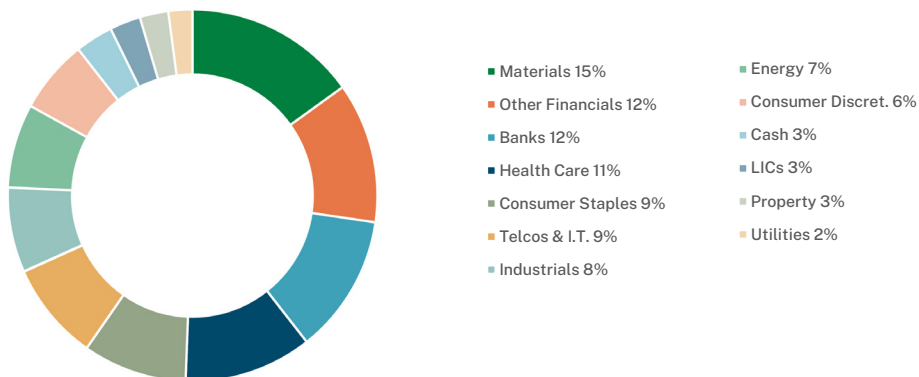
Superior structure

Argo's closed-ended, listed investment company structure insulates our portfolio from inflows and outflows of capital. This means that, unlike managed investment funds with an open-ended structure, Argo is not forced to sell any of our investments to fund redemptions when investors want to leave the fund.

Having a stable pool of money to invest means our investment team can take a long-term approach to investment decisions.

We can also take advantage of market volatility to buy stocks when their share prices trade below their inherent valuations.

Investment portfolio sector allocation



Figures above are at 30 June 2022.

Top 20 investments

Argo's 20 largest investments at 30 June 2022 are listed below. We announce our top 20 investments every month via the ASX and on our website.

	\$m	% of portfolio
Macquarie Group	421.7	6.6
BHP	369.9	5.8
CSL	319.2	5.0
CBA	248.9	3.9
Rio Tinto	225.6	3.5
Wesfarmers	211.2	3.3
Telstra	186.8	2.9
ANZ	182.1	2.8
Westpac	163.9	2.6
NAB	162.6	2.5
Santos	156.6	2.4
Ramsay Health Care	148.2	2.3
Aristocrat Leisure	136.6	2.1
Computershare	134.5	2.1
APA Group	133.9	2.1
Transurban	132.2	2.1
Woolworths	123.9	1.9
Sonic Healthcare	123.0	1.9
QBE Insurance	115.9	1.8
Aust. United Investment	112.2	1.8
Top 20 equity investments	3,808.9	59.4
Cash and cash equivalents	159.7	2.5

Portfolio holdings

Argo's portfolio of long-term investments, including the value of each holding and total number of shares held, can be found on page 72 of this Annual Report.

Directors' Report

The Directors present their Seventy Sixth Annual Report together with the financial report of the consolidated entity, consisting of Argo Investments Limited and its controlled entities (Argo or Company), for the financial year ended 30 June 2022, including the Independent Auditor's Report.

Directors

At the date of this report, the Board comprised six Non-executive Directors and the Managing Director. The Directors in office during or since the end of the financial year are as follows:



Russell Higgins AO
Independent Non-executive Director
and Chairman

BEC, FAICD

Joined the Board in 2011, appointed Chairman
in 2018

Remuneration Committee member

Experience

Experienced company director who has also held several senior government positions, particularly in industry, science and energy, and in economic and fiscal policy, in Australia and overseas.

ASX directorships, current

Argo Global Listed Infrastructure (since 2018,
Chairman)

ASX directorships, last 3 years

APA Group (2004–2019)

Other directorships

Telstra Foundation (Chair), Argo Service
Company (Chair)



Elizabeth Lewin
Independent Non-executive Director

GAICD

Joined the Board in 2018

Remuneration Committee member

Experience

Extensive background in the financial services sector, including wealth management, investment banking and superannuation, in Australia and the UK.

ASX directorships, current

-

ASX directorships, last 3 years

-

Other directorships

Australian Chamber Orchestra, Kaldor Public
Art Projects



Lianne Buck
Independent Non-executive Director

(appointed 1 July 2022)

BCom, MAcc, GAICD

Joined the Board in July 2022

Audit & Risk Committee member

Experience

Australian and international experience in global investment markets as a Non-executive Director and executive.

ASX directorships, current

-

ASX directorships, last 3 years

Spark Infrastructure Group (2021)

Other directorships

AusNet Services, ISPT



Christopher Cuffe AO
Independent Non-executive Director

BCom, FCA, FFin, FAICD

Joined the Board in 2016

Audit & Risk Committee member

Experience

Extensive experience in the wealth management and philanthropic sectors, including as CEO of Colonial First State and Challenger Financial Services, and Chairman of UniSuper.

ASX directorships, current

Hearts and Minds Investments (since 2018, Chair), Global Value Fund (since 2014)

ASX directorships, last 3 years

Class (2017–2020), Antipodes Global Investment Company (2016–2021)

Other directorships

Australian Philanthropic Services, Realside Financial Group, Third Link Investment Managers, Ventra Capital



Roger Davis
Independent Non-executive Director

Bec(Hons), MPhil(Oxon), FCPA

Joined the Board in 2012

Remuneration Committee member (Chair)

Experience

Experienced director and former Rhodes Scholar with extensive executive experience in banking and investment banking in Australia, Japan and the US.

ASX directorships, current

Charter Hall Retail (since 2018, Chair)

ASX directorships, last 3 years

Bank of Queensland (2008–2019)

Other directorships

-



Anne Brennan
Independent Non-executive Director
BCom(Hons), FCA, FAICD
Joined the Board in 2011
Audit & Risk Committee member (Chair)

Experience

Experienced company director with executive experience in a variety of financial roles with large corporates and chartered accounting firms, particularly in audit, corporate finance and transaction services.

ASX directorships, current

Endeavour Group (since 2022), GPT Group (since 2022), The Lottery Corporation (since 2022)

ASX directorships, last 3 years

Charter Hall Group (2010–2021), Metcash (2018–2019), Nufarm (2011–2020), Spark Infrastructure Group (2020-2022), Tabcorp Holdings (2020-2022)

Other directorships

Argo Service Company, Rabobank New Zealand, NSW Treasury Corporation



Jason Beddow
Non-Independent Managing Director
BEng, GdipAppFin (SecInst)
Joined the Board in 2014

Experience

Started his career in mining engineering before moving into the investment industry, working in broking, research and funds management. Joined Argo in 2001 as an Investment Analyst, became Chief Investment Officer in 2008 and Chief Executive Officer in 2010.

ASX directorships, current

Argo Global Listed Infrastructure (since 2015, Managing Director)

ASX directorships, last 3 years

-

Other directorships

Argo Service Company (Managing Director)

Retired director



Joycelyn Morton
Independent Non-executive Director

(retired 30 June 2022)

BEc, FCA, FCPA, FIPA, FGIA, FAICD

Joined the Board in 2012

Audit & Risk Committee member

Experience

Experienced corporate and government company director with executive experience in corporate, tax and accounting roles both in Australia and overseas

ASX directorships, current

Argo Global Listed Infrastructure (since 2015),
Felix Group Holdings (since 2021)

ASX directorships, last 3 years

Beach Energy (2018-2021)

Other directorships

ASC, Salvation Army Red Shield Doorknock
Appeal Sydney (Chair), Gelion plc

Directors' relevant interests

The Directors' relevant interests in shares and executive performance rights, as notified to the ASX in accordance with the *Corporations Act 2001*, at the date of this report are as follows:

	Shares	Performance Rights
R.A. Higgins AO	114,450	-
J. Beddow	380,287	343,109
A.B. Brennan	20,656	-
L.M. Buck	-	-
C.E. Cuffe AO	15,000	-
R.A. Davis	33,773	-
E.A. Lewin	14,181	-

Board and Committee meetings

At the date of this report, the Board has an Audit & Risk Committee and a Remuneration Committee.

There were seven Board meetings, four Audit & Risk Committee meetings and five Remuneration Committee meetings held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were:

	Board		Audit & Risk Committee		Remuneration Committee	
	No. of meetings held while a Director	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
R.A. Higgins AO	7	7	-	4*	5	5
J. Beddow	7	7	-	4*	-	5*
A.B. Brennan	7	7	4	4	-	-
C.E. Cuffe AO	7	7	4	4	-	-
R.A. Davis	7	7	-	3*	5	5
E.A. Lewin	7	7	-	3*	5	4
J.C. Morton	7	7	4	4	-	-

* By invitation

Secretary

Tim Binks *BEC, CA, FGIA, GAICD* held the role of Company Secretary during the year and at the date of this report.

Mr. Binks joined the Company in 2007 and is an experienced governance executive with a background in accounting, funds management and stockbroking. He was appointed Company Secretary in 2010 and Chief Operating Officer in 2015, while still maintaining the company secretarial duties.

Principal activities and state of affairs

The principal activities of the Company during the financial year were the investment of funds in Australian listed securities and short-term interest bearing securities. The Company's wholly owned subsidiary also provides management services to an external listed investment company under an Australian Financial Services Licence. More details are provided in the Operating and Financial Review below.

Operating and financial review

Summary of business model

Argo is a listed investment company which seeks to maximise shareholder returns through reliable fully franked dividend income and capital growth.

Actively managing a diversified portfolio of Australian shares within a low-cost, internally managed business model, we apply a conservative, long-term investment approach which has proven resilient since 1946.

Argo generates the majority of its income by 'harvesting' the dividends received from the companies in its investment portfolio. Additional income is derived from interest earned on cash deposits, premium income from selling exchange-traded options, a small amount of share trading activity and fee income from managing an external listed investment company.

Argo's operational costs are relatively stable and are lower than those of most other managed investment products due to its internally managed listed investment company structure. In the 2022 financial year the Company's total operating costs were equivalent to 0.14% of average assets, which is very low by industry standards. Argo's main expense items are remuneration, share registry fees, insurance, software and office rent.

The above characteristics make for an efficient business model which benefits from economies of scale. The low proportion of variable costs implies that in general, profit will fluctuate according to the performance, and in particular the dividend payout policies, of each of the companies in the investment portfolio.

At balance date there were 93 different stocks in the portfolio, providing the Company with dividend income from a diverse range of industries.

The majority of Argo's profit is paid out as dividends to its shareholders, with fully franked dividends a priority. Argo has paid dividends every year since it was established in 1946.

Argo shares offer investors a professionally managed, diversified and easily traded exposure to the Australian equity market, without the need to pay fees to an external investment manager.

For the last 10 years, the Company has produced a compound investment return of +9.0% per annum, as measured by the movement in net tangible asset (NTA) backing per share assuming dividends paid are reinvested. This return is after management expenses and compares to a return of +9.3% per annum from the S&P/ASX 200 Accumulation Index, although the index does not take into account any costs or tax. In addition, Argo's total shareholder return (TSR) based on the share price over the same 10-year period was +9.6% per annum, and +11.4% including the franking credits attached to the dividend payments.

In addition to managing Argo's portfolio and operations, the Company's wholly owned subsidiary, Argo Service Company Pty Ltd, manages an external listed investment company, Argo Global Listed Infrastructure Limited (ALI). The management activities include administration, financial reporting, company secretarial duties and supervision of ALI's share registry, asset custodian and its US-based portfolio manager.

Investment process

The investment team, led by the Managing Director, is responsible for constructing and maintaining an appropriately diversified portfolio which generates dividend income and long-term capital growth.

The investment process, which involves the monitoring and review of existing investments as well as analysing potential new investments, includes extensive research, company visits and industry studies, as well as economic analysis to help identify emerging trends and assist with the timing of transactions.

The closed-end structure of a listed investment company is ideally suited to building a long-term portfolio, as Argo does not experience investor redemptions which might otherwise force desirable long-term holdings to be sold. Instead, shareholders wishing to liquidate their holding in Argo simply sell their shares on the share market. This stability allows Argo to take advantage of short-term market fluctuations in order to buy or add to holdings when prices trade below the long-term valuations calculated by the investment team.

Review of activities and events during the year

The 2022 financial year saw the S&P/ASX 200 Accumulation Index record only its third negative return in the past decade.

The share market started the year positively despite continuing lockdowns in New South Wales and Victoria. However, sentiment in global markets started to turn in late 2021 as the time to unwind the huge pandemic stimulus measures approached. Technology was the first sector to turn down meaningfully after the Nasdaq market index peaked in November, as investors started to look toward value stocks rather than relentlessly pursuing growth.

With consumer demand strong and employment rates generally high, inflation numbers started to spike around the world. The looming need to apply the brakes with respondent interest rate rises became a key concern for markets. Russia's invasion of Ukraine in February added to increasing market volatility, with energy stocks benefiting from anticipated supply constraints due to the war, while most other sectors declined.

In May 2022, the Reserve Bank of Australia raised interest rates for the first time in nearly 12 years and markets became focused on the prospect of multiple rate rises and potential recession as economies are slowed to control escalating inflation. In June 2022, the S&P/ASX 200 Accumulation Index fell nearly 9% which was enough to push the full year return into the negative.

Over the full year, energy and utilities were the best performing sectors, while information technology and consumer discretionary stocks were the weakest, after being among the strongest in the previous year.

There was considerable corporate activity, although this declined later in the year as the market became more volatile. Takeovers included Sydney Airport and Spark Infrastructure, leaving only a handful of infrastructure stocks listed on the ASX.

The larger movements in the portfolio during the year included:

Purchases

Aristocrat Leisure
Aurizon Holdings
BHP
EML Payments
Lendlease Group
Megaport*
RAM Essential Services Property Fund*
Santos
Superloop

**New portfolio position*

Sales

AGL Energy**
 Australian United Investment Company
 Boral**
 Crown Resorts**
 Oil Search (takeover)**
 Spark Infrastructure (takeover)**
 Sydney Airport (takeover)**
 Washington H. Soul Pattinson

***fully exited position*

Other new stocks added to the portfolio were Chrysol Corporation, Clarity Pharmaceuticals, EBR Systems, IDP Education, Judo Capital Holdings, Life360, Liantown Resources, Stanmore Resources and Xpansiv.

South32 and Talga Group were also exited. In addition, Milton Corporation was removed from the portfolio when it delisted following its merger with Washington H. Soul Pattinson. The total number of holdings in the portfolio increased slightly to 93.

At the end of a volatile year for the Australian and global share markets, the S&P/ASX 200 Accumulation Index had declined by -6.5%. Argo comfortably outperformed the market, returning -3.1% after deducting all costs and tax.

Argo's share price performance was even stronger, achieving a positive return of +1.6% for the financial year, with the share price closing at a slight premium to NTA.

In March 2022, Argo's first Share Purchase Plan for four years was well supported, with over 14,500 shareholders participating, raising \$192 million for further portfolio investments.

The number of Argo shareholders has once again risen, with over 96,000 holders on the register at 30 June 2022. Approximately one third of those shareholders choose to reinvest their dividends into more Argo shares, to build their holding through the Dividend Reinvestment Plan.

There has been one change to the composition of the Board of Directors this year, with Joycelyn Morton retiring on 30 June 2022 after a decade of diligent service to the Board and its Audit & Risk Committee. Lianne Buck has been appointed to replace Joycelyn.

Discussion of results and financial position

Argo's headline profit for the year ended 30 June 2022 increased by 80% over the prior year. However, this increase included non-cash dividend income of \$61.7 million due to the merger of BHP's oil and gas portfolio with Woodside Energy, and Tabcorp's demerger of The Lottery Corporation. Excluding one-off, non-cash items, Argo's profit increased by 62% and earnings per share rose by 60%.

The main driver of Argo's profit is the dividends received from the stocks held in the portfolio. There were significant dividend increases from BHP and Rio Tinto in particular, driven by high commodity prices, as well as several financial stocks led by Commonwealth Bank and Macquarie Group. Income from option writing also increased. Expenses rose by 16% this year, after falling 9% last year.

Argo's balance sheet remains very strong, with total assets decreasing slightly from \$6.6 billion to \$6.4 billion, as the portfolio value reduced, in part reflecting the decline in the Australian share market.

Argo has no debt and cash on hand at 30 June 2022 of \$160 million. Cash levels fluctuate throughout the year according to the timing of dividends received, dividends paid, capital raisings, and investment purchases and disposals.

Overall, this was a very good year for Argo, recording a substantial increase in profit, comfortably outperforming the benchmark S&P/ASX 200 Accumulation Index and providing our shareholders with a 5 cents per share (or 18%) lift in fully franked annual dividends.

Future prospects, strategies and risks

The Company has cash available for additional investments in the share market and will continue to focus on producing results in accordance with its stated investment objective.

The results of Argo's future investment activities will depend primarily on the performance of our investee companies, their resulting share price movements and the dividends we receive from these companies.

Those prospects may be impacted by a variety of risks and economic conditions in the future, with current issues including rapidly rising inflation, interest rates and the unwinding of government stimulus, as well as the ongoing health and social effects of the pandemic.

The effects of ever-changing conditions on the companies in our portfolio is difficult to predict, especially when combined with company-specific issues such as management competence, capital strength, industry trends and competitive behaviour.

The benefit of a large, diversified portfolio is that different companies will be affected in different ways, helping to balance out some of the short-term impacts. Actively managing the portfolio allows changes to be made quickly to its composition if we see long-term issues or opportunities developing.

Although the constantly changing nature of markets and other investment conditions requires Argo to diligently appraise any opportunities that may present themselves, we do not envisage any significant changes to Argo's business model which has stood the test of time since 1946.

Matters arising since year end

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year which has significantly affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years except as stated elsewhere in this report.

Dividends

A fully franked interim dividend of 16 cents per share was paid on 11 March 2022.

On 15 August 2022, the Directors declared a fully franked final dividend of 17 cents per share to be paid on 16 September 2022, which includes a 15 cents per share listed investment company (LIC) capital gain component. This enables eligible shareholders to claim a deduction in their 2023 income tax return.

Total fully franked dividends for the year amount to 33 cents per share. This compares with 28 cents per share last year.

The final dividend paid by the Company for the financial year ended 30 June 2021 of \$101.5 million and referred to in the Directors' Report dated 16 August 2021 was paid on 17 September 2021.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised \$42.0 million of new capital for investment during the year.

The DRP will operate for the 17 cents per share dividend payable on 16 September 2022 and the Directors have resolved that the shares will be allotted to participating shareholders at a discount of 2% from the market price of Argo shares, as defined by the DRP.

Share buy-back

The Company has an on-market share buy-back in place, in order that its shares can be bought back and cancelled where they can be purchased at a significant discount to the net tangible asset backing per share. Any such purchases have the effect of increasing the value of the remaining shares on issue. No share buy-backs occurred during the year.

Indemnification of Directors and Officers and insurance arrangements

The Company indemnifies its past, present and future Directors and Officers against liabilities arising out of their position with the Company, except where the liability arises out of conduct involving a lack of good faith. The deed stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid a premium in respect of a Directors' and Officers' insurance policy covering the liability of past, present or future Directors and Officers. The terms of the policy prohibit disclosure of the details of the amount of insurance cover and the premium paid.

Non-audit services

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in Note 28 to the financial statements on page 69 of this report.

The Board has considered the position and, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- (a) all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- (b) the non-audit services provided do not undermine the general principles relating to audit independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

The Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 42.

Environmental regulations

The Company's operations are not directly affected by environmental regulations.

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.

Remuneration Report

This Report explains how the Board structures remuneration to motivate and reward executives for delivering performance that drives the achievement of Argo's business objectives and creates value for shareholders.

It provides remuneration information regarding the Key Management Personnel (KMP) for the financial year ended 30 June 2022.

KMP are those people who have authority and responsibility for planning, directing and controlling the activities of Argo. This includes the Non-executive Directors and the key executives.

The Non-executive Directors during the year were Mr. R.A. Higgins AO (Chairman), Ms. A.B. Brennan, Mr. C.E. Cuffe AO, Mr. R.A. Davis, Ms. E.A. Lewin and Ms. J.C. Morton.

Mr. J. Beddow (Managing Director) was an executive Director during the financial year. Other key executives were Mr. T.C.A. Binks (Chief Operating Officer) and Mr. A.B. Hill (Chief Financial Officer).

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Section 1 Principles of remuneration

The Board recognises that remuneration plays an important role in the delivery of Argo's business objectives and ongoing performance. The Board seeks to achieve the right balance of motivation, challenge and reward for its executives to encourage sustainable delivery of shareholder returns.

The key principles of Argo's remuneration strategy are:

- Align remuneration structure with shareholder interests
- Attract, retain and reward talent
- Link a significant component of remuneration with the creation of shareholder value through relative outperformance
- Ensure remuneration is competitive and fair

Alignment of the long-term interests of shareholders and executives is achieved by a significant component of executive pay being performance based. This encourages executives to take a long-term approach to decision making and business success without taking excessive risks.

The equity component of any Short-term Incentive (STI) reward is deferred for a two year period and performance under the Long-term Incentive (LTI) is measured over a four year period. The actual remuneration received by executives is subject to Board discretion and reflective of the ongoing performance of the Company over an extended period.

Remuneration reward is measured on a relative basis, reflecting the Company's profitability relative to its peer group and its investment performance relative to the ASX 200 share market index.

Section 2 Executive remuneration structure

The remuneration structure to reward the Company's executives includes a mix of fixed remuneration and short and long-term performance based 'at risk' remuneration which reflects both Company and individual performance. The amount of 'at risk' remuneration earned (if any) depends on the extent that key performance conditions are met or exceeded.

	Fixed	At risk	
	Fixed annual remuneration (FAR)	Short-term Incentive (STI)	Long-term Incentive (LTI)
Description	Base salary including superannuation	Reward for strong individual and Company performance over one year	Reward for strong Company performance over four years
Designed to	Attract and reward talented executives	Motivate superior executive performance during the year and retain talent	Align executive and shareholder interests over the long-term and retain talent
Achieved by	Ensuring competitive and appropriate compared to market benchmarks	Setting challenging key Company and individual performance indicators that align with business objectives	Only vesting into shares to the extent that the Company outperforms the ASX200 Index and its peer group over a four year period

Fixed annual remuneration (FAR)

What is FAR? All executives receive a FAR component that is not performance based and is inclusive of statutory superannuation and any agreed salary sacrifice arrangement

How is FAR assessed? The Board and Remuneration Committee review the levels of FAR annually, taking into account industry benchmarking, market factors and independent advice

Short-term incentive (STI)

What is the STI? The STI is performance-linked remuneration awarded annually to executives and is determined by reference to both the Company's financial performance and an executive's individual performance

What is the performance period? One year

What is the value of the STI? The STI ranges from 0-75% of an executive's fixed annual remuneration (FAR). It comprises an STI cash component of up to 35% of FAR and a deferred STI performance rights component of up to 40% of FAR. The value of each executive's STI will depend upon their individual performance and the Company's financial performance over the one year performance period

What does deferred mean? The STI performance rights component vests into Argo shares two years after grant, subject to continued service with the Company

What are the performance indicators? Performance indicators comprise both key Company financial and individual objectives

What are the Company financial performance indicators?

1. TPR Performance: the Total Portfolio Return (TPR)* of the Company, adjusted for company tax paid or payable, must exceed the movement in the S&P ASX 200 Accumulation Index over the performance period

2. EPS Performance: the Company must achieve a superior one year earnings per share (EPS)** performance relative to its approved listed investment company (LIC) peer group

* *independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested*

** *the Company's non-dilutive earnings per share which is measured as the profit for the year of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis*

What are the individual performance indicators?

Individual performance indicators are uniquely set for each executive, depending on their role and responsibilities

Indicators may include strategic direction, analyst stock recommendations, risk management, succession planning, marketing, communication with internal and external stakeholders and management of Argo Global Listed Infrastructure Limited

How does the STI align with shareholder interests?

The STI is designed to challenge, motivate and reward executives to improve the Company's performance by meeting or exceeding business objectives, both financial and non-financial

The STI supports the retention of high performing executives as the award comprises deferred STI performance rights which vest into shares two years later, subject to continued service

The STI provides executives with the opportunity to hold equity in the Company, better aligning their interests with those of shareholders

How is STI achievement assessed?

STI achievement is measured annually by the Board and the Remuneration Committee

Long-term incentive (LTI)

What is the LTI?	<p>The LTI is performance linked remuneration offered annually to executives and is determined by reference to the Company's financial performance over the performance period</p> <p>It is issued in two equal tranches, each subject to different performance hurdles</p>
What is the performance period?	Four years
What is the value of the LTI?	<p>LTI performance rights are granted to the value of 90% of the Managing Director's fixed annual remuneration (FAR) and 40% of the other executives' FAR</p> <p>The value of each executive's LTI will depend on the quantity of LTI performance rights that actually vest into shares due to the Company's financial performance against the performance hurdles of each tranche over the four year performance period</p>
How is the LTI aligned with shareholder interests?	<p>The LTI is designed to create a strong link between the long-term performance of the Company relative to the ASX 200 Index and relative to the performance of its listed investment company peer group</p> <p>LTI grants are based solely on financial performance, closely aligning shareholder value and executive reward</p>
What are the performance hurdles?	<p>Tranche 1 – TPR Performance: the Total Portfolio Return (TPR)¹ of the Company, adjusted for company tax paid or payable², must meet or exceed the movement in the S&P ASX 200 Accumulation Index over the performance period</p> <p>Tranche 2 – EPS Performance: the Earnings Per Share (EPS)³ over the performance period must meet or exceed the average of the EPS performance of those member companies of the Australian Listed Investment Companies Association, excluding the Company, which have Australian equity portfolios</p> <ol style="list-style-type: none"> 1. <i>independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested</i> 2. <i>adjusted to compare with index returns which are not subject to company tax</i> 3. <i>the Company's non-dilutive earnings per share which is measured as the profit for the year of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis</i>

Why were these performance hurdles chosen? The S&P ASX 200 Accumulation Index is the benchmark index that tracks the combined returns (including dividends paid) of the largest 200 listed companies in Australia. It is the most appropriate measure of the Company's investment performance relative to the broader market

EPS gauges how profitable the Company is per share and is therefore indicative of the Company's ability to pay dividends that will grow over time

How does the LTI vest? The LTI is tested four years after grant, and any performance rights that do not vest at the performance measurement date, lapse without value

Level of performance condition achieved	% of Performance Rights to vest into shares
---	---

Tranche 1 – TPR Performance

Underperform condition	Nil
Achieve (meet) condition	40% vesting
Outperform condition by up to 100 bps	40-100% straight-line pro-rata vesting

Tranche 2 – EPS Performance

Underperform condition	Nil
Achieve (meet) condition	25% vesting
Outperform condition by 0-30%	25-100% straight-line pro-rata vesting

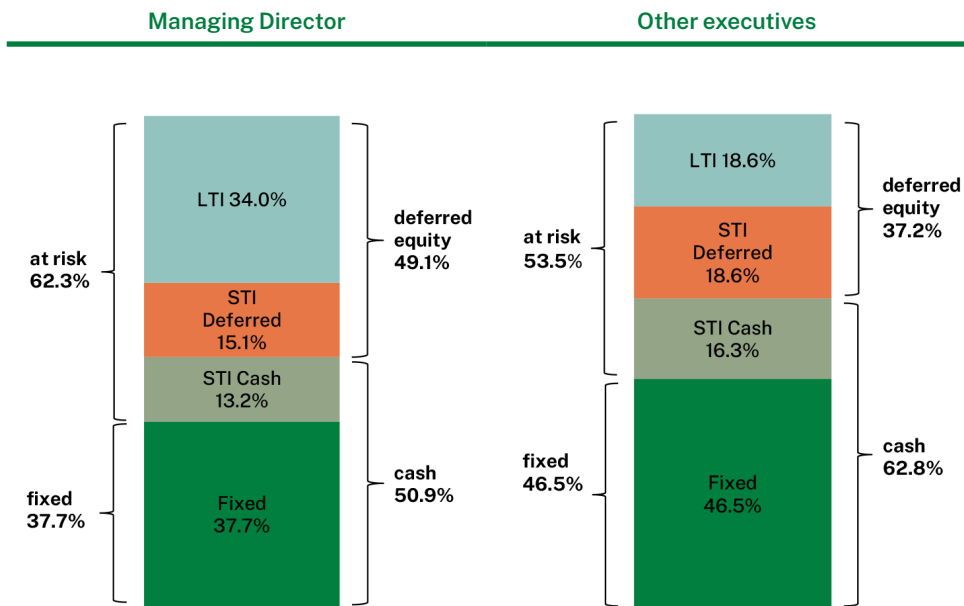
The final vesting proportions may be reduced in the event of negative absolute returns as follows:

- If the Company's absolute TPR is negative, only a maximum of 50% of the TPR Performance Rights can vest
- If the Company's absolute EPS growth is negative, none of the EPS performance rights will vest

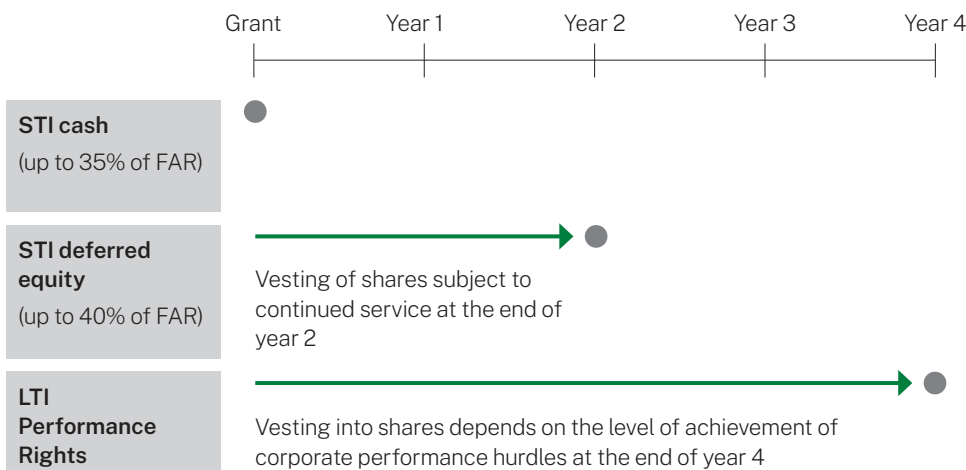
Upon vesting, shares are purchased on market and allocated to executives

Total target remuneration mix for year ended 30 June 2022

The following illustration is modelled on the executives' maximum remuneration opportunity for the year under review. Actual remuneration for executives will differ due to the variable nature of the 'at risk' remuneration components.



At risk remuneration profile



Other remuneration benefits

Argo Employee Share Ownership Plan

All employees other than the Directors are offered up to \$1,000 per year in Company shares at market value. The costs of acquiring the shares on market are paid by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or the date the employee ceases employment.

Non-monetary benefits

Prior to 2004, interest free loans were issued to KMP to assist the purchase of shares in the Company. Table H on page 40, sets out the balances of the KMP loan. The loan has been repaid.

Additional conditions applying to Performance Rights

Service condition discretion

A service condition applies to the STI and LTI performance rights, which means vesting is subject to the individual executives remaining in service. The Board has discretion however to allow the Performance Rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement.

Clawback of executive remuneration

The Board has the discretion to claw back unvested performance rights if, after they have been granted, a material misstatement is discovered in the Company's accounts.

Prohibition of hedging

The Company's Securities Trading Policy prohibits executives from entering into arrangements which limit the economic risk of unvested Performance Rights.

Section 3 Relationship between remuneration and Company performance

The Company's remuneration structure includes short-term and long-term incentives to align executive remuneration outcomes with the interests of shareholders. The Company's objective of maximising long-term returns to shareholders through a balance of capital and dividend growth is reflected in the STI and LTI performance indicators.

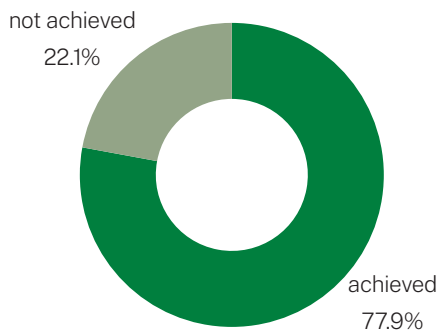
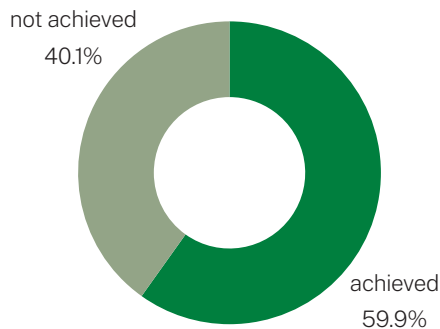
The table and charts below show relevant aspects of the Company's annual results and how they translate into executive remuneration outcomes when measured over the periods applicable to STI and LTI. The Company's relative performance as compared to its Australian listed investment company peers and the ASX 200 Accumulation Index is closely linked to remuneration actually received by executives as the STI and LTI performance indicators comprise these relative measures.

Table A: Linking remuneration outcomes to Company performance

Summary of annual results	2022	2021	2020	2019	2018
Profit (\$m)	312.9	174.0	199.5	292.7	218.9
Earnings per share (cents)	42.7	24.1	27.8	41.1	31.3
Dividends (\$m)	243.9	202.7	215.7	235.5	221.4
Dividends per share (cents, fully franked)	33.0	28.0	30.0	33.0	31.5
Management expense ratio (% of average assets)	0.14	0.14	0.16	0.15	0.15
Share price at 30 June (\$)	8.80	8.93	7.19	8.12	7.97
Share price movement (\$)	-0.13	+1.74	-0.93	+0.15	+0.30
One year performance — links to STI awards	2022	2021	2020	2019	2018
Earnings per share growth — relative to peer group	+77.5% over	-13.4% over	-32.4% over	+31.3% over	+2.0% under
Investment (NTA) return adjusted for tax paid/payable ^(a) — relative to ASX 200 accum. index ^(a)	-2.3% over	+29.3% over	-10.1% under	+9.1% under	+12.1% under
Dividends per share growth	+17.9%	-6.7%	-9.1%	+4.8%	+1.6%
Average % of maximum STI achieved ^(b)	77.9%	79.4%	30.8%	65.7%	45.5%

(a) For 2018 to 2019 the former performance condition compared NTA return to index, both grossed up for franking credits.

(b) Includes non-financial performance measures.

STI outcomes — 2022**STI outcomes — 5 year average**

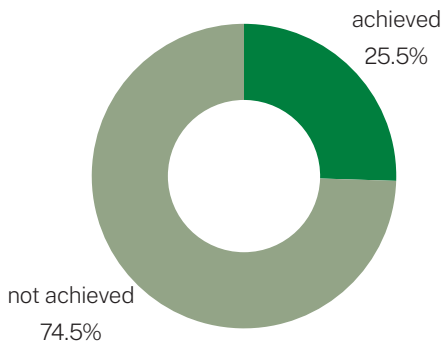
Four year performance*
— links to LTI awards

	2021	2020	2019	2018	2017
Earnings per share growth — relative to peer group	-5.9% over	-3.5% under	+4.6% over	+1.0% over	+2.6% over
Investment (NTA) return after all costs (pa) ^(a) — relative to ASX 200 accum. index ^(a)	+9.9% under	+6.5% under	+9.1% under	+8.7% under	+10.4% under
Dividends per share growth (pa)	-2.8%	-1.2%	+2.0%	+2.1%	+3.1%
% of maximum LTI achieved	+25.5%	0.0%	50.0%	39.4%	50.0%

* 2022 LTI outcomes have not yet been tested and will be reported in next year's Annual Report.

(a) Adjusted for franking credits.

LTI outcomes — 2021



LTI outcomes — 5 year average

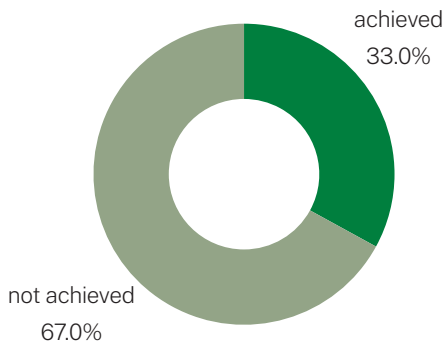


Table B: Actual executive remuneration outcomes (non-statutory disclosure)

		Total fixed remuneration ^(a) \$	Annual STI to 30 June ^(b) \$	Loan repayment ^(c) \$	Prior years rights vested ^(d) \$	Total received \$
Managing Director						
J. Beddow	2022	730,000	212,060	7,761	398,271	1,348,092
	2021	700,000	220,500	7,215	104,598	1,032,313
Other Key Management Personnel						
T.C.A. Binks	2022	300,000	87,150	-	123,100	510,250
	2021	288,000	81,650	-	42,170	411,820
A.B. Hill	2022	237,000	66,770	-	98,257	402,027
	2021	229,000	64,920	11,690	36,341	341,951
Total	2022	1,267,000	365,980	7,761	619,628	2,260,369
	2021	1,217,000	367,070	18,905	183,109	1,786,084

(a) Base remuneration including superannuation and any salary sacrificing arrangements.

(b) Comprises the cash portion of the STI performance for the 12 months to 30 June and is paid in September. The STI deferred component for the year ended 30 June 2022 will be issued on 6 October 2022 as STI performance rights and will vest two years after grant, subject to the executive having continued service with the Company (2021: issued 7 October 2021).

(c) Comprises the amount of dividends received to repay the interest free loan pursuant to the superseded Argo Investments Executive Share Plan.

(d) The value of STI and LTI performance rights exercised during the year is based on the market price of shares of the Company on the date the performance rights were exercised.

This table clarifies payments actually received by the executives for the year under review.

These amounts are different to the statutory remuneration as Accounting Standards require a value to be placed on performance rights at the time of grant which is expensed over the life of the rights, even though the executives may not realise all (or any) actual value from the performance rights if performance and/or service conditions are not met, or are only partly met. Remuneration details prepared in accordance with statutory obligations and Accounting Standards are contained in Section 6 of this Report.

Section 4 Non-executive Directors' remuneration

Non-executive Directors (NEDs) are awarded fixed fees, allowing for objectivity and independence in their assessment of Company and executive performance. However, the Board has a policy that all NEDs should, within three years of their initial appointment, establish and maintain a shareholding in the Company which is at least equivalent in value to one year's directors' fees, to further align their interests with those of other shareholders.

The Board, after taking into account the recommendations of the Remuneration Committee, determines the amount of Board and Committee fees having regard to the level of fees paid to NEDs of companies of comparable size and complexity. The fees are within the aggregate annual limit approved by shareholders at the Annual General Meeting held in October 2015 (\$1,100,000).

For the year ended 30 June 2022, the Chairman received \$245,600 inclusive of Committee and subsidiary company appointments. The base fee for each of the other NEDs was \$104,500 with additional fees of \$3,600 for Committee membership and subsidiary company board appointments, and \$6,900 for Committee Chairs. Statutory superannuation payments are contributed on behalf of NEDs with any superannuation guarantee exemption being paid as Directors' fees. Further details of the Non-executive Directors' remuneration are provided in Section 6, Table C on page 35 of this report.

Following a review of NED remuneration, a 5.0% increase is being applied for the year ending 30 June 2023 including a 0.5% increase in the superannuation guarantee contribution.

A performance evaluation process for NEDs is undertaken each year and is described in the Corporate Governance Statement, which is available on the Company's website.

Section 5 Remuneration governance

Remuneration Committee

The Remuneration Committee provides support and advice to the Board on setting appropriate remuneration levels, determining the remuneration structure and assessing performance.

Remuneration review

The Remuneration Committee periodically engages independent external advisers to review and assist with aspects of the remuneration structure.

During the year, the Remuneration Committee engaged an external executive remuneration consultant to assist it with a comprehensive review of executive remuneration compensation relating to fixed remuneration, STI and LTI plans. The changes, as a result of this review, are detailed below.

Changes to maximum executive incentive remuneration opportunities

Argo's maximum percentage opportunities for LTI and the cash element of STI will be increased for the financial year ending 30 June 2023.

The Managing Director will have a LTI maximum percentage opportunity up to 100% of FAR, previously 90%, with other executives opportunity up to 50%, previously 40% of FAR.

The LTI increase addresses the external review findings that LTI opportunities and vesting outcomes for executives have been below the median industry benchmark over the life of the plan.

The STI cash element opportunity will increase to 40% of FAR, previously 35%. The STI deferred equity opportunity will remain unchanged at 40% of FAR.

The increase in the cash element of the STI will address the external review finding that STI equity awarded would generally earn dividend income as vesting is subject only to a service condition, whereas Argo currently awards performance rights that do not accrue dividends.

Full details will be provided in next year's Remuneration Report.

Change to LTI structure

A third tranche will be introduced as a part of the LTI Performance Rights. The third tranche will be Total Shareholder Return (TSR), with a rolling 10-year TSR performance condition. The TSR performance condition will be measured by reference to whether the Company's 10-year TSR exceeds the benchmark S&P/ASX200 Accumulation Index 10-year return.

The change will apply to the LTI performance rights granted in the future and full details will be provided in next year's Remuneration Report.

Executive service agreements

Key features of the service agreements for the executives include:

- Employment continues until terminated by either the executive or Argo
- Notice periods are six months for the Managing Director and three months for other executives
- A lump sum in lieu of notice may be paid
- If an executive commits a breach such as serious misconduct, wilful neglect or criminal offence, their services may be terminated immediately, without notice
- If the Company commits any serious or persistent breach, an executive may terminate immediately
- Unless stated otherwise above, no termination payments are provided for under the service agreements
- Compliance with policies of the Company including the Code of Conduct

Section 6 Remuneration disclosure tables

Table C: Non-executive Directors' remuneration

		Short-term		Post-employment	Total \$
		Directors' fees \$	Committee fees \$	Superannuation ^(a) \$	
Non-executive Directors					
R.A. Higgins AO	2022	223,273	-	22,327	245,600
	2021	216,712	-	20,588	237,300
A.B. Brennan	2022	104,500	10,500	11,500	126,500
	2021	101,535	10,200	10,615	122,350
C.E. Cuffe AO	2022	104,582	3,600	10,818	119,000
	2021	101,523	3,500	9,977	115,000
R.A. Davis	2022	104,555	6,900	11,145	122,600
	2021	111,800	6,700	- ^(b)	118,500
E.A. Lewin	2022	104,582	3,600	10,818	119,000
	2021	101,523	3,500	9,977	115,000
J.C. Morton	2022	115,400	3,600	- ^(b)	119,000
	2021	106,511	3,500	4,989 ^(b)	115,000
Total	2022	756,892	28,200	66,608	851,700
	2021	739,604	27,400	56,146	823,150

(a) Superannuation contributions made on behalf of Non-executive Directors to satisfy the Company's obligations under the Superannuation Guarantee Charge legislation.

(b) Superannuation guarantee exemptions applied with exemption amounts paid as Directors' fees.

Table D: Executive remuneration (statutory disclosures)

		Short-term		Post-employment	Share based ^(e)		Total \$
		Salaries ^(a) \$	STI ^(b) \$	Super-annuation \$	STI ^(d) \$	LTI ^(g) \$	
Managing Director							
J. Beddow	2022	766,810	184,560 ^(c)	27,500 ^(c)	173,480	146,117	1,298,467
	2021	724,174	193,000 ^(c)	27,500 ^(c)	108,065	12,182	1,064,921
Other Key Management Personnel							
T.C.A. Binks	2022	255,752	87,150 ^(d)	23,568	65,964	27,477	459,911
	2021	274,596	81,650 ^(d)	21,694	44,713	4,548	427,201
A.B. Hill	2022	209,061	66,770 ^(d)	27,500	52,287	22,286	377,904
	2021	215,330	64,920 ^(d)	25,000	35,648	3,575	344,473
Total	2022	1,231,623	338,480	78,568	291,731	195,880	2,136,282
	2021	1,214,100	339,570	74,194	188,426	20,305	1,836,595

(a) Salaries include the movement in the provision for annual leave and long service leave and any salary sacrifice arrangements.

(b) STI cash payments are paid in September.

(c) The STI of \$212,060 was paid \$184,560 in cash and \$27,500 as a superannuation contribution (2021: \$220,500 of which \$193,000 was paid in cash and \$27,500 as a superannuation contribution).

(d) The STI was paid in cash.

(e) The Accounting Standards require that the expense relating to the share based incentive instruments be reflected over the performance period, regardless of whether the executive ever receives any actual value from them. If the performance rights lapse, the expense is reversed and the amount previously recognised for individual executives is also reversed.

(f) Argo Investments Limited 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 period to the vesting date. The value of STI performance rights for the current reporting period, which are yet to be issued to executives, has been estimated.

(g) Argo Investments Limited Executive LTI Performance Rights:

The fair value of the LTI performance rights granted was calculated by estimating the value of dividends an award recipient would not receive during the performance measurement period and subtracting this amount from the value of the grant date share price, and applying the Monte Carlo simulation.

Argo Employee Share Ownership Plan:

Employees received \$1,000 of Company shares at market value pursuant to the Argo Employee Share Ownership Plan.

The Directors' and Officers' liability insurance contract does not specify premiums in respect of individual Directors and Officers and the policy also prohibits disclosure of the premium paid.

Table E: Executive performance percentages

		Actual STI as % of STI opportunity	% of STI opportunity not achieved	Share based remuneration as proportion of remuneration ⁽¹⁾	Total performance related remuneration
J. Beddow	2022	83.0%	17.0%	24.6%	40.9%
	2021	90.0%	10.0%	11.3%	32.0%
T.C.A. Binks	2022	83.0%	17.0%	20.3%	39.3%
	2021	81.0%	19.0%	11.5%	30.6%
A.B. Hill	2022	80.5%	19.5%	19.7%	37.4%
	2021	81.0%	19.0%	11.4%	30.2%

(1) These percentages are based on the Accounting Standard disclosures and reflect the net effect of the various outcomes described in (f) and (g) above.

Table F: Executive Performance Rights⁽¹⁾ – granted

		Number	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Number yet to vest	Accounting value yet to vest	
								Min. ⁽²⁾	Max. ⁽³⁾
								\$	\$
J. Beddow	STI	11,067	8/10/20	\$6.82	8/10/22	-	11,067	-	6,374
		26,752	7/10/21	\$8.14	7/10/23	-	26,752	-	84,624
		-	-	-	-	-	-	-	141,970 ⁽⁴⁾
	LTI	74,280	15/10/18	\$6.26	15/10/22	29/10/22	74,280	-	8,644
		78,260	8/10/19	\$6.56	8/10/23	23/10/23	78,260	-	49,734
		83,000	8/10/20	\$6.11	8/10/24	22/10/24	83,000	-	83,274
		69,750	7/10/21	\$7.29	7/10/25	21/10/25	69,750	-	133,004
	343,109					343,109	-	507,624	
T.C.A. Binks	STI	4,553	8/10/20	\$6.82	8/10/22	-	4,553	-	2,622
		9,906	7/10/21	\$8.14	7/10/23	-	9,906	-	31,335
		-	-	-	-	-	-	-	58,340 ⁽⁴⁾
	LTI	13,490	15/10/18	\$6.26	15/10/22	29/10/22	13,490	-	1,536
		14,310	8/10/19	\$6.56	8/10/23	23/10/23	14,310	-	8,895
		15,180	8/10/20	\$6.11	8/10/24	22/10/24	15,180	-	14,901
		12,740	7/10/21	\$7.29	7/10/25	21/10/25	12,740	-	23,768
	70,179					70,179	-	141,397	
A.B. Hill	STI	3,621	8/10/20	\$6.82	8/10/22	-	3,621	-	2,085
		7,877	7/10/21	\$8.14	7/10/23	-	7,877	-	24,917
		-	-	-	-	-	-	-	46,090 ⁽⁴⁾
	LTI	10,720	15/10/18	\$6.26	15/10/22	29/10/22	10,720	-	1,288
		11,380	8/10/19	\$6.56	8/10/23	23/10/23	11,380	-	7,468
		12,070	8/10/20	\$6.11	8/10/24	22/10/24	12,070	-	12,507
		10,060	7/10/21	\$7.29	7/10/25	21/10/25	10,060	-	19,806
	55,728					55,728	-	114,161	
Total		469,016					469,016	-	763,182

Refer Table G for footnotes.

Table G: Executive Performance Rights⁽¹⁾ — vested, exercised and lapsed

		Grant date	Number of rights vested during the year	Number of shares purchased on exercise	Value at exercise date ⁽⁵⁾ \$	Number of rights lapsed during the year ⁽⁶⁾	Value at lapse date ⁽⁷⁾ \$
J. Beddow	STI	8/10/19	23,826	23,826	220,152	-	-
	LTI	16/10/17	19,091	19,091	178,119	55,629	353,244
			42,917	42,917	398,271	55,629	353,244
T.C.A. Binks	STI	8/10/19	9,948	9,948	91,920	-	-
	LTI	16/10/17	3,342	3,342	31,181	9,738	61,836
			13,290	13,290	123,101	9,738	61,836
A.B. Hill	STI	8/10/19	7,850	7,850	72,534	-	-
	LTI	16/10/17	2,757	2,757	25,723	8,033	51,010
			10,607	10,607	98,257	8,033	51,010
Total			66,814	66,814	619,629	73,400	466,090

- (1) The STI and LTI performance rights granted do not have an exercise price and no amount is payable by the recipient.
- (2) The minimum value of STI and LTI performance rights yet to vest is \$nil as the performance and service conditions may not be met and consequently the STI and LTI performance rights may not vest.
- (3) The maximum value yet to vest of STI performance rights has been determined as the amount of the fair value of the STI performance rights from the commencement of the performance period to the vesting date that is yet to be expensed. The maximum value of LTI performance rights yet to vest has been determined as the amount of the grant date fair value of the LTI performance rights that is yet to be expensed. Ultimately, the value received from STI and LTI performance rights will be determined by the quantity of rights that vest and the market value.
- (4) The maximum value yet to vest of STI performance rights which are expected to be granted on 6 October 2022 has been determined as the estimated fair value of the STI performance rights yet to be expensed.
- (5) The value of STI and LTI performance rights exercised during the year is calculated as the market price of shares of the Company on the date the performance rights were exercised.
- (6) The 2017 LTI performance rights lapsed on 16 October 2021 because the performance condition was not satisfied.
- (7) The value of LTI performance rights that lapsed during the year represents the benefit forgone, and is calculated at the date the rights lapsed assuming the performance condition had been satisfied. Rights granted 16 October 2017 have a fair value of \$6.35.

Table H: Executive loans

	Opening balance \$	Closing balance \$	Highest balance in period \$
J. Beddow	15,491	-	15,491

Prior to 2004, interest free loans were issued to key management personnel to assist the purchase of shares pursuant to the Argo Investments Executive Share Plan. The dividends paid on the shares, less an amount equal to the estimated tax payable by the executives on the dividends, are utilised to repay the loan. The shares cannot be dealt with by the executive until the loan has been repaid in full. The executive loan has been repaid.

Table I: Key Management Personnel equity holdings

The number of ordinary shares and performance rights in the Company held or controlled by key management personnel or their related parties during the financial year:

(a) Shareholdings

	Opening balance	Changes during the year	Closing balance
R.A. Higgins AO	104,641	9,809	114,450
J. Beddow	352,370	27,917	380,287
A.B. Brennan	16,888	3,768	20,656
C.E. Cuffe AO	15,000	-	15,000
R.A. Davis	31,622	2,151	33,773
E.A. Lewin	13,741	440	14,181
J.C. Morton	27,837	4,119	31,956
T.C.A. Binks	35,881	8,757	44,638
A.B. Hill	128,658	12,588	141,246

(b) STI performance rights holdings

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	34,893	26,752	(23,826)	-	37,819
T.C.A. Binks	14,501	9,906	(9,948)	-	14,459
A.B. Hill	11,471	7,877	(7,850)	-	11,498

(c) LTI performance rights holdings

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	310,260	69,750	(19,091)	(55,629)	305,290
T.C.A. Binks	56,060	12,740	(3,342)	(9,738)	55,720
A.B. Hill	44,960	10,060	(2,757)	(8,033)	44,230

Corporate Governance Statement

The Corporate Governance Statement for the year ended 30 June 2022 can be accessed in the Corporate Governance section of the Company's website at argoinvestments.com.au.

Relevant governance charters, policies and codes are also available in this section of the website.

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

On behalf of the Board



R.A. Higgins AO
Chairman

30 August 2022



Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 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 audit; and
- (a) no contraventions of any applicable code of professional conduct in relation to the audit.

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

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
30 August 2022

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Consolidated Statement of Profit or Loss

for the year ended 30 June 2022

		2022	2021
	Note	\$'000	\$'000
Dividends and distributions	2	326,217	196,826
Other income		5,828	3,097
Net gains/(losses) on trading investments		5,628	(11,948)
Income from operating activities		337,673	187,975
Administration expenses	3	(9,610)	(8,299)
Profit before income tax expense		328,063	179,676
Income tax expense thereon	4	(15,135)	(5,687)
Profit for the year		312,928	173,989
		cents	cents
Basic and diluted earnings per share	5	42.7	24.1

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2022

		2022	2021
		\$'000	\$'000
Profit for the year		312,928	173,989
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of long-term investments		(474,678)	1,313,645
Provision for deferred tax benefit/(expense) on revaluation of long-term investments		138,650	(401,369)
Other comprehensive (loss)/income for the year		(336,028)	912,276
Total comprehensive (loss)/income for the year		(23,100)	1,086,265

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

at 30 June 2022

		2022	2021
	Note	\$'000	\$'000
Current Assets			
Cash and cash equivalents	6	134,718	179,297
Receivables	7	30,649	26,710
Investments	8	14,406	10,088
Other financial cash assets	9	25,000	-
Total Current Assets		204,773	216,095
Non-Current Assets			
Investments	8	6,218,850	6,389,776
Property, plant and equipment	10	992	1,380
Total Non-Current Assets		6,219,842	6,391,156
Total Assets		6,424,615	6,607,251
Current Liabilities			
Payables	11	1,482	1,385
Derivative financial instruments	12	5,972	9,094
Current tax liabilities		38,805	34,563
Provisions	13	964	848
Total Current Liabilities		47,223	45,890
Non-Current Liabilities			
Payables	11	416	748
Deferred tax liabilities	14	740,134	916,024
Provisions	13	151	176
Total Non-Current Liabilities		740,701	916,948
Total Liabilities		787,924	962,838
Net Assets		5,636,691	5,644,413
Shareholders' Equity			
Contributed equity	15	3,155,136	2,921,659
Reserves	16	1,861,010	2,255,287
Retained profits	17	620,545	467,467
Total Shareholders' Equity		5,636,691	5,644,413

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June 2022

	Contributed Equity	Reserves	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000
	(Note 15)	(Note 16)	(Note 17)	
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

for the year ended 30 June 2021

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

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Dividends and distributions received		249,508	163,322
Interest received		323	730
Other receipts		5,301	2,365
Proceeds from trading investments		16,918	11,870
Payments for trading investments		(18,730)	(31,133)
Other payments		(9,386)	(7,490)
Income tax (paid)/refund		(47,977)	10,571
Net operating cash inflows	27	195,957	150,235
Cash flows from investing activities			
Proceeds from sale of long-term investments		338,572	362,480
Payments for long-term investments		(569,203)	(347,640)
Proceeds from other financial cash assets		-	40,000
Payments for other financial cash assets		(25,000)	(30,000)
Executive share scheme repayments		15	19
Payments for fixed assets		(48)	(13)
Net investing cash (outflows)/inflows		(255,664)	24,846
Cash flows from financing activities			
Payments for lease liabilities		(339)	(323)
Proceeds from Share Purchase Plan		191,846	-
Cost of share issues		(524)	(143)
Dividends paid – net of Dividend Reinvestment Plan		(175,855)	(164,046)
Net financing cash inflows/(outflows)		15,128	(164,512)
Net (decrease)/increase in cash held		(44,579)	10,569
Cash at the beginning of the year		179,297	168,728
Cash at the end of the year	6	134,718	179,297

(To be read in conjunction with the accompanying notes)

Contents of the Notes to the Financial Statements

for the year ended 30 June 2022

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Notes to the Financial Statements

for the year ended 30 June 2022

1. Summary of significant accounting policies

These financial statements are the financial statements of the consolidated entity, consisting of Argo Investments Limited and its controlled entities (Argo or Company) which are presented in Australian currency. The Company is incorporated and domiciled in Australia. Argo is a company limited by shares.

The financial statements were authorised for issue by the Directors on 30 August 2022. The Directors have the power to amend and reissue the financial statements.

The significant accounting policies which have been adopted in the preparation of these financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. The Company is a 'for profit' entity for the purpose of preparing the financial statements.

These financial statements have been prepared using the conventional historical cost basis except for the fair value accounting of investments detailed in Note 1(d)(ii) and exchange traded options in Note 1(e).

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

(b) Principles of consolidation

The Company meets the definition of an investment entity (see Note 1(c)).

The Company's wholly owned subsidiary, Argo Service Company Pty Ltd (ASCO), provides services to the Company. The consolidated financial statements incorporate the assets and liabilities of ASCO as at 30 June 2022 and its results for the year then ended. Intercompany transactions and balances between the Company and ASCO are eliminated on consolidation.

The Company has determined that for any entities that it controls or has significant influence over, that do not provide services to the Company, consolidation is not required provided the Company measures its investments in these entities at fair value in its financial statements.

(c) Investment entity

The Company has determined that it is an investment entity under the definition in AASB 10 *Consolidated Financial Statements* as it meets the following criteria:

- (i) The Company has obtained funds from shareholders for the purpose of providing them with investment management services;
- (ii) The Company's business purpose, which it communicated directly to shareholders, is investing solely for returns from capital appreciation and investment income; and

- (iii) The performance of investments made by the Company are measured and evaluated on a fair value basis.

The Company also meets all of the typical characteristics of an investment entity.

(d) **Investments**

(i) **Classification**

Purchases and sales of investments are recognised on trade-date, being the date the Company commits to purchase or sell the asset.

Current assets

Investments classified as Current Assets comprise holdings of trading securities and are categorised as financial assets measured at fair value through the Consolidated Statement of Profit or Loss. Investments are initially recognised at fair value and transaction costs are expensed. An investment is classified in this category if acquired principally for the purpose of selling in the short term.

Non-current assets

Investments classified as Non-Current Assets comprise holdings of long-term securities and are revalued at fair value through other comprehensive income. Investments are initially recognised at fair value.

(ii) **Valuation**

Trading securities and long-term securities are continuously carried at fair value using price quotations in an active stock market.

The fair value of securities which are not listed on a securities exchange are valued using appropriate valuation techniques as reasonably determined by the Directors.

(iii) **Gains and losses**

Investments are considered to have been sold when contractual rights to the investment expire or contractual rights to receive cash flows have been transferred and substantially all the risk and rewards of ownership have not been retained.

Current assets

Realised gains and losses from the sale of trading securities are included in the Consolidated Statement of Profit or Loss in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of the trading securities are included in the Consolidated Statement of Profit or Loss in the period in which they arise.

Non-current assets

Realised gains and losses on the sale of long-term investments, net of tax, are transferred from the investment revaluation reserve and recorded in the capital profits reserve.

Unrealised gains and losses arising from changes in the fair value of long-term securities are recognised in other comprehensive income and reflected in the investment revaluation reserve.

(e) Derivative financial instruments

The Company sells Australian Securities Exchange traded options to earn income. Where the Company sells a call option, it is obligated to deliver securities at an agreed price if the holder exercises the option. Where the Company sells a put option, it is obligated to purchase securities at an agreed price if the holder exercises the option.

The premium received for selling options is not initially brought to account as income but is recognised in the Consolidated Statement of Financial Position as a liability. When the option expires, is exercised or is repurchased, the premium received is brought to account and is included in net gains on trading investments in the Consolidated Statement of Profit or Loss.

Any open option positions at balance date are carried at their fair value and unrealised gains and losses are included in the Consolidated Statement of Profit or Loss.

(f) Income

Income is recognised when the right to receive payment is established.

(g) Property, plant and equipment

Items of plant and equipment are depreciated over their estimated useful lives to the Company using the straight line method of depreciation at rates ranging from 6.7% to 50%.

Items of property right of use assets are depreciated on a straight line method over the period of the lease.

(h) Income tax

The income tax expense is the tax payable on current year taxable income based on the company tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax balances attributable to revaluation amounts recognised in other comprehensive income are also recognised in the investment revaluation reserve. The revaluation of long-term investments is net of tax on unrealised capital gains by recognising a deferred tax liability. Where the Company disposes of long-term securities in the investment portfolio, tax is calculated on the net gains made according to the particular parcels allocated to the sale for tax purposes. The tax recognised in the investment revaluation reserve is then transferred to the capital profits reserve. The associated deferred tax liability is similarly adjusted and transferred to tax payable.

Argo Investments Limited (the parent) and its wholly owned subsidiary have formed an income tax consolidated group. Each entity in the group recognises its own current and deferred tax amounts. The current tax liability of both entities is subsequently assumed by the parent entity.

The entities have also entered into a tax funding agreement whereby the subsidiary compensates the parent entity for any current tax payable or receivable and deferred tax assets relating to unused tax losses or unused tax credits.

(i) Employee entitlements

Provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and long service leave (based on wage rates expected at the time of settling the liability) when it is probable that settlement will be required and they are capable of being reliably measured.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(j) Argo Investments Limited Executive Performance Rights Plan

The share based short-term incentive (STI) performance rights are measured at fair value. The amount of these rights is expensed on a straight line basis over the period between the performance commencement date and the expected date that the rights will vest.

The share based long-term incentive (LTI) performance rights are measured at fair value, and recorded as an expense on a straight line basis over the period between grant date and the expected date that the rights will vest.

(k) Argo Investments Executive Share Plan Loans

The interest free loans were issued to executives pursuant to the superseded Argo Investments Executive Share Plan and are recognised initially at fair value and subsequently measured at amortised cost.

(l) Receivables

Receivables include dividends, distributions and securities sold where settlement has not occurred at the end of the reporting period. Amounts are generally received within 30 days of recognition.

(m) **Payables**

Payables include liabilities for goods and services provided to the Company and for securities purchased where settlement has not occurred at the end of the reporting period. Amounts are usually paid within 30 days of recognition.

(n) **Leases**

The Company recognises operating leases as property right of use assets with a corresponding liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The property right of use assets are depreciated over the life of a lease on a straight-line basis. Lease liabilities are accounted for over the period of the lease with lease payments allocated between principal and finance cost.

(o) **Cash and cash equivalents**

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include bank deposits held at call, other short-term bank fixed term deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, cash management trusts and bank overdrafts.

(p) **Other financial cash assets**

Other financial cash assets are bank fixed term deposits with maturities from three to six months from date of acquisition.

(q) **Earnings per share**

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period.

If applicable, diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) **Goods and services tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO).

Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Consolidated Statement of Financial Position. Cash flows relating to GST are included in the Consolidated Statement of Cash Flows on a gross basis.

(s) **Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity, net of tax.

(t) Provision for dividend

A provision for dividend is only made for the amount of any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

(u) 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.

(v) New accounting standards

The Company adopts Accounting Standards and interpretations at the date at which their application becomes mandatory.

There are no standards or interpretation that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(w) Critical accounting estimates and judgements

There are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

2. Dividends and distributions

	2022	2021
	\$'000	\$'000
Received/receivable from:		
Long-term investments held at the end of the year	323,027	189,177
Long-term investments sold during the year	2,392	7,649
Trading investments held at the end of the year	582	-
Trading investments sold during the year	216	-
	326,217	196,826

3. Administration expenses

	2022	2021
	\$'000	\$'000
Employment benefits	6,387	5,076
Depreciation	436	422
Other	2,787	2,801
	9,610	8,299

4. Income tax expense

	2022 \$'000	2021 \$'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	328,063	179,676
Prima facie tax expense calculated at 30% (2021: 30%)	98,419	53,903
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(77,543)	(37,710)
Non-taxable distributions	(4,051)	(5,734)
Other	(2,536)	(4,800)
Under provision in previous year	846	28
Income tax expense	15,135	5,687
(b) Income tax expense composition:		
Charge for tax payable relating to current year	13,790	5,143
Increase in deferred tax liabilities	499	516
Under provision in previous year	846	28
	15,135	5,687
(c) Amounts recognised directly in other comprehensive income:		
(Decrease)/increase in deferred tax liabilities	(138,650)	401,369

5. 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	732,559	722,897
	\$'000	\$'000
Profit for the year	312,928	173,989
	cents	cents
Basic and diluted earnings per share	42.7	24.1

6. Cash and cash equivalents

Cash and cash equivalents includes cash on deposit with banks (floating interest rate of 0.85% at 30 June 2022; 2021: between 0.01% and 0.25%), and cash management trusts.

	2022	2021
	\$'000	\$'000
Bank deposits and cash management trusts	134,718	179,297

7. Receivables

	2022	2021
	\$'000	\$'000
Current		
Dividends and distributions receivable	29,782	26,195
Interest receivable	327	4
Other	540	511
	30,649	26,710

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

8. Investments

	2022	2021
	\$'000	\$'000
Current		
Listed securities at fair value ⁽¹⁾	14,406	10,088
Non-Current		
Listed securities at fair value ⁽¹⁾	6,201,392	6,384,904
Unlisted securities at fair value ⁽²⁾	17,458	4,872
	6,218,850	6,389,776

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:

	2022	2021
	\$'000	\$'000
Carrying amount at beginning of year	4,872	2,212
Additions	10,330	2,666
Fair value gain/(loss) recognised in other comprehensive income	2,256	(6)
Carrying amount at end of year	17,458	4,872

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

There were 739 investment transactions during the financial year. The total brokerage paid on these transactions was \$2.3 million.

9. Other financial cash assets

	2022	2021
	\$'000	\$'000
Bank term deposits	25,000	-

Other financial cash assets are fixed term deposits with banks (fixed interest rate to maturity of 0.81% at 30 June 2022) maturing from three to six months from date of deposit.

10. Property, plant and equipment

	2022	2021
	\$'000	\$'000
Plant and equipment at cost	825	1,548
Accumulated depreciation	(503)	(1,148)
	322	400
Property right of use assets	1,599	1,599
Accumulated depreciation	(929)	(619)
	670	980
Carrying amount at end of year	992	1,380
Movements		
Carrying amount at beginning of year	1,380	1,789
Additions - plant and equipment at cost	48	13
Depreciation	(436)	(422)
Carrying amount at end of year	992	1,380

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

	2022	2021
	\$'000	\$'000
Current		
Lease liabilities	332	307
Other	1,150	1,078
	1,482	1,385
Non-Current		
Lease liabilities	416	748

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

	2022	2021
	\$'000	\$'000
Exchange traded options at fair value	5,972	9,094

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

	2022	2021
	\$'000	\$'000
Current		
Provision for employee entitlements	964	848
Non-Current		
Provision for employee entitlements	151	176

14. Deferred tax liabilities

	2022	2021
	\$'000	\$'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	741,541	917,863
Income receivable which is not assessable for tax until receipt	1,964	1,642
Deferred tax (asset)/liability on unrealised gains on trading investments	(459)	317
	743,046	919,822
Offset by deferred tax assets:		
Provisions and payables	(2,736)	(3,689)
Deferred tax on cost of share issues	(176)	(109)
	(2,912)	(3,798)
Net deferred tax liabilities	740,134	916,024
Movements		
Balance at beginning of year	916,024	547,538
Debited to profit or loss	499	516
Charged to other comprehensive income	(138,650)	401,369
Changes to the tax base of investments	(37,739)	(33,399)
Balance at end of year	740,134	916,024

The amount of net deferred tax liabilities expected to be settled in the next 12 months is \$0.4 million (2021: \$0.9 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.

	2022	2021	2022	2021
	No. of shares	No. of shares	\$'000	\$'000
Issued and fully paid ordinary shares:				
Opening balance	725,047,635	720,271,707	2,921,659	2,883,783
Dividend Reinvestment Plan ^(a)	4,456,088	4,775,928	41,998	37,976
Share Purchase Plan ^(b)	20,628,655	-	191,846	-
Cost of share issues net of tax			(367)	(100)
Closing balance	750,132,378	725,047,635	3,155,136	2,921,659

(a) On 17 September 2021, 2,112,186 shares were allotted at \$9.23 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2021.

On 11 March 2022, 2,343,902 shares were allotted at \$9.60 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2022.

(b) On 31 March 2022, 20,628,655 shares were allotted at \$9.30 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

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

16. Reserves

	2022	2021
	\$'000	\$'000
Executive Performance Rights Reserve	332	577
Investment Revaluation Reserve	1,538,075	1,990,774
Capital Profits Reserve	322,603	263,936
	1,861,010	2,255,287
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	577	522
Accrued entitlement for unvested rights	971	464
Executive performance shares purchased	(1,216)	(409)
Balance at end of year	332	577
Investment Revaluation Reserve		
Balance at beginning of year	1,990,774	1,103,837
Revaluation of long-term investments	(474,678)	1,313,645
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	138,650	(401,369)
Realised gains on sale of long-term investments transferred to capital profits reserve	(168,571)	(48,765)
Income tax expense thereon	51,900	23,426
Balance at end of year	1,538,075	1,990,774
Capital Profits Reserve		
Balance at beginning of year	263,936	238,597
Dividend paid	(58,004)	-
Transfer from investment revaluation reserve	116,671	25,339
Balance at end of year	322,603	263,936
Total Reserves	1,861,010	2,255,287

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 \$372.6 million (2021: \$357.9 million). The cumulative profit after tax on these disposals was \$116.7 million (2021: \$25.3 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

	2022	2021
	\$'000	\$'000
Balance at beginning of year	467,467	495,500
Dividends paid	(159,850)	(202,022)
Profit for the year	312,928	173,989
Balance at end of year	620,545	467,467

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

	2022 \$'000	2021 \$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2021 of 14.0 cents fully franked at 30% tax rate paid 17 September 2021 (2020: 14.0 cents fully franked at 30% tax rate)	101,507	100,838
Interim dividend for the year ended 30 June 2022 of 16.0 cents fully franked at 30% tax rate paid 11 March 2022 (2021: 14.0 cents fully franked at 30% tax rate)	116,347	101,184
Total dividends paid	217,854	202,022

The final dividend paid contain a listed investment company (LIC) capital gain component of 8.0 cents (2021: nil). The interim dividend paid did not contain a LIC capital gain component (2021: nil).

	2022 \$'000	2021 \$'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 2022 of 17.0 cents fully franked at 30% tax rate payable 16 September 2022 (2021: 14.0 cents fully franked at 30% tax rate)	127,523	101,507

The final dividend declared will contain a LIC capital gain component of 15.0 cents per share (2021: 8.0 cents).

20. Franking account

	2022	2021
	\$'000	\$'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	194,836	124,218
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(54,653)	(43,503)
	140,183	80,715
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	327,094	188,335
	cents	cents
This equates to a per share amount of	43.6	26.0

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

	2022	2021
	\$'000	\$'000
Balance of the imputation account	6,502	3,214

New Zealand imputation credits of \$6.5 million (NZ\$7.2 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 16 September 2022.

22. Listed Investment Company (LIC) capital gain account

	2022	2021
	\$'000	\$'000
Balance of the LIC capital gain account	116,142	60,252
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)	(58,004)
	3,622	2,248
This equates to an attributable amount of	5,174	3,211

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. Related parties

	2022	2021
	\$	\$
(a) Key management personnel compensation		
Short-term	2,355,195	2,320,674
Post-employment (superannuation)	145,176	130,340
Share based	487,611	208,731
	2,987,982	2,659,745

Detailed remuneration disclosures are provided in the Remuneration Report.

	2022	2021
	\$	\$
(b) Key management personnel loans		
Balance at beginning of year	15,491	34,395
Loan repayments	(15,491)	(18,904)
Balance at end of year	-	15,491
Notional interest not charged	-	-

The loan repayments are made in accordance with the terms of the Argo Investments Executive Share Plan and have been repaid in full.

(c) Argo Global Listed Infrastructure Limited

Argo Global Listed Infrastructure Limited (ASX: ALI) is an Australian investment company which invests in international securities in the infrastructure sector.

At balance date, the Company's ALI shares had a fair value of \$30.3 million (2021: \$28.4 million) as disclosed in Note 30.

Argo's wholly owned subsidiary, Argo Service Company Pty Ltd earned a management fee of \$4.7 million (2021: \$4.0 million) for administering ALI. Cohen & Steers, the Portfolio Manager for ALI, receives 50% of this fee. Management fees of \$0.4 million (2021: \$0.4 million) were receivable at balance date.

At balance date, three of the five Directors of ALI were also Directors of the Company.

25. Parent entity disclosures

In accordance with the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the *Corporations Act 2001* the following summarised parent entity information is set out below.

As at, and throughout, the financial year ended 30 June 2022 the parent entity is Argo Investments Limited.

	2022	2021
	\$'000	\$'000
Profit of the parent entity		
Profit for the year	312,954	174,041
Total comprehensive income for the year	(23,075)	1,086,318
Financial position of the parent entity as at 30 June		
Current assets	202,477	213,728
Total assets	6,423,345	6,606,154
Current liabilities	45,197	44,133
Total liabilities	786,639	961,753
Net assets	5,636,706	5,644,401
Total equity of the parent entity comprising of:		
Contributed equity	3,155,136	2,921,659
Reserves	1,861,010	2,255,287
Retained profits	620,560	467,455
Total equity attributable to shareholders of the parent entity	5,636,706	5,644,401

Argo Investments Limited has an agreement in place with Argo Service Company Pty Ltd to provide up to \$250,000 (2021: \$250,000) financing to cover any negative cash flow requirements arising from its operations. The facility was not utilised during the financial year to 30 June 2022.

26. Share based payments

(a) Argo Employee Share Ownership Plan

The Directors may at such time or times as determined, issue invitations to eligible employees to apply for shares under the Argo Employee Share Ownership Plan (ESOP) as part of the employees' remuneration. Each eligible employee is offered up to \$1,000 per year in shares at market value. The costs of acquiring the shares on market are paid for by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or on the date the employee ceases employment. The ESOP was approved by shareholders at the 1997 Annual General Meeting.

During the year, 1,378 (2021: 1,703) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of \$13,044 (2021: \$13,011) and had a market value of \$12,126 (2021: \$15,208) at \$8.80 per share (2021: \$8.93 per share) at balance date.

(b) Argo Investments Limited Executive Performance Rights Plan

The Argo Investments Limited Executive Performance Rights Plan (Plan) is designed to provide participants with performance-linked incentives as shareholder value is created. Under the Plan, performance rights are granted to executives to satisfy their STI and LTI entitlements. These performance rights only vest if certain performance and service conditions are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

A detailed discussion of the performance and service conditions for performance rights granted or to be granted is set out in the Remuneration Report.

The STI and LTI performance rights are granted under the Plan for no consideration, carry no dividend or voting rights and do not have an exercise price.

When exercisable, each performance right is convertible into an ordinary Company share, subject to certain adjustments allowable under the Plan.

Set out below are summaries of rights granted under the Plan:

STI performance rights

Grant date	Earliest vesting date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
8/10/19	8/10/21	87,888	-	(87,888)	-	-
8/10/20	8/10/22	44,239	-	-	-	44,239
7/10/21	7/10/23	-	96,226 ⁽¹⁾	-	-	96,226
		132,127	96,226	(87,888)	-	140,465

(1) The fair value at grant date of the STI performance rights issued during the year was \$8.14 (2021: \$6.82) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The following inputs were used to calculate the fair value of the STI performance rights issued:

- (a) Share price at valuation date 7 October 2021: \$9.09 (8 October 2020: \$7.61); and
- (b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2021: 5.5%).

STI performance rights expense of \$636,590 (2021: \$413,487) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

The weighted average remaining life of the STI performance rights outstanding at the end of the year was 1.0 year (2021: 0.6 year).

During the year, 87,888 (2021: 53,938) shares were acquired by the Company on behalf of eligible employees for exercised STI performance rights at a cost of \$814,265 (2021: \$409,666) and had a market value of \$773,414 (2021: \$481,666) at \$8.80 per share (2021: \$8.93 per share) at balance date.

LTI performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
16/10/17	16/10/21	30/11/21	167,050	-	(42,681)	(124,369) ⁽²⁾	-
15/10/18	15/10/22	29/10/22	171,030	-	-	-	171,030
8/10/19	8/10/23	23/10/23	181,060	-	-	-	181,060
8/10/20	8/10/24	22/10/24	191,820	-	-	-	191,820
7/10/21	7/10/25	21/10/25	-	162,110 ⁽¹⁾	-	-	162,110
			710,960	162,110	(42,681)	(124,369)	706,020

(1) The fair value at grant date of the LTI performance rights issued during the year was \$7.29 (2021: \$6.11) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The Monte Carlo simulation has been used to determine the probabilities of meeting the performance conditions and the expected level of vesting under each performance condition. The following inputs were used to calculate the fair value of the LTI performance rights issued:

- (a) Share price at valuation date 7 October 2021: \$9.09 (8 October 2020: \$7.61); and
- (b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2021: 5.5%).

(2) 124,369 LTI performance rights lapsed because the performance condition was not satisfied.

LTI performance rights expense totalling \$334,842 (2021: \$50,880) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

The weighted average remaining life of the LTI performance rights outstanding at the end of the year was 1.8 years (2021: 1.9 years).

During the year, 42,681 (2021: nil) shares were acquired by the Company on behalf of eligible employees for exercised LTI performance rights at a cost of \$401,842 and had a market value of \$375,593 at \$8.80 per share at balance date.

27. Cash flow information

	2022	2021
	\$'000	\$'000
(a) Reconciliation of net cash provided by operating activities to profit for the year:		
Profit for the year	312,928	173,989
Dividends received as securities	(59,620)	(2,610)
Demerger dividends and distributions	(13,503)	(19,113)
Depreciation	436	422
Charges to provisions	182	194
Other movements	(213)	1,919
Increase in provision for income tax	4,241	49,097
Transfer from provision for deferred income tax	(38,801)	(33,177)
Decrease in deferred tax assets	1,628	255
Changes in operating assets and liabilities:		
Increase in current investments	(4,318)	(7,588)
Increase in other debtors	(3,954)	(11,814)
Decrease in other creditors	(3,049)	(1,339)
Net cash provided by operating activities	195,957	150,235

(b) Non-cash financing activities

Dividends paid totalling \$42.0 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2021: \$38.0 million).

28. Auditor's remuneration

	2022	2021
	\$	\$
During the year the following remuneration amounts were paid or payable for services provided by the Auditor:		
Audit services		
Audit and review of financial reports	140,677	144,737
Audit related services		
AFSL compliance audit and review	6,661	7,018
Non-audit services		
Taxation and professional services	22,396	24,123
Total remuneration	169,734	175,878

29. Financial risk management

The risks associated with the holding of financial instruments such as investments, cash and cash equivalents, other financial cash assets, receivables and payables include credit risk, liquidity risk and market risk.

Credit risk

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

In relation to cash and cash equivalents disclosed in Note 6, the maximum exposure to credit risk is the carrying amount of bank deposits, cash management trusts and any interest accrued.

The Company's cash investments are managed internally under Board approved guidelines. Funds are invested for the short to medium term with the major Australian banks which have a Standard & Poor's short-term rating of A2 and above. The maturities of bank term deposits in cash and cash equivalents are within three months while bank term deposits in other financial cash assets mature from three to six months. Cash management trusts invest predominantly in short term securities with an A1+ rating.

The credit risk exposure for the Company's receivables as disclosed in Note 7 is the carrying amount.

Credit risk exposure also arises in relation to option positions held by the Company. The extent of this exposure is reflected in the carrying value and is disclosed in Note 12.

None of the assets exposed to credit risk are past due or considered to be impaired.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due.

The Company has no borrowings and monitors its cash flow requirements daily which includes the amount required for purchases of securities, the amount receivable from sales of securities, and dividends and distributions to be paid or received.

The Company's inward cash flows depend mainly upon the amount of dividends and distributions received from the investment portfolio as well as the proceeds from the sale or takeover of investments. Should these inflows drop by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are purchases of investments and dividends paid to shareholders, the level of both is controllable by the Board and management.

The assets of the Company are largely in the form of tradeable securities which, if necessary, could be sold on market to meet obligations. The Company's payables are disclosed in Note 11.

Market risk

Market risk is the risk that changes in market prices will affect the fair value of financial instruments.

The Company is a listed investment company that invests in tradeable securities. Due to the nature of its business, the Company will always be subject to market risk as it invests its capital in securities which have fluctuating market prices.

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the long-term investment portfolio, would lead to a reduction in the Company's equity of \$217.7 million (2021: \$223.6 million) and \$435.3 million (2021: \$447.3 million) respectively, after tax. The investment revaluation reserve at 30 June 2021 has an after tax balance of \$1,538.1 million (2021: \$1,990.8 million). It would require a 35% (2021: 45%) after tax fall in the value of the long-term investment portfolio to fully deplete this reserve.

The Company seeks to reduce the market risk of the long-term investment portfolio by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and market sectors are reviewed and risk is appropriately managed. The Company does not have set parameters as to a minimum or maximum amount of the long-term investment portfolio that can be invested in a single company or sector.

The Company's assets are spread across investment industry sectors as below:

	2022	2021
Materials	15%	15%
Banks	12%	14%
Other Financials	12%	11%
Health Care	11%	11%
Consumer Staples	9%	10%
Telecommunication Services & I.T.	9%	7%
Industrials	8%	9%
Energy	7%	4%
Consumer Discretionary	6%	7%
Cash and cash equivalents	3%	3%
Listed Investment Companies	3%	4%
Property	3%	3%
Utilities	2%	2%
	100%	100%

The following investments represent over 5% of the investment portfolio:

	2022	2021
Macquarie Group	6.6%	5.8%
BHP Group	5.8%	5.6%
CSL	5.0%	4.8%

The fair value of the Company's derivative financial instruments, being exchange traded options, are subject to market risk, as changes in market price will affect the fair value of the financial instrument. The Company seeks to reduce the market risk of these derivatives by imposing Board approved maximum exposure limits for each security and in total. The total exposure position is determined and monitored on a daily basis. The fair value of exchange traded options at balance date was \$6.0 million (2021: \$9.1 million) and is disclosed in Note 12. Investments with a market value of \$161.7 million (2021: \$183.7 million) were lodged with the ASX Clearing Corporation as collateral for any option positions written by the Company in the Exchange Traded Option Market.

The Company is not materially exposed to interest rate risk, as all of its cash investments and bank term deposits mature in the short-term and have a fixed interest rate.

The Company is not significantly exposed to currency risk, as the majority of investments are quoted in Australian dollars. At balance date all investments were quoted in Australian dollars.

Fair value measurement

The Company measures the fair value of its long-term investments, as required by Accounting Standard AASB 13 *Fair Value Measurement*, based on the following fair value measurement hierarchy:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

30. Long-term investments

The following long-term investments are valued at fair value through other comprehensive income.

	2022	2022	2021	2021
	No. of shares or units	\$'000	No. of shares or units	\$'000
Adbri Ltd.	7,681,385	18,589	7,681,385	26,654
AGL Energy Ltd.	-	-	2,292,000	18,794
ALS Ltd.	5,104,023	54,511	5,104,023	66,556
Alumina Ltd.	12,429,285	18,209	12,429,285	20,446

Notes to the Financial Statements

	2022	2022	2021	2021
	No. of shares or units	\$'000	No. of shares or units	\$'000
Amcor plc	6,068,564	109,477	6,068,564	91,817
APA Group	11,882,525	133,916	11,882,525	105,754
Argo Global Listed Infrastructure Ltd.	13,040,389	30,254	13,040,389	28,428
Aristocrat Leisure Ltd.	3,873,787	133,181	3,312,665	142,743
Aurizon Holdings Ltd.	19,223,772	73,050	13,223,772	49,192
Australia and New Zealand Banking Group Ltd.	8,265,275	182,084	8,265,275	232,667
Australian United Investment Company Ltd.	11,963,304	112,216	13,264,840	134,771
Bega Cheese Ltd.	8,073,793	30,842	5,546,932	32,671
BHP Group Ltd.	8,968,304	369,943	7,618,304	370,021
Boral Ltd.			5,596,552	41,135
Brambles Ltd.	6,001,109	64,272	6,001,109	68,653
Brickworks Ltd.	584,009	10,828	584,009	14,641
Carbon Revolution Ltd.	6,133,107	1,809	4,133,107	4,588
Challenger Ltd.	5,440,311	37,212	5,440,311	29,432
Chrysos Corporation Ltd.	1,000,000	3,580	-	-
Clarity Pharmaceuticals Ltd.	7,858,558	4,008	-	-
Coles Group Ltd.	5,290,027	94,215	5,290,027	90,407
Commonwealth Bank of Australia	2,753,731	248,882	2,753,731	275,015
Computershare Ltd.	5,458,117	134,488	5,458,117	92,242
Crown Resorts Ltd.	-	-	1,609,184	19,165
CSL Ltd.	1,186,509	319,242	1,113,370	317,522
Diversified United Investment Ltd.	7,677,716	35,317	8,927,716	46,335
Downer EDI Ltd.	12,815,059	64,716	10,615,059	59,338
Eagers Automotive Ltd.	6,083,588	59,132	6,083,588	100,744
EBR Systems Inc.	9,782,633	3,668	-	-
Eclixp Group Ltd.	12,086,416	27,799	12,086,416	27,436
EML Payments Ltd.	17,390,447	21,390	4,978,681	17,326
Endeavour Group Ltd.	3,479,526	26,340	3,479,526	21,886
Estia Health Ltd.	14,309,250	27,331	11,809,250	29,169
Event Hospitality & Entertainment Ltd.	2,850,000	37,193	2,912,387	36,813
Genworth Mortgage Insurance Australia Ltd.	5,431,678	12,493	779,528	1,715
GPT Group	3,480,667	14,688	3,480,667	17,055
GUD Holdings Ltd.	4,016,575	32,092	2,236,508	26,816
Harvey Norman Holdings Ltd.	5,213,182	19,341	5,213,182	28,568
Healius Ltd.	19,132,634	70,217	15,820,664	73,250
HUB24 Ltd.	60,576	1,228	60,576	1,727

	2022	2022	2021	2021
	No. of shares or units	\$'000	No. of shares or units	\$'000
IDP Education Ltd.	243,988	5,812	-	-
IGO Ltd.	3,680,970	36,589	3,080,970	23,508
Insurance Australia Group Ltd.	3,910,330	17,049	4,910,330	25,337
Intrepica Pty Ltd.	8,509,112	2,212	8,509,112	2,212
Intrepica Pty Ltd. preference shares	200,000	200	-	-
InvoCare Ltd.	2,743,277	28,695	2,743,277	31,740
IRESS Ltd.	1,417,413	16,314	1,417,413	18,299
James Hardie Industries plc	891,000	28,307	742,000	33,590
Judo Capital Holdings Ltd.	3,204,561	3,861	-	-
Lendlease Group	6,980,092	63,589	4,980,092	57,072
Life360 Inc.	401,469	1,140	-	-
Liontown Resources Ltd.	7,575,758	7,992	-	-
Lynas Rare Earths Ltd.	6,779,221	59,183	6,779,221	38,709
Macquarie Group Ltd.	2,563,251	421,680	2,458,151	384,529
McGrath Ltd.	8,500,000	3,102	10,000,000	5,850
Megaport Ltd.	2,000,000	10,900	-	-
Milton Corporation Ltd.	-	-	13,469,198	84,856
Mirvac Group	6,000,551	11,851	6,000,551	17,522
Monash IVF Group Ltd.	19,982,646	18,784	19,982,646	16,985
National Australia Bank Ltd.	5,934,685	162,551	5,934,685	155,607
Newcrest Mining Ltd.	1,390,410	29,046	1,390,410	35,150
NOVONIX Ltd.	13,550,000	30,894	14,240,028	31,613
Oil Search Ltd.	-	-	7,371,125	28,084
Orica Ltd.	2,555,364	40,298	1,955,364	25,967
Origin Energy Ltd.	11,351,603	65,045	11,351,603	51,196
Pact Group Holdings Ltd.	4,172,314	7,531	4,172,314	15,438
Peet Ltd.	18,152,705	17,064	18,152,705	21,783
Premier Investments Ltd.	1,250,000	24,087	1,250,000	35,688
QANTM Intellectual Property Ltd.	5,350,053	5,109	4,900,053	5,660
QBE Insurance Group Ltd.	9,540,088	115,912	8,540,088	92,148
RAM Essential Services Property Fund	22,100,665	17,349	-	-
Ramsay Health Care Ltd.	2,023,131	148,174	2,023,131	127,356
Ramsay Health Care Ltd. reset conv. preference	-	-	25,000	2,617
Reece Ltd.	5,687,741	78,377	5,687,741	134,288
Rio Tinto Ltd.	2,197,139	225,646	2,097,139	265,582
Rural Funds Group	19,170,328	48,118	16,281,523	43,146

	2022 No. of shares or units	2022 \$'000	2021 No. of shares or units	2021 \$'000
Santos Ltd.	21,104,895	156,598	10,942,014	77,579
Scentre Group	7,526,662	19,494	7,526,662	20,623
Songtradr Inc.	266,667	11,634	100,000	2,660
Sonic Healthcare Ltd.	3,726,053	122,997	3,726,053	143,080
South32 Ltd.	-	-	2,000,000	5,860
Spark Infrastructure	-	-	7,101,109	15,977
Stanmore Resources Ltd.	6,750,000	13,095	-	-
Steadfast Group Ltd.	14,504,109	72,811	13,478,079	59,304
Stockland	4,017,934	14,505	4,017,934	18,724
Suncorp Group Ltd.	7,496,097	82,307	7,496,097	83,282
Superloop Ltd.	21,816,176	15,708	1,075,269	1,000
Sydney Airport	-	-	16,093,841	93,183
Tabcorp Holdings Ltd.	10,548,951	11,235	10,548,951	54,644
Talga Group Ltd	-	-	703,311	935
Tassal Group Ltd.	12,595,792	60,334	10,766,165	38,543
Technology One Ltd.	6,784,564	72,663	6,814,564	63,444
Telstra Corporation Ltd.	48,514,800	186,782	46,514,800	174,896
The Lottery Corporation Ltd.	10,548,951	47,681	-	-
The Star Entertainment Group Ltd.	14,500,000	40,455	10,000,000	36,900
Transurban Group	9,193,040	132,196	8,273,736	117,735
Treasury Wine Estates Ltd.	3,250,000	36,887	3,250,000	37,960
Viva Energy Group Ltd.	18,601,825	53,759	14,002,255	27,024
Washington H. Soul Pattinson and Company Ltd.	2,943,073	69,280	1,721,970	58,082
Wesfarmers Ltd.	5,040,027	211,228	5,040,027	297,866
Westpac Banking Corporation	8,407,648	163,949	8,407,648	217,001
Woodside Energy Group Ltd.	3,321,455	105,755	1,700,873	37,776
Woolworths Group Ltd.	3,479,526	123,871	3,479,526	132,674
Xpansiv Ltd. convertible notes	3,411,572	3,412	-	-
Total long-term investments		6,218,850		6,389,776

31. 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.

Directors' Declaration

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

- (a) the consolidated financial statements and notes set out on pages 44 to 75 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 30 June 2022 and of its performance for the financial 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2022.

Dated this 30th day of August 2022

Signed in accordance with a resolution of the Directors



R.A. Higgins AO
Chairman



Independent auditor's report

To the members of Argo Investments Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Argo Investments Limited (the Company) and its controlled entities (together, Argo) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Argo's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Argo 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code

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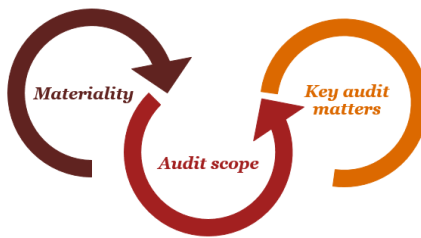
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Argo, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall materiality for Argo of \$56.4 million, which represents approximately 1% of net assets of Argo at 30 June 2022.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets as the benchmark because, in our view, net assets is:
 - the benchmark against which the performance of Argo is most commonly measured;
 - the key driver of the business and determinant of Argo's value; and
 - a generally accepted benchmark for listed investment companies.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable net asset related thresholds.

Audit scope

- Our audit focused on assessing the financial statements for risks of material misstatement in account balances, transactions or disclosures, and designing and performing audit procedures to obtain reasonable assurance that the financial statements as a whole were free of material misstatement due to fraud or error. This included identifying areas of higher risks, based on quantitative and qualitative assessment of Argo's operations and activities.
- Argo operates out of its Adelaide and Sydney offices with the finance function based in Adelaide. The investment management and administration operations for Argo are conducted by the Company's subsidiary, Argo Service Company Pty Ltd.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter

How our audit addressed the key audit matter

Existence and valuation of investments

Argo has investments of \$6,399.8 million as at 30 June 2022 (refer note 8 of the financial report).

Investments predominantly consist of listed Australian equities.

Whilst there is not significant judgement in determining the valuation of Argo's investments, these represent a key measure of Argo's performance and comprise a significant proportion of total assets in the consolidated statement of financial position. The fluctuations in investment valuation will also impact the realised and unrealised gains/(losses) recognised in the consolidated statement of profit or loss and the consolidated statement of comprehensive income which also affects the deferred tax provisions. Given the pervasive impact investments have on Argo's key financial metrics, we determined the existence and valuation of investments to be a key audit matter.

Our audit procedures over listed investments included:

- 1) Recalculation of the movement of investments for the year, including purchases, sales and other relevant transactions.
- 2) Verifying the mathematical accuracy of the investments balance by multiplying quantity held by share or unit price as at 30 June 2022.
- 3) Testing a sample of investment purchases and sales by agreeing the transaction recorded to purchase and sale confirmations from brokers.
- 4) Agreeing a sample of investment quantity holdings at 30 June 2022 to external share registries.
- 5) Agreeing a sample of market prices used to fair value the investments to independent market pricing sources.
- 6) Testing the relevant control over the investments.
- 7) Evaluating the adequacy of the disclosures made in note 8 of the financial report in light of the requirements of Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of Argo to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Argo or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 21 to 41 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

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PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'J McCarthy', written over a horizontal line.

Julian McCarthy
Partner

Adelaide
30 August 2022

Shareholder information

at 31 July 2022

	Ordinary Shareholders
Number of shareholders holding:	
1–1,000 shares	31,089
1,001–5,000 shares	33,118
5,001–10,000 shares	14,505
10,001–100,000 shares	16,807
100,001 or more shares	523
Total number of shareholders (entitled to one vote per share)	96,042

There were 2,266 shareholders holding less than a marketable parcel of shares.

20 largest shareholders

	No. of shares	%
HSBC Custody Nominees (Australia) Limited	10,639,063	1.42
RCY Pty. Limited	6,166,887	0.82
JIT Pty. Limited	4,950,972	0.66
Netwealth Investments Limited (Wrap Services a/c)	4,219,435	0.56
Australian Executor Trustee Limited (IPS IOOF Employer Super a/c)	3,247,704	0.43
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd (DRP a/c)	2,960,062	0.39
TRIGT Pty. Limited	2,852,478	0.38
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,371,079	0.32
McLennan Australia Corporation Pty. Ltd.	2,329,043	0.31
Citicorp Nominees Pty. Limited	2,277,595	0.30
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,150,245	0.29
Donald Cant Pty. Ltd.	1,877,451	0.25
Salur Holdings Pty. Limited	1,429,747	0.19
Kalymna Pty. Ltd.	1,351,087	0.18
Bougainville Copper Limited	1,345,440	0.18
Poplar Pty. Ltd.	1,285,942	0.17
Netwealth Investments Limited (Super Services a/c)	1,191,555	0.16
Jacaranda Pastoral Pty. Ltd.	1,146,614	0.15
Australian Executor Trustees Limited	1,136,811	0.15
HSBC Custody Nominees (Australia) Limited (Euroclear Bank SA NV a/c)	1,118,129	0.15
	56,047,339	7.46

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

Company directory

Argo Investments Limited
ABN 35 007 519 520 | ASX code: ARG

Non-executive Directors

Russell Higgins AO, Chairman
Anne Brennan
Lianne Buck
Christopher Cuffe AO
Roger Davis
Elizabeth Lewin

Managing Director

Jason Beddow

Chief Operating Officer

Tim Binks

Chief Financial Officer

Andrew Hill

Auditor

PricewaterhouseCoopers

Registered Head Office

Level 25, 91 King William Street
Adelaide SA 5000
Telephone (08) 8210 9500
Fax (08) 8212 1658
invest@argoinvestments.com.au
argoinvestments.com.au

Sydney Office

Level 37, 259 George Street
Sydney NSW 2000
Telephone (02) 8274 4700
Fax (02) 8274 4777

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Telephone 1300 350 716
argo@boardroomlimited.com.au
investorserve.com.au

Annual General Meeting

Argo's Annual General Meeting (AGM) will be held on **Monday 24 October 2022** in **Adelaide**. This year's meeting will be held in-person with a simultaneous livestream available via our website.

Shareholder information meetings

Shareholder information meetings will be held in various capital cities in May 2023 when we will provide an update and overview of the Company, its investment approach, portfolio and our view of the share market. These meetings will also give shareholders the opportunity to meet with our team face-to-face and ask us questions.

Further information

Additional details about the AGM will be provided with the Notice of Annual General Meeting which will be released in September.

