



2020

Annual Report



Non-executive Directors

Russell A. Higgins AO, Chairman
Anne B. Brennan
Christopher E. Cuffe AO
Roger A. Davis
Elizabeth A. Lewin
Joycelyn C. Morton

Managing Director

Jason Beddow

Chief Operating Officer

Timothy C.A. Binks

Chief Financial Officer

Andrew B. Hill

Auditor

PricewaterhouseCoopers

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

Annual General Meeting

Due to the COVID-19 pandemic, Argo’s Annual General Meeting (AGM) will be a virtual meeting conducted online on **Monday 26 October 2020**.

Further details for the AGM will be advised with the Notice of Annual General Meeting which will be distributed to shareholders in September.

Argo’s information meetings in various capital cities unfortunately will not be held this year. We are hopeful that we will be able to hold our information meetings next year.

2020 Overview

Net tangible assets per share*	Management expense ratio	Shareholders
\$7.27	0.16%	92,342
Profit	Full year dividends, fully franked	Earnings per share
\$199.5m	30.0c	27.8c

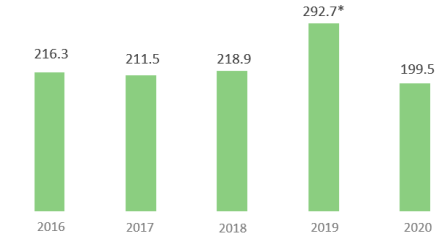
*at 30 June 2020

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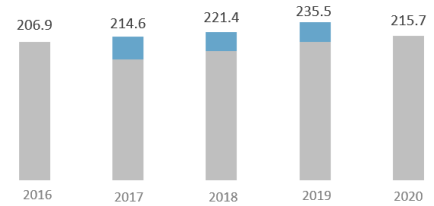
Five year summary

Profit (\$ millions)



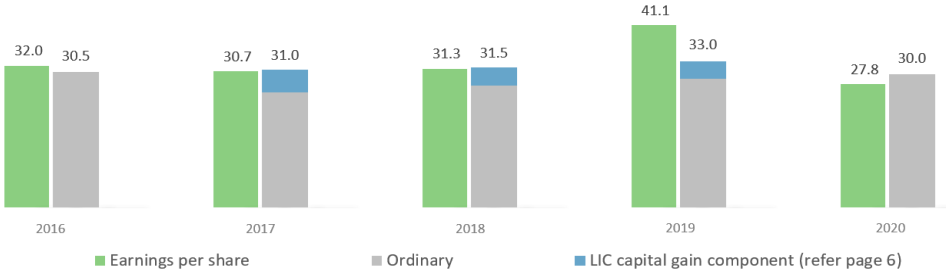
* includes demerger dividend

Total dividends (\$ millions)



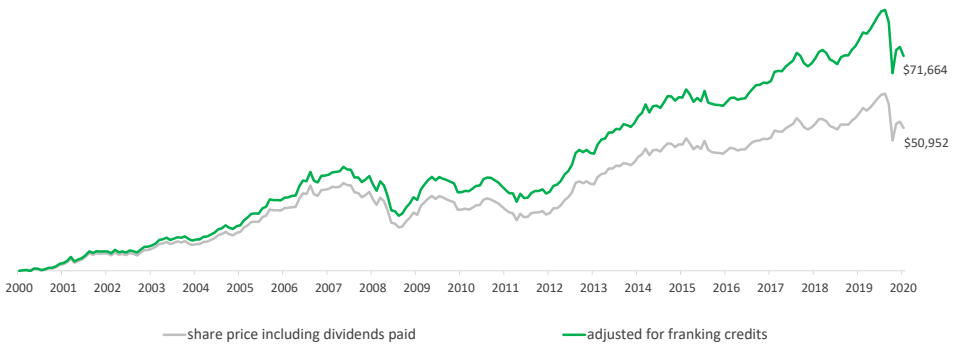
■ Ordinary ■ LIC capital gain component (refer page 6)

Earnings and dividends (cents per share)



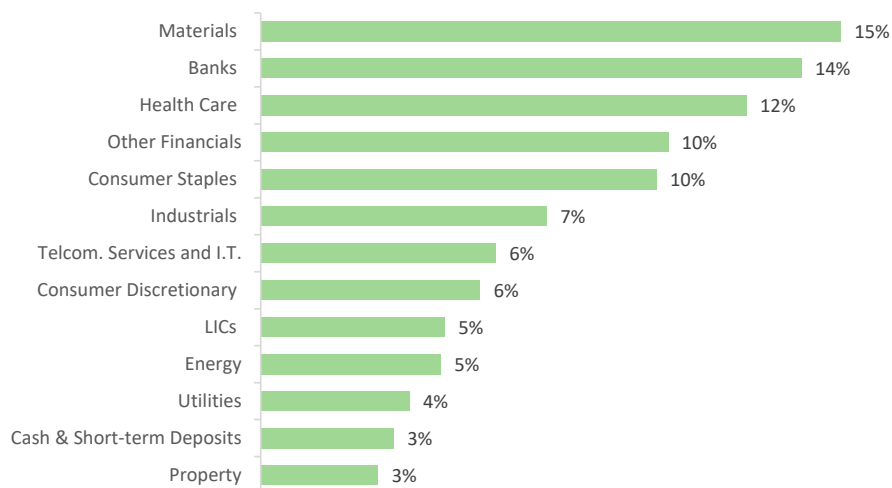
■ Earnings per share ■ Ordinary ■ LIC capital gain component (refer page 6)

Total returns value of \$10,000 invested over 20 years



A \$10,000 investment in Argo shares on 1 July 2000 would have grown to a value of \$50,952 at 30 June 2020. The tax effective value taking into account franking credits is \$71,664.

Investment portfolio sector allocation at 30 June 2020



20 largest investments at 30 June 2020

	\$m	% of portfolio
CSL	319.5	6.1
Macquarie Group	291.5	5.6
BHP Group	265.3	5.1
Wesfarmers	225.9	4.3
Commonwealth Bank of Australia	215.5	4.1
Westpac Banking Group	213.8	4.1
Rio Tinto	205.4	3.9
Australia and New Zealand Group	182.0	3.5
Telstra Corporation	139.3	2.7
Ramsay Health Care	137.1	2.6
APA Group	121.1	2.3
Woolworths Group	120.4	2.3
Transurban Group	116.9	2.2
Australian United Investment Company	115.2	2.2
National Australia Bank	115.0	2.2
Sonic Healthcare	110.3	2.1
Coles Group	86.5	1.6
Sydney Airport	83.7	1.6
Aristocrat Leisure	83.2	1.6
Amcor plc	80.6	1.5
	3,228.2	61.6
Cash and Short-term Deposits	178.7	3.4

Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation at 30 June 2020 of \$5.2 billion.

Argo shares offer investors a low cost, professionally managed entry to the Australian sharemarket.

Argo is ranked by market capitalisation in the top 100 companies listed on the Australian Securities Exchange (ASX code: ARG).

Argo seeks to provide long-term capital growth and a regular income stream to over 92,000 shareholders.

Argo's total assets were \$5.3 billion at 30 June 2020 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange (ASX).

Argo's Board of Directors and management team are both experienced and highly qualified, which are considered essential qualities for the effective surveillance of a long-term investment portfolio. The Board currently consists of six Non-executive Directors and the Managing Director.

The investment philosophy followed by Argo is straightforward. Management aims to provide consistent tax-effective income combined with long-term capital growth, by investing in a diversified portfolio of securities. The portfolio contains investments in 89 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is judged to be good quality management and prospects for sound earnings growth.

Successful equity investing depends on good quality research and analysis. Argo's investment team includes the Managing Director and a number of specialist research analysts. The research has two objectives: to monitor the portfolio of leading stocks and smaller companies, and to find new investments to complement the portfolio. The investment goal is to identify well-managed businesses with the potential and ability to generate growing and sustainable profits to fund increasing dividend payments.

Due to the spread of investments within the Company's portfolio, Argo shares are particularly suitable for investors who seek to maximise long-term returns through a balance of capital and dividend growth. This could include investors who are looking for broad exposure to the Australian sharemarket, passive investors and self-managed superannuation funds.

Argo shares can be purchased through any sharebroker and the market price of the shares is quoted on the ASX. There are no fees charged to Argo shareholders. Being a securities exchange listed company, only stockbrokers' charges apply.

Further information

We encourage investors to visit the Argo website at www.argoinvestments.com.au to obtain further up to date information about the Company's operations.

Shareholder benefits



Low-cost, internally managed

Internal management structure ensures low operating costs and no external fees. For the year ended 30 June 2020, total operating costs were 0.16% of average assets at market value.



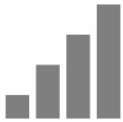
Diversified and administratively simple

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 almost 75 years.



Fully-franked, sustainable dividends

Dividends paid every year since inception in 1946 and fully franked since 1995. If Argo makes a discounted capital gain, the capital gains tax discount can be passed on to shareholders (LIC capital gain).



Experienced board and management team

Highly experienced board and management team with strong governance and 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.

Directors' Report

The Directors present their Seventy Fourth 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 2020, 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 Allan Higgins AO BEC, FAICD

Non-executive Chairman – Independent

Mr. Higgins joined the Board in 2011 and was appointed Chairman in 2018. He is also a member of the Remuneration Committee.

He has an extensive background in the energy and infrastructure sectors and in economic and fiscal policy, both locally and internationally. He is an experienced company director who has also held senior government positions.

Mr. Higgins is also Chairman of Argo Global Listed Infrastructure Ltd (since 2018) and was previously a Non-executive Director of APA Group (2004 to 2019) and Telstra Corporation Ltd (2009 to 2018). He was appointed Chair of Telstra Foundation Ltd in 2019.

Anne Bernadette Brennan BCom(Hons), FCA, FAICD

Non-executive Director – Independent

Ms. Brennan joined the Board in 2011 and is Chair of the Audit & Risk Committee.

She has extensive financial experience gained over many years in a variety of senior management roles with large corporates and chartered accounting firms, particularly in the areas of audit, corporate finance and transaction services.

Ms. Brennan is also a Non-executive Director of Charter Hall Group (since 2010), Nufarm Ltd (since 2011 and is retiring in December 2020), Rabobank Australia and New Zealand Ltd (since 2011), Spark Infrastructure Group (since June 2020) and Tabcorp Ltd (since February 2020). She was previously a Non-executive Director of Myer Holdings Ltd (2009 to 2017) and Metcash Ltd (2018 to 2019).

Christopher Edgar Cuffe AO BCom, FCA, FFin, FAICD

Non-executive Director – Independent

Mr. Cuffe joined the Board in 2016 and is a member of the Audit & Risk Committee.

He is well known in the wealth management and philanthropic sectors. He is a former Chief Executive Officer of Colonial First State and Challenger Financial Services Group, and a former Chairman of UniSuper Ltd.

Mr. Cuffe is also Chairman of Hearts and Minds Investments Ltd (since 2018) and is a Non-executive Director of Global Value Fund Ltd (since 2014) and Antipodes Global Investment Company Ltd (since 2016). He was previously a Non-executive Director of Class Ltd (2017 to 2020).

Roger Andrew Davis BEc(Hons), MPhil(Oxon), FCPA

Non-executive Director – Independent

Mr. Davis joined the Board in 2012 and is Chair of the Remuneration Committee.

He is a Rhodes Scholar and has over 30 years' experience in banking and investment banking in Australia, Japan and the US.

Mr. Davis is also a Non-executive Director and Chairman of Charter Hall Retail (since 2018), Chairman of AIG Australia Ltd (Director since 2010) and a consultant at Rothschild Australia Ltd (since 2003). He was previously a Non-executive Director and Chairman of Bank of Queensland (2008 to 2019), and a Non-executive Director of Aristocrat Leisure Ltd (2005 to 2017) and Ardent Leisure Ltd (2008 to 2018).

Elizabeth Anne Lewin GAICD

Non-executive Director – Independent

Ms. Lewin joined the Board in 2018 and is a member of the Remuneration Committee.

She has over 25 years of international experience in the financial services sector, with an extensive background in wealth management, investment banking and superannuation as a director and a senior executive.

Ms. Lewin was previously a Non-executive Director of Colonial First State Investments Ltd (2015 to 2018), Colonial Mutual Superannuation Pty Ltd (2015 to 2018) and Avanteos Investments Ltd (2015 to 2018).

Joycelyn Cheryl Morton BEc, FCA, FCPA, FIPA, FGIA, FAICD

Non-executive Director – Independent

Ms. Morton joined the Board in 2012 and is a member of the Audit & Risk Committee.

She has an extensive business and accounting background and has worked in a number of senior financial roles both in Australia and internationally, with particular expertise in taxation.

Ms. Morton is also a Non-executive Director of Argo Global Listed Infrastructure Ltd (since 2015), Beach Energy Ltd (since 2018), Snowy Hydro Ltd (since 2012) and ASC Pty Ltd (since 2017). She was previously a Non-executive Director of Thorn Group Ltd (2011 to 2018) and Invokecare Ltd (2015 to 2018).

Jason Beddow BEng, GdipAppFin(Seclnst)

Managing Director – Non-independent

Mr. Beddow has an engineering and investment background. He joined the Company in 2001 as an Investment Analyst and became Chief Investment Officer in 2008. He was appointed Chief Executive Officer in 2010 and Managing Director in 2014.

Mr Beddow is also Managing Director of Argo Global Listed Infrastructure Ltd (since 2015).

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	101,049	-
J. Beddow	338,589	340,827
A.B. Brennan	16,308	-
C.E. Cuffe AO	15,000	-
R.A. Davis	31,622	-
E.A. Lewin	13,270	-
J.C. Morton	26,881	-

BOARD AND COMMITTEE MEETINGS

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

There were 7 Board meetings, 4 Audit & Risk Committee meetings and 3 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*	3	3
J. Beddow	7	7	-	4*	-	3*
A.B. Brennan	7	7	4	4	-	-
C.E. Cuffe AO	7	7	4	4	-	-
R.A. Davis	7	7	-	2*	3	3
E.A. Lewin	7	7	-	2*	3	3
J.C. Morton	7	7	4	4	-	-

* By invitation

SECRETARY

Timothy Campbell Agar 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 has a background in accounting, funds management and stockbroking. He was appointed Company Secretary in 2010 and Chief Operating Officer in 2015, whilst 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 Investments Limited is a listed investment company which actively manages a diversified Australian equities portfolio in a tax-aware manner within a low-cost structure, with the objective of maximising long-term returns to shareholders through a balance of capital and dividend growth.

Argo generates the majority of its income by 'harvesting' the dividends and distributions received from the companies and trusts 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. Dividends and distributions made up 93% of Argo's income from operating activities for the financial year, with the portfolio's top 20 equity investments generating 62% of that income.

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 2020 financial year the Company's total operating costs were equivalent to 0.16% of average assets, which is very low by industry standards. Argo's main expense items are remuneration, share registry fees 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 and trusts in the investment portfolio. At balance date there were 89 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 20 years, the Company's investment portfolio has produced a compound return of +8.0% per annum, as measured by the movement in net tangible asset backing (NTA) per share assuming dividends paid are reinvested. This return is after payment of all costs and tax and compares to a return of +7.4% per annum from the S&P ASX 200 Accumulation Index, which 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 20 year period was +8.5% per annum, and +10.3% 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 are carried out by Argo personnel and 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 long-term holdings when prices trade below the long-term valuations calculated by the investment team.

Review of activities and events during the year ended 30 June 2020

The first half of the financial year produced positive returns for the Australian share market, despite the threat of global trade wars and the devastating summer bushfires. Our market was trading at records highs in late February 2020, when the quintessential black swan event hit the world.

The COVID-19 pandemic saw global equity markets post some of their steepest ever falls in March, exacerbated by dramatic oil price weakness. Many countries imposed strong lockdown and social distancing measures to help minimise the spread of infections, prompting swift and unprecedented responses from central banks and governments to do 'whatever it takes' to help protect jobs and limit the damage to economies.

In Australia, the S&P ASX 200 Index lost just over a third of its value from its high in February, with the Australian dollar dropping sharply at the same time to a 17-year low of US\$0.55. As the crisis developed and the economic outlook became increasingly uncertain, many ASX-listed companies withdrew their earnings guidance and cancelled, cut or deferred dividends payments.

However, as time passed, some governments became more concerned with economic risks than health risks, and started to re-open their economies in stages. Despite the lack of a vaccine for the virus, investors quickly became optimistic about economic recovery and markets bounced back strongly over the last quarter of the financial year. The Australian share market recovered by nearly 30% to 30 June 2020 following massive economic stimulus packages from the Federal Government and interest rate cuts to record lows.

The majority of industry sectors in Australia recorded negative returns for the financial year, including energy, banks, capital goods, insurance, consumer discretionary and property. The sectors which held up well in the face of the virus impacts to record positive returns were consumer staples, pharmaceuticals, information technology and healthcare.

These price movements, together with active portfolio management decisions, have seen a shift in the composition of Argo's top 10 holdings over the year. By 30 June 2020, CSL had become our largest holding followed by Macquarie Group, with the major banks slipping down the order.

Operationally, the impacts of social distancing on Argo's staff and administrative and investment functions have been minimal. Argo has been well placed to cope, given its small workforce located in two separate offices and the nature of its operations, most of which can be conducted remotely. Regular meetings with our investee companies have continued online.

During the year, \$243 million was outlaid on long-term investment purchases and \$127 million was received due to disposals and takeover proceeds. The larger movements in the long-term portfolio during the year included:

<i>Purchases</i>	<i>Sales</i>
AP Eagers (<i>Automotive Holdings takeover</i>)	AMP
Downer EDI	Ansell
Freedom Foods Group	Automotive Holdings (<i>AP Eagers takeover</i>) **
Oil Search	Corporate Travel Management **
Ramsay Health Care	Dulux Group (<i>Nippon Paint takeover</i>) **
Suncorp Group	Milton Corporation
Treasury Wine Estates *	Nufarm **

* New portfolio position

** Sale of complete position and removal from portfolio.

Other stocks exited were Incitec Pivot, Paragon Care and Regis Healthcare, with the total number of holdings in the portfolio decreasing from 95 to 89.

There were a number of capital raisings by corporates as the COVID-19 crisis developed. During April, Argo participated in raisings by Invocare, Lendlease Group, Monash IVF Group, Oil Search, QBE Insurance Group, Ramsay Health Care and Reece.

At the end of an extraordinary year, Argo's investment portfolio had returned -10.1% after deducting all costs and tax (measured by the movement in NTA assuming dividends paid are reinvested) and Argo's share price performance returned -7.8% for the financial year, with the share price at a slight discount to NTA after trading at a premium for the first few months of the COVID-19 crisis.

Argo's portfolio underperformed the broader Australian share market over the financial year, due chiefly to underweight positions in information technology and gold stocks, which have risen strongly in price. These sectors tend to be under-represented in Argo's portfolio as their dividend payments are generally relatively low.

There has been no change to the composition of the Board of Directors during the financial year.

Discussion of results and financial position

Argo's reported profit for the year ended 30 June 2020 was 31.9% lower than the prior year and earnings per share fell by 32.4%. This significant reduction was due to two factors. Firstly, the prior year's profit included a \$36.1 million one-off income item arising from the demerger of Coles Group from Wesfarmers. Secondly, the effects of COVID-19 caused many of our investee companies to cut or defer the dividends we would have otherwise received in the second half of the financial year.

The biggest dividend income declines for Argo occurred in the financial sector, with substantial dividend cuts or deferrals from ANZ Banking Group, National Australia Bank, Westpac Banking Corporation and Macquarie Group.

Income from option writing and trading increased this year, although interest received on cash deposits was slightly lower, reflecting lower interest rates and less cash on hand.

Dividends are very important to Argo shareholders, and after seven consecutive years of increased annual dividends, the Company has been unable to provide another increase due to the effects of the COVID-19 crisis and the very uncertain outlook for the coming 2021 financial year. The final dividend is 3 cents lower than last year, at 14 cents per share fully franked.

Argo's total assets decreased from \$6.1 billion to \$5.3 billion over the financial year, chiefly due to the impact of the weaker equity market on the portfolio value. Shareholders also contributed \$44.9 million through the Dividend Reinvestment Plan. The number of Argo shareholders has increased again this year, with 92,342 holders on the register at 30 June 2020, including a sharp jump in new holders at the time of the steepest market falls in March.

The cash assets at year end were \$178.7 million, representing 3.4% of the Company's total assets. Cash on hand fluctuates throughout the year according to the timing of dividends received, dividends paid, capital raisings, and investment purchases and disposals.

One measure of the financial position of a listed investment company is its net tangible asset backing (NTA) per share. As a long-term investor, Argo does not intend to dispose of its entire long-term investment portfolio. Therefore, when calculating NTA, Argo values its portfolio using the market price of each listed holding, without providing for estimated tax on gains that would be realised if the entire portfolio was to be sold. At 30 June 2020, this valuation resulted in a NTA per share of \$7.27, 13.7% lower than the 30 June 2019 level of \$8.42. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share at 30 June 2020 would have been \$6.56, compared with \$7.37 at 30 June 2019. Both NTA figures are updated monthly and announced to the ASX.

Future prospects, strategies and risks

The Company has cash available for additional long-term investment in the equity market, and will continue to focus on producing results in accord 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 and distributions we receive from them. Clearly, those prospects will be significantly impacted by the health and economic effects of the COVID-19 pandemic, but to what extent and for how long is

virtually impossible to predict. In addition, there will also be specific issues such as management competence, capital strength, industry trends and competitive behaviour which can affect our investee companies.

The benefit of a diversified portfolio is that different companies will be affected in different ways, helping to balance out some of the short-term impacts.

Active portfolio management may require some of the worst-affected stocks to be sold, but Argo is a long-term investor and must also consider the possibilities and opportunities in a post-COVID world, bearing in mind that some industries and consumer trends will not be able to revert to their former state.

Argo will continue to focus on controlling costs and providing tax-effective dividends to shareholders while achieving long-term capital growth.

We expect our dividends to shareholders will remain under pressure whilst governments, central banks, and individual companies grapple with the economic fallout of COVID-19.

Although the constantly changing nature of markets and other investment conditions requires the Company to diligently appraise any opportunities that may present themselves, Argo does not envisage any significant changes to its business model which has stood the test of time through many other adverse events.

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 16.0 cents per share was paid on 8 March 2020.

On 17 August 2020, the Directors declared a fully franked final dividend of 14.0 cents per share to be paid on 18 September 2020.

Total fully franked dividends for the year amount to 30.0 cents per share. This compares with 33.0 cents per share last year.

The final dividend paid by the Company for the financial year ended 30 June 2019 of \$121.5 million and referred to in the Directors' Report dated 12 August 2019 was paid on 13 September 2019.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan (DRP) raised \$44.9 million of new capital for investment during the year.

The DRP will operate for the 14.0 cents per share dividend payable on 18 September 2020 and the Directors have resolved that the shares will be allotted to eligible shareholders at the market price of Argo shares, as defined by the DRP. No discount will apply.

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 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, including executive officers of the Company. 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 65 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 38.

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 2020.

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 and retain 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.

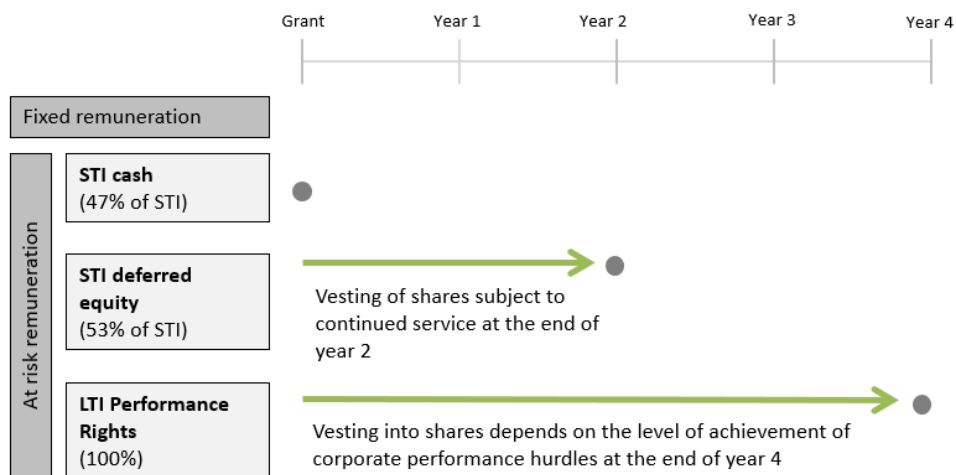
Remuneration reward is measured on a relative basis, reflecting the Company's profitability relative to its peer group and its investment performance relative to the ASX 200 share market index.

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.

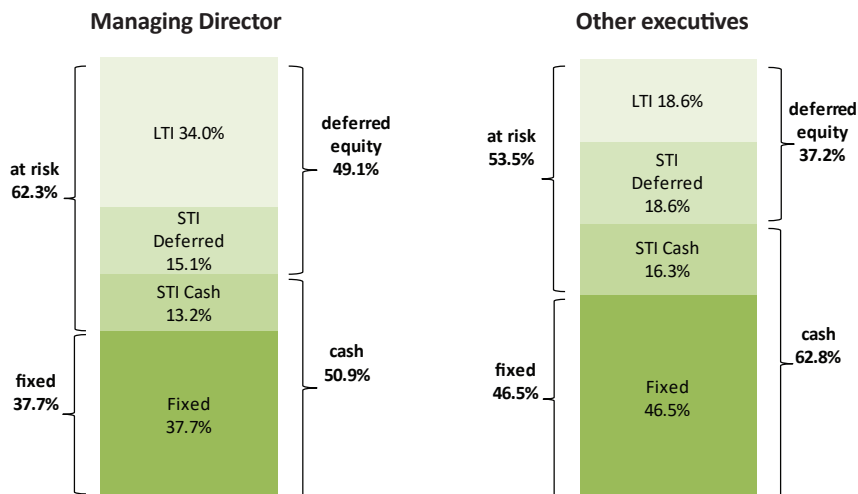
	Fixed	At risk	
	Fixed annual remuneration	Short-term Incentive (STI)	Long-term Incentive (LTI)
Description	Base salary including superannuation	Reward for strong individual and Company performance over <u>one</u> year	Reward for strong Company performance over <u>four</u> years
Designed to	Attract and 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

Remuneration structure



Total target remuneration mix for year ended 30 June 2020

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.



Fixed annual remuneration

What is fixed annual remuneration (FAR)?

All executives are offered 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

Performance linked remuneration

The Short-term Incentive (STI) and Long-term Incentive (LTI) are described as 'at risk' because the amount earned (if any) depends on the extent that key performance conditions are met or exceeded.

Changes to executive remuneration for year ended 30 June 2020

Total Portfolio Return (TPR) Performance measurement

The Company's TPR Performance is one of two financial performance indicators used to determine STI and LTI awards. In order to better compare Argo's TPR Performance to the benchmark S&P ASX 200 Accumulation Index, TPR Performance will no longer be grossed up for franking credits on dividends paid to shareholders.

Instead, TPR will be adjusted to remove the effect of company tax paid by Argo, which will better align with the index returns which are not subject to company tax.

LTI vesting proportions when TPR outperformance is achieved

To better align executive remuneration with shareholder outcomes the vesting conditions for the LTI TPR tranche of performance rights has increased from 25% vesting to 40% vesting if the performance hurdle of matching the movement in the S&P ASX 200 Accumulation Index over the performance period is achieved. If outperformance of the performance hurdle (by up to +100 bps) is achieved, then the number of performance rights to vest into shares will be calculated on a straight-line pro-rata basis.

These changes have been applied to performance rights granted for the financial year ended 30 June 2020.

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 and is awarded 47% in cash and 53% in deferred STI performance rights
What does deferred mean?	The STI performance rights vest 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?	<ol style="list-style-type: none"> 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 <p>* <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></p> <p>** <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></p>
What are the individual performance indicators?	<p>Individual performance indicators are uniquely set for each executive, depending on their role and responsibilities</p> <p>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</p>
How does the STI align with shareholder interests?	<p>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</p> <p>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</p> <p>The STI provides executives with the opportunity to hold equity in the Company, better aligning their interests with those of shareholders</p>
How is STI achievement assessed?	<p>STI achievement is measured annually by the Board and the Remuneration Committee</p>

Long-term incentive (LTI)

<p>What is the LTI?</p>	<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>
<p>What is the performance period?</p>	<p>Four years</p>
<p>What is the value of the LTI?</p>	<p>LTI performance rights are granted to the value of 90% of the Managing Director's fixed annual remuneration and 40% of the other executives' fixed annual remuneration</p> <p>The quantity of LTI performance rights that actually vest into shares for each executive will depend upon the Company's performance against the performance hurdles of each tranche over the performance period and includes an ongoing service condition</p>
<p>How is the LTI aligned with shareholder interests?</p>	<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>
<p>What are the Performance hurdles?</p>	<p>Tranche 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</p> <p>Tranche 2- EPS Performance: the Earnings Per Share (EPS)** over the performance period must 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> <p>* <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></p> <p>** <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></p>

Why were these performance hurdles chosen?

The ASX 200 is the benchmark index that tracks the combined movements 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

<i>Level of performance condition achieved</i>	<i>% of Performance Rights to vest into shares</i>
--	--

Tranche 1 -TPR Performance

Underperform condition	Nil
Achieve (match) 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 (match) 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

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 35, sets out the remaining balances of those KMP loans and the benefit of the interest not charged to the executives.

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 STI and LTI 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.

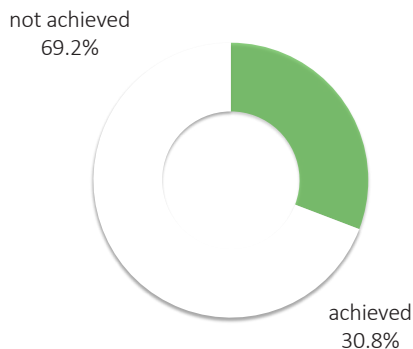
Table A: Linking remuneration outcomes to Company performance

Summary of annual results	2020	2019	2018	2017	2016
Profit (\$m)	199.5	292.7	218.9	211.5	216.3
Earnings per share (cents)	27.8	41.1	31.3	30.7	32.0
Dividends (\$m)	215.7	235.5	221.4	214.6	206.9
Dividends per share (cents, fully franked)	30.0	33.0	31.5	31.0	30.5
Management Expense Ratio (% of average assets)	0.16	0.15	0.15	0.16	0.17
Share price at 30 June (\$)	7.19	8.12	7.97	7.67	7.37
Share price movement (\$)	-0.93	+0.15	+0.30	+0.30	-0.60
One year returns (relate to STI awards)					
	2020	2019	2018	2017	2016
Earnings Per Share growth	-32.4%	+31.3%	+2.0%	-4.1%	-6.7%
– relative to peer group	over	over	under	over	over
Investment (NTA) return after all costs and tax ^(a)	-8.6%	+9.1%	+12.1%	+14.9%	+0.7%
– relative to ASX 200 accum. index ^(a)	under	under	under	under	under
Dividends per share growth	-9.1%	+4.8%	+1.6%	+1.6%	+3.4%
Average % of maximum STI achieved ^(b)	30.8%	65.7%	45.5%	63.3%	68.4%

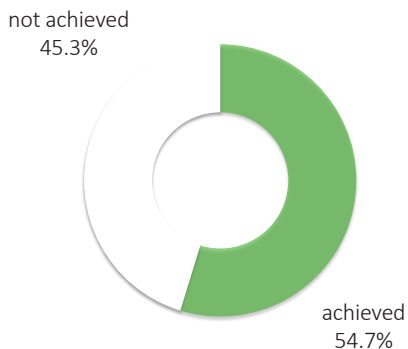
(a) adjusted for franking credits

(b) includes non-financial performance measures

STI outcomes - 2020



STI outcomes - 5 year average



Four year returns *

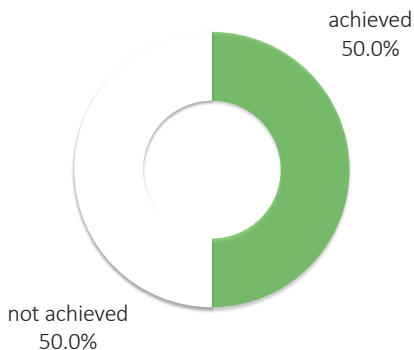
(relate to LTI awards)

	2019	2018	2017	2016	2015
Earnings Per Share growth (pa)	+4.6%	+1.0%	+2.6%	+4.5%	+5.1%
– relative to peer group	over	over	over	over	under
Investment (NTA) return after all costs and tax (pa) ^(a)	-9.1%	+8.7%	+10.4%	+12.9%	+9.7%
– relative to ASX 200 accum. index ^(a)	under	under	under	over	over
Dividends per share growth (pa)	+2.0%	+2.1%	+3.1%	+3.8%	+3.4%
% of maximum LTI achieved	50.0%	39.4%	50.0%	42.0%	11.6%

*2020 LTI outcomes have not yet been tested and will be reported in next year's Annual Report.

(a) adjusted for franking credits

LTI outcomes - 2019



LTI outcomes - 5 year average

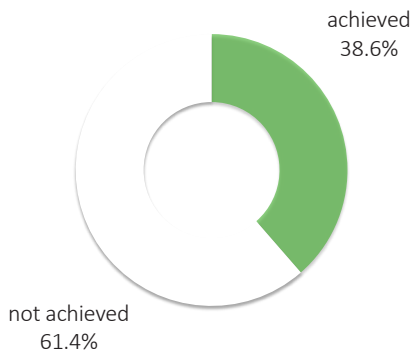


Table B: Actual executive remuneration outcomes (non-statutory disclosure)

		Total fixed remuneration ^(a)	Annual STI to 30 June ^(b)	Loan repayment ^(c)	Prior years rights vested ^(d)	Total received
		\$	\$	\$	\$	\$
Managing Director						
J. Beddow	2020	700,000	73,500	8,503	451,192	1,233,195
	2019	685,000	167,825	8,245	373,161	1,234,231
Other Key Management Personnel						
T.C.A. Binks	2020	288,000	30,240	-	117,791	436,031
	2019	280,000	70,070	-	99,537	449,607
A.B. Hill	2020	229,000	24,050	13,605	98,976	365,631
	2019	222,500	55,291	13,192	85,598	376,581
Total	2020	1,217,000	127,790	22,108	667,959	2,034,857
	2019	1,187,500	293,186	21,437	558,296	2,060,419

(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 August each year. The STI deferred component for the year ended 30 June 2020 will be issued on 8 October 2020 as STI performance rights and will vest two years after grant, subject to the executive having continued service with the Company (2019: issued 8 October 2019).

(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 2020, the Chairman received \$237,300 inclusive of superannuation, Committee and subsidiary company appointments. The base fee for each of the other NEDs was \$101,500 with additional fees of \$3,500 for Committee membership and subsidiary company board appointments, and \$6,700 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 30 of this report.

Due to the current economic circumstances, NED remuneration will remain unchanged for the year ending 30 June 2021.

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.

External advice

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

In 2015, the Financial Institutions Remuneration Group (FIRG) was engaged by the Remuneration Committee to assist it with a comprehensive review of executive remuneration compensation. No changes were recommended to the Board as a result of this review.

The Company's membership of FIRG provides it with access to up to date industry remuneration data on an ongoing basis.

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	
		Directors' fees	Committee fees	Superannuation ^(a)	Total
		\$	\$	\$	\$
Non-executive Directors					
R.A. Higgins AO	2020	216,712	-	20,588	237,300
	2019	212,420	-	20,180	232,600
A.B. Brennan	2020	101,535	10,200	10,615	122,350
	2019	99,498	10,000	10,402	119,900
C.E. Cuffe AO	2020	101,523	3,500	9,977	115,000
	2019	99,522	3,400	9,778	112,700
R.A. Davis	2020	106,660	6,700	5,140^(b)	118,500
	2019	99,542	6,333	10,058	115,933
E.A. Lewin	2020	101,523	3,500	9,977	115,000
	2019	99,522	3,400	9,778	112,700
J.C. Morton	2020	106,511	3,500	4,989^(b)	115,000
	2019	99,522	3,400	9,778	112,700
Total	2020	734,464	27,400	61,286	823,150
	2019	710,026	26,533	69,974	806,533

(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 ^(f)		Total
		Salaries ^(a)	STI ^(b)	Non-monetary benefits ^(e)	Super-annuation	STI ^(g)	LTI ^(h)	
		\$	\$	\$	\$	\$	\$	\$
Managing Director								
J. Beddow	2020	720,388	73,500^(c)	185	-(c)	151,041	222,890	1,168,004
	2019	725,900	167,825 ^(c)	520	-(d)	126,598	160,497	1,181,340
Other Key Management Personnel								
T.C.A. Binks	2020	278,709	30,240^(d)	-	21,003	62,611	39,645	432,208
	2019	268,286	70,070 ^(d)	-	20,531	51,822	27,319	438,028
A.B. Hill	2020	210,603	24,050^(d)	131	25,000	50,668	32,438	342,890
	2019	206,889	55,291 ^(d)	464	25,000	43,429	23,835	354,908
Total	2020	1,209,700	127,790	316	46,003	264,320	294,973	1,943,102
	2019	1,201,075	293,186	984	45,531	221,849	211,651	1,974,276

(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 August each year.

(c) The STI of \$73,500 was paid \$48,500 in cash and \$25,000 as a superannuation contribution (2019: \$167,825 of which \$142,825 was paid in cash and \$25,000 as a superannuation contribution).

(d) The STI was paid in cash.

(e) Comprises the benefit of interest free loans pursuant to the superseded Argo Investments Executive Share Plan.

(f) 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.

(g) 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.

(h) 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.

(i) 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	2020	30.0%	70.0%	32.0%	38.3%
	2019	70.0%	30.0%	24.3%	38.5%
T.C.A. Binks	2020	30.0%	70.0%	23.7%	30.7%
	2019	71.5%	28.5%	18.1%	34.1%
A.B. Hill	2020	30.0%	70.0%	24.2%	31.3%
	2019	71.0%	29.0%	19.0%	34.8%

(1) These percentages are based on the Accounting Standard disclosures and reflect the net effect of the various outcomes described in (g) and (h) 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	13,781	15/10/18	\$6.99	15/10/20	29/10/20	13,781	-	8,648
		23,826	8/10/19	\$7.33	8/10/21	22/10/21	23,826	-	68,047
	-	-	-	-	-	-	-	-	136,180 ⁽⁴⁾
	LTI	75,960	26/10/16	\$5.76	26/10/20	9/11/20	75,960	-	9,872
		74,720	16/10/17	\$6.35	16/10/21	30/10/21	74,720	-	38,553
		74,280	15/10/18	\$6.26	15/10/22	29/10/22	74,280	-	68,170
		78,260	8/10/19	\$6.56	8/10/23	23/10/23	78,260	-	128,149
	340,827					340,827	-	457,619	
T.C.A. Binks	STI	5,556	15/10/18	\$6.99	15/10/20	29/10/20	5,556	-	3,487
		9,948	8/10/19	\$7.33	8/10/21	22/10/21	9,948	-	28,412
	-	-	-	-	-	-	-	-	56,030 ⁽⁴⁾
	LTI	12,770	26/10/16	\$5.76	26/10/20	9/11/20	12,770	-	1,623
		13,080	16/10/17	\$6.35	16/10/21	30/10/21	13,080	-	6,602
		13,490	15/10/18	\$6.26	15/10/22	29/10/22	13,490	-	12,112
		14,310	8/10/19	\$6.56	8/10/23	23/10/23	14,310	-	22,921
	69,154					69,154	-	131,187	
A.B. Hill	STI	4,788	15/10/18	\$6.99	15/10/20	29/10/20	4,788	-	3,005
		7,850	8/10/19	\$7.33	8/10/21	22/10/21	7,850	-	22,420
	-	-	-	-	-	-	-	-	44,550 ⁽⁴⁾
	LTI	10,520	26/10/16	\$5.76	26/10/20	9/11/20	10,520	-	1,412
		10,790	16/10/17	\$6.35	16/10/21	30/10/21	10,790	-	5,750
		10,720	15/10/18	\$6.26	15/10/22	29/10/22	10,720	-	10,158
		11,380	8/10/19	\$6.56	8/10/23	23/10/23	11,380	-	19,244
	56,048					56,048	-	106,539	
Total		466,029					466,029	-	695,345

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	16/10/17	20,827	20,827	175,155	-	-
	LTI	26/10/15	32,475	32,475	276,037	32,475	208,165
			53,302	53,302	451,192	32,475	208,165
T.C.A. Binks	STI	16/10/17	8,422	8,422	70,829	-	-
	LTI	26/10/15	5,525	5,525	46,962	5,525	35,415
			13,947	13,947	117,791	5,525	35,415
A.B. Hill	STI	16/10/17	7,246	7,246	60,939	-	-
	LTI	26/10/15	4,475	4,475	38,037	4,475	28,685
			11,721	11,721	98,976	4,475	28,685
Total			78,970	78,970	667,959	42,475	272,265

(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 8 October 2020 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 2015 LTI performance rights lapsed on 9 November 2019 because the performance condition was not fully 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 26 October 2015 have a fair value of \$6.41.

Table H: Executive loans

	Opening balance \$	Closing balance \$	Interest not charged \$	Highest balance in period \$
J. Beddow	31,209	22,706	185	31,209
A.B. Hill	25,295	11,690	131	25,295
Total	56,504	34,396	316	56,504

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.

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	97,196	3,853	101,049
J. Beddow	286,346	52,243	338,589
A.B. Brennan	15,454	854	16,308
C.E. Cuffe AO	14,060	940	15,000
R.A. Davis	31,622	-	31,622
E.A. Lewin	12,765	505	13,270
J.C. Morton	25,856	1,025	26,881
T.C.A. Binks	31,295	(2,229)	29,066
A.B. Hill	108,803	12,479	121,282

(b) STI performance rights holdings

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	34,608	23,826	(20,827)	-	37,607
T.C.A. Binks	13,978	9,948	(8,422)	-	15,504
A.B. Hill	12,034	7,850	(7,246)	-	12,638

(c) LTI performance rights holdings

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	289,910	78,260	(32,475)	(32,475)	303,220
T.C.A. Binks	50,390	14,310	(5,525)	(5,525)	53,650
A.B. Hill	40,980	11,380	(4,475)	(4,475)	43,410

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement for the year ended 30 June 2020 can be accessed on the Company's website at www.argoinvestments.com.au/shareholder-centre/corporate-governance.

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
17 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) 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.



M.T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
17 August 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss

for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Dividends and distributions	2	210,039	305,080
Interest		3,731	5,102
Other income		3,115	2,301
Net gains on trading investments		8,268	2,692
Income from operating activities		225,153	315,175
Administration expenses	3	(9,155)	(8,534)
Profit before income tax expense		215,998	306,641
Income tax expense thereon	4	(16,542)	(13,968)
Profit for the year		199,456	292,673
		cents	cents
Basic and diluted earnings per share	5	27.8	41.1

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
Profit for the year	199,456	292,673
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	(792,097)	139,172
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	235,268	(53,297)
Other comprehensive income for the year	(556,829)	85,875
Total comprehensive income for the year	(357,373)	378,548

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current Assets			
Cash and cash equivalents	6	168,728	219,006
Receivables	7	17,063	86,323
Investments	8	2,500	10,595
Other financial cash assets	9	10,000	-
Current tax assets		14,534	-
Total Current Assets		212,825	315,924
Non-Current Assets			
Receivables	7	-	56
Investments	8	5,068,924	5,747,794
Property, plant and equipment	10	1,789	537
Total Non-Current Assets		5,070,713	5,748,387
Total Assets		5,283,538	6,064,311
Current Liabilities			
Payables	11	1,149	1,433
Derivative financial instruments	12	10,645	8,165
Current tax liabilities		-	16,107
Provisions	13	773	611
Total Current Liabilities		12,567	26,316
Non-Current Liabilities			
Payables	11	1,055	-
Deferred tax liabilities	14	547,538	766,481
Provisions	13	139	195
Total Non-Current Liabilities		548,732	766,676
Total Liabilities		561,299	792,992
Net Assets		4,722,239	5,271,319
Shareholders' Equity			
Contributed equity	15	2,883,783	2,838,980
Reserves	16	1,342,956	1,928,508
Retained profits	17	495,500	503,831
Total Shareholders' Equity		4,722,239	5,271,319

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Contributed Equity \$'000 (Note 15)	Reserves \$'000 (Note 16)	Retained Profits \$'000 (Note 17)	Total \$'000
Balance as at 1 July 2019	2,838,980	1,928,508	503,831	5,271,319
Profit for the year	-	-	199,456	199,456
Other comprehensive income	-	(556,829)	-	(556,829)
Total comprehensive income for the year	-	(556,829)	199,456	(357,373)
Transactions with shareholders:				
Dividend Reinvestment Plan	44,902	-	-	44,902
Cost of share issues net of tax	(99)	-	-	(99)
Executive performance rights reserve	-	(126)	-	(126)
Dividends paid	-	(28,597)	(207,787)	(236,384)
Total transactions with shareholders	44,803	(28,723)	(207,787)	(191,707)
Balance as at 30 June 2020	2,883,783	1,342,956	495,500	4,722,239

for the year ended 30 June 2019

Balance as at 1 July 2018	2,795,816	1,871,129	410,203	5,077,148
Profit for the year	-	-	292,673	292,673
Other comprehensive income	-	85,875	-	85,875
Total comprehensive income for the year	-	85,875	292,673	378,548
Transactions with shareholders:				
Dividend Reinvestment Plan	43,254	-	-	43,254
Cost of share issues net of tax	(90)	-	-	(90)
Executive performance rights reserve	-	(123)	-	(123)
Dividends paid	-	(28,373)	(199,045)	(227,418)
Total transactions with shareholders	43,164	(28,496)	(199,045)	(184,377)
Balance as at 30 June 2019	2,838,980	1,928,508	503,831	5,271,319

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Dividends and distributions received		226,808	270,500
Interest received		3,552	5,400
Other receipts		3,151	2,251
Proceeds from trading investments		27,952	14,365
Payments for trading investments		(9,110)	(10,968)
Other payments		(8,887)	(8,183)
Income tax paid		(30,815)	(36,804)
Net operating cash inflows	27	212,651	236,561
Cash flows from investing activities			
Proceeds from sale of long-term investments		160,787	254,780
Payments for long-term investments		(221,739)	(316,139)
Proceeds from other financial cash assets		75,000	120,000
Payments for other financial cash assets		(85,000)	-
Executive share scheme repayments		22	22
Payments for fixed assets		(67)	(444)
Net investing cash (outflows)/inflows		(70,997)	58,219
Cash flows from financing activities			
Payments for lease liabilities		(309)	-
Cost of share issues		(141)	(129)
Dividends paid – net of Dividend Reinvestment Plan		(191,482)	(184,164)
Net financing cash outflows		(191,932)	(184,293)
Net (decrease)/increase in cash held		(50,278)	110,487
Cash at the beginning of the year		219,006	108,519
Cash at the end of the year	6	168,728	219,006

(To be read in conjunction with the accompanying notes)

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for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

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 17 August 2020. 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 2020 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 7.5% to 33.3%.

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**

From 1 July 2019 the Company recognised 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, 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**

AASB 16 *Leases* has been applied from 1 July 2019. This standard specifies how to recognise, measure and disclose leases in the financial statements. The standard requires lessees to recognise right-of-use assets and lease liabilities for most leases which the Company has disclosed in Note 10 and 11. The application of the lease standard has not had a material impact on the Company's financial statements and there was no impact on opening Retained Profits. The nature of the leases are disclosed in Note 23.

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

There are no other 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

	2020 \$'000	2019 \$'000
Received/receivable from:		
Long-term investments held at the end of the year	207,847	298,718
Long-term investments sold during the year	1,833	6,140
Trading investments sold during the year	359	222
	210,039	305,080

3. ADMINISTRATION EXPENSES

	2020 \$'000	2019 \$'000
Employment benefits	5,890	5,297
Depreciation	414	168
Other	2,851	3,069
	9,155	8,534

4. INCOME TAX EXPENSE

	2020 \$'000	2019 \$'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	215,998	306,641
Prima facie tax expense calculated at 30% (2019: 30%)	64,799	91,992
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(50,449)	(68,579)
Non-taxable distributions	-	(10,835)
Other	2,373	1,496
Over provision in previous year	(181)	(106)
Income tax expense	16,542	13,968
(b) Income tax expense composition:		
Charge for tax payable relating to current year	18,316	13,980
(Decrease)/increase in deferred tax liabilities	(1,593)	94
Over provision in previous year	(181)	(106)
	16,542	13,968
(c) Amounts recognised directly in other comprehensive income:		
(Decrease)/increase in deferred tax liabilities	(235,268)	53,297

5. EARNINGS PER SHARE

	2020 number '000	2019 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	717,978	712,377
	\$'000	\$'000
Profit for the year	199,456	292,673
	cents	cents
Basic and diluted earnings per share	27.8	41.1

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on deposit with banks (floating interest rates between 0.25% and 0.50% at 30 June 2020; 2019: between 1.25% and 1.50%) and fixed term deposits with banks (fixed interest rates to maturity between 0.74% and 0.89% at 30 June 2020; 2019: 1.78% and 2.40%), maturing within three months from date of deposit.

	2020 \$'000	2019 \$'000
Bank deposits	168,728	219,006

7. RECEIVABLES

	2020 \$'000	2019 \$'000
Current		
Dividends and distributions receivable	14,414	33,849
Interest receivable	42	415
Outstanding settlements	2,148	51,207
Other	459	852
	17,063	86,323

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within two business days of the transaction date. None of the receivables are past due or impaired.

	2020 \$'000	2019 \$'000
Non-Current		
Executive share plan loans	-	56

The Executive share plan loans are repaid in accordance with the terms of the superseded Argo Investments Executive Share Plan.

8. INVESTMENTS

	2020	2019
	\$'000	\$'000
Current		
Listed securities at fair value ⁽¹⁾	2,500	10,595
Non-Current		
Listed securities at fair value ⁽¹⁾	5,066,712	5,743,050
Unlisted securities at fair value ⁽²⁾	2,212	4,744
	5,068,924	5,747,794

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:

	2020	2019
	\$'000	\$'000
Carrying amount at beginning of year	4,744	1,394
Additions	1,201	3,350
Disposal	(3,514)	-
Fair value loss recognised in other comprehensive income	(219)	-
Carrying amount at end of year	2,212	4,744

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

There were 425 investment transactions during the financial year. The total brokerage paid on these transactions was \$1.0 million.

9. OTHER FINANCIAL CASH ASSETS

	2020	2019
	\$'000	\$'000
Bank term deposits	10,000	-

Other financial cash assets are fixed term deposits with banks (fixed interest rate to maturity of 0.85% at 30 June 2020; 2019: nil) maturing from three to six months from date of deposit.

10. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	\$'000	\$'000
Plant and equipment at cost	1,535	1,558
Accumulated depreciation	(1,035)	(1,021)
	500	537
Property right of use assets	1,599	-
Accumulated depreciation	(310)	-
	1,289	-
	1,789	537
Movements		
Carrying amount at beginning of year	537	261
Additions:		
- plant and equipment at cost	67	444
- property right of use assets	1,599	-
Depreciation	(414)	(168)
Carrying amount at end of year	1,789	537

From 1 July 2019, 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

	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	283	-
Other	866	1,433
	1,149	1,433
Non- Current		
Lease liabilities	1,055	-

Payables are non-interest bearing and unsecured. Lease liabilities have been determined based on the present value of the lease payments and are accounted for over the period of the lease.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2020	2019
	\$'000	\$'000
Exchange traded options at fair value	10,645	8,165

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

	2020	2019
	\$'000	\$'000
Current		
Provision for employee entitlements	773	611
Non-Current		
Provision for employee entitlements	139	195

14. DEFERRED TAX LIABILITIES

	2020	2019
	\$'000	\$'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	550,871	768,009
Income receivable which is not assessable for tax until receipt	1,175	1,823
Deferred tax asset on unrealised gains on trading investments	(146)	(19)
	551,900	769,813
Offset by deferred tax assets:		
Capital losses not utilised	(269)	-
Provisions and payables	(3,944)	(3,127)
Deferred tax on cost of share issues	(149)	(205)
	(4,362)	(3,332)
Net deferred tax liabilities	547,538	766,481
Movements		
Balance at beginning of year	766,481	734,653
(Credited)/debited to profit or loss	(1,593)	94
Charged to other comprehensive income	(235,268)	53,297
Changes to the tax base of investments	17,918	(21,563)
Balance at end of year	547,538	766,481

The amount of net deferred tax liabilities expected to be settled in the next 12 months is \$2.2 million (2019: \$0.8 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.

	2020	2019	2020	2019
	No. of shares	No. of shares	\$'000	\$'000
Issued and fully paid ordinary shares:				
Opening balance	714,930,941	709,317,039	2,838,980	2,795,816
Dividend reinvestment plan ^(a)	5,340,766	5,613,902	44,902	43,254
Share purchase plan	-	-	-	-
Cost of share issues net of tax	-	-	(99)	(90)
Closing balance	720,271,707	714,930,941	2,883,783	2,838,980

(a) On 13 September 2019, 2,861,032 shares were allotted at \$8.05 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2019.

On 6 March 2020, 2,479,734 shares were allotted at \$8.82 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2020.

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

16. RESERVES

	2020	2019
	\$'000	\$'000
Executive Performance Rights Reserve	522	648
Investment Revaluation Reserve	1,103,837	1,653,417
Capital Profits Reserve	238,597	274,443
	1,342,956	1,928,508
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	648	771
Accrued entitlement for unvested rights	1,039	797
Executive performance shares purchased	(1,165)	(920)
Balance at end of year	522	648
Investment Revaluation Reserve		
Balance at beginning of year	1,653,417	1,619,164
Revaluation of long-term investments	(792,097)	139,172
Provision for deferred tax expense on revaluation of long-term investments	235,268	(53,297)
Realised losses/(gains) on sale of long-term investments transferred to capital profits reserve	10,341	(72,563)
Income tax (benefit)/expense thereon	(3,092)	20,941
Balance at end of year	1,103,837	1,653,417
Capital Profits Reserve		
Balance at beginning of year	274,443	251,194
Dividend paid	(28,597)	(28,373)
Transfer from investment revaluation reserve	(7,249)	51,622
Balance at end of year	238,597	274,443
Total Reserves	1,342,956	1,928,508

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 \$127.4 million (2019: \$255.5 million). The cumulative loss after tax on these disposals was \$7.2 million (2019: profit \$51.6 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

	2020	2019
	\$'000	\$'000
Balance at beginning of year	503,831	410,203
Dividends paid	(207,787)	(199,045)
Profit for the year	199,456	292,673
Balance at end of year	495,500	503,831

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

	2020 \$'000	2019 \$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2019 of 17.0 cents fully franked at 30% tax rate paid 13 September 2019 (2018: 16.0 cents fully franked at 30% tax rate)	121,538	113,491
Interim dividend for the year ended 30 June 2020 of 16.0 cents fully franked at 30% tax rate paid 8 March 2020 (2019: 16.0 cents fully franked at 30% tax rate)	114,846	113,927
Total dividends paid	236,384	227,418

The final dividend paid contained a listed investment company (LIC) capital gain component of 4.0 cents per share (2019: 4.0 cents). The interim dividend paid did not contain a LIC capital gain component (2019: nil).

	2020 \$'000	2019 \$'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 2020 of 14.0 cents fully franked at 30% tax rate payable 18 September 2020 (2019: 17.0 cents fully franked at 30% tax rate)	100,838	121,538

The final dividend declared will not contain a LIC capital gain component (2019: 4.0 cents).

20. FRANKING ACCOUNT

	2020	2019
	\$'000	\$'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	114,719	149,254
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(43,216)	(52,088)
	71,503	97,166
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	166,840	226,721

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. LISTED INVESTMENT COMPANY (LIC) CAPITAL GAIN ACCOUNT

	2020	2019
	\$'000	\$'000
Balance of the LIC capital gain account	5,640	32,734
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	-	(28,597)
	5,640	4,137
This equates to an attributable amount of	8,057	5,910

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. No LIC capital gain will be paid out as part of the final dividend on 18 September, 2020.

22. 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. The portfolio is highly diversified, with no single investment accounting for more than 10% of income.

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

23. COMMITMENTS

The Company has two property leases which expire on 31 January 2024 and 31 December 2025. The leases provide the Company with a right of renewal. Lease rentals are subject to review during the terms of the leases.

From 1 July 2019, the Company has recognised the operating leases as property right of use assets, refer Note 10 and 11.

	2020 \$'000	2019 \$'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	-	309
Later than one year but not later than five years	-	1,278
Later than five years	-	173
	-	1,760

24. RELATED PARTIES

	2020 \$	2019 \$
(a) Key Management Personnel Compensation		
Short-term	2,099,670	2,231,804
Post-employment (superannuation)	107,289	115,505
Share based	559,293	433,500
	2,766,252	2,780,809

Detailed remuneration disclosures are provided in the Remuneration Report.

	2020 \$	2019 \$
(b) Key Management Personnel Loans		
Balance at beginning of year	56,503	77,941
Loan repayments	(22,108)	(21,438)
Balance at end of year	34,395	56,503
Notional interest not charged	316	983

The loan repayments are made in accordance with the terms of the Argo Investments Executive Share Plan.

(c) **Argo Global Listed Infrastructure Limited**

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

At balance date, the Company's ALI shares had a fair value of \$27.0 million (2019: \$29.0 million) as disclosed in Note 30.

The Company receives a fee for managing the operations of ALI, via its wholly owned subsidiary, Argo Service Company Pty Ltd. Fees of \$4.2 million (2019: \$3.9 million) were received or receivable in the financial year ended 30 June 2020 with Cohen & Steers, the Portfolio Manager, receiving 50% of this fee to manage and invest the portfolio. Management fees of \$0.3 million (2019: \$0.3 million) were receivable at balance date.

There are five Directors of ALI, of which three are 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 2020 the parent entity is Argo Investments Limited.

	2020	2019
	\$'000	\$'000
Profit of the parent entity		
Profit for the year	199,462	292,733
Total comprehensive income for the year	(357,367)	378,608
Financial position of the parent entity as at 30 June		
Current assets	211,158	313,472
Total assets	5,283,087	6,063,201
Current liabilities	11,530	24,746
Total liabilities	560,912	791,951
Net assets	4,722,175	5,271,250
Total equity of the parent entity comprising of:		
Contributed equity	2,883,783	2,838,980
Reserves	1,342,956	1,928,508
Retained profits	495,436	503,762
Total equity attributable to shareholders of the parent entity	4,722,175	5,271,250

Argo Investments Limited has an agreement in place with Argo Service Company Pty Ltd to provide up to \$250,000 (2019: \$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 2020.

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, 1,560 (2019: 1,560) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of \$12,984 (2019: \$13,015) and had a market value of \$11,216 (2019: \$12,667) at \$7.19 per share (2019: \$8.12 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	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
16/10/17	16/10/19	30/10/19	71,516	-	(71,516)	-	-
15/10/18	15/10/20	29/10/20	53,938	-	-	-	53,938
8/10/19	8/10/21	22/10/21	-	87,888 ⁽¹⁾	-	-	87,888
			125,454	87,888	(71,516)	-	141,826

- (1) The fair value at grant date of the STI performance rights issued during the year was \$7.33 (2019: \$6.99) 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:
- Share price at valuation date 8 October 2019: \$8.18 (15 October 2018: \$7.80); and
 - Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2019: 5.5%).
- (2) STI performance rights expense of \$563,734 (2019: \$469,495) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.
- (3) The weighted average remaining life of the STI performance rights outstanding at the end of the year was 0.9 year (2019: 0.8 year).

During the year, 71,516 (2019: 72,275) shares were acquired by the Company on behalf of eligible employees for exercised STI performance rights at a cost of \$601,676 (2019: \$559,461) and had a market value of \$514,200 (2019: \$586,873) at \$7.19 per share (2019: \$8.12 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)
26/11/15	26/11/19	9/12/19	132,320	-	(66,160)	(66,160) ⁽²⁾	-
26/10/16	26/10/20	9/11/20	157,420	-	-	-	157,420
16/10/17	16/10/21	30/11/21	167,050	-	-	-	167,050
15/10/18	15/10/22	29/10/22	171,030	-	-	-	171,030
8/10/19	8/10/23	23/10/23	-	181,060 ⁽¹⁾	-	-	181,060
			627,820	181,060	(66,160)	(66,160)	676,560

- (1) The fair value at grant date of the LTI performance rights issued during the year was \$6.56 (2019: \$6.26) 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 8 October 2019: \$8.18 (15 October 2018: \$7.80); and
 - (b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2019: 5.5%).
- (2) 66,160 LTI performance rights lapsed because the performance condition was not fully satisfied.
- (3) LTI performance rights expense totalling \$475,083 (2019: \$327,949) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.
- (4) The weighted average remaining life of the LTI performance rights outstanding at the end of the year was 1.9 years (2019: 1.9 years).

During the year, 66,160 (2019: 46,966) shares were acquired by the Company on behalf of eligible employees for exercised LTI performance rights at a cost of \$563,090 (2019: \$360,532) and had a market value of \$475,690 (2019: \$381,364) at \$7.19 per share (2019: \$8.12 per share) at balance date.

27. CASH FLOW INFORMATION

	2020	2019
	\$'000	\$'000
(a) Reconciliation of net cash provided by operating activities to profit for the year:		
Profit for the year	199,456	292,673
Dividends received as securities in dividend reinvestment plan	(2,666)	(7,356)
Demerger dividends and distributions	-	(36,117)
Depreciation	414	168
Charges to provisions	204	176
Other movements	(626)	(123)
Decrease in provision for income tax	(30,910)	(1,414)
Transfer from provision for deferred income tax	17,355	(21,234)
Increase in deferred tax assets	(819)	(290)
Changes in operating assets and liabilities:		
Decrease in current investments	8,095	134
Decrease in other debtors	19,836	9,394
Increase in other creditors	2,312	550
Net cash provided by operating activities	212,651	236,561
(b) Non-cash financing activities		
Dividends paid totalling \$44.9 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2019: \$43.3 million).		

28. AUDITOR'S REMUNERATION

	2020	2019
	\$	\$
During the year the following remuneration amounts were paid or payable for services provided by the Auditor:		
(a) Audit services		
Audit and review of financial reports	144,715	144,715
(b) Audit related services		
AFSL compliance audit and review	7,018	7,018
(c) Non-audit services		
Taxation and professional services	11,543	13,563
Total remuneration	163,276	165,296

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 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.

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.

Current financial liabilities 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 \$177.4 million (2019: \$201.2 million) and \$354.8 million (2019: \$402.3 million) respectively, after tax. The investment revaluation reserve at 30 June 2020 has an after tax balance of \$1,103.8 million (2019: \$1,653.4 million). It would require a 31% (2019: 41%) 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:

	2020	2019
Materials	15%	15%
Banks	14%	17%
Health Care	12%	9%
Other Financials	10%	11%
Consumer Staples	10%	7%
Industrials	7%	7%
Telecommunication Services & I.T.	6%	6%
Consumer Discretionary	6%	7%
Listed Investment Companies	5%	5%
Energy	5%	5%
Utilities	4%	4%
Cash and Short-term Deposits	3%	4%
Property	3%	3%
	100%	100%

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

	2020	2019
CSL	6.1%	4.0%
Macquarie Group	5.6%	5.2%
BHP Group	5.1%	5.1%

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 \$10.6 million (2019: \$8.2 million) and is disclosed in Note 12. Investments with a market value of \$100.2 million (2019: \$52.0 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.

	2020 No. of shares or units	2020 \$'000	2019 No. of shares or units	2019 \$'000
Adbri Ltd.	7,681,385	24,427	7,681,385	31,033
AGL Energy Ltd.	3,642,000	62,096	3,642,000	72,876
ALS Ltd.	5,104,023	33,482	5,104,023	37,464
Alumina Ltd.	12,429,285	20,197	12,429,285	28,960
Amcor plc	5,568,564	80,633	4,968,564	80,441
AMP Ltd.	5,381,674	9,983	10,381,674	22,009
Ansell Ltd.	336,972	12,367	636,972	17,103
APA Group	10,882,525	121,122	10,882,525	117,531
A.P. Eagers Ltd.	6,083,588	41,064	4,432,620	43,440
Argo Global Listed Infrastructure Ltd.	13,040,389	26,994	12,821,223	28,976
Aristocrat Leisure Ltd.	3,264,665	83,249	3,264,665	100,291
Australia and New Zealand Banking Group Ltd.	9,765,275	182,025	9,765,275	275,478
Australian United Investment Company Ltd.	14,314,840	115,234	14,416,456	130,901
Automotive Holdings Group Ltd.	-	-	5,943,484	16,642
Bega Cheese Ltd.	3,568,294	15,879	3,568,294	17,056
BHP Group Ltd.	7,406,304	265,294	7,406,304	304,843
Boral Ltd.	11,596,552	43,951	11,596,552	59,374
Brambles Ltd.	6,001,109	65,232	6,001,109	77,294
Brickworks Ltd.	584,009	9,245	584,009	9,514
Challenger Ltd.	5,440,311	23,992	5,440,311	36,124
Coles Group Ltd.	5,040,027	86,537	5,040,027	67,284
Commonwealth Bank of Australia	3,103,731	215,461	3,103,731	256,927
Computershare Ltd.	4,901,166	64,941	4,901,166	79,448
Corporate Travel Management Ltd.	-	-	736,682	16,575
Crown Resorts Ltd.	2,609,184	25,231	2,609,184	32,484
CSL Ltd.	1,113,370	319,537	1,113,370	239,375
Diversified United Investment Ltd.	9,269,575	39,210	9,269,575	40,415
Downer EDI Ltd.	6,159,538	26,979	2,659,538	18,404
DuluxGroup Ltd.	-	-	3,881,512	36,176
Eclix Group Ltd.	12,086,416	15,108	12,086,416	15,833
Estia Health Ltd.	11,809,250	18,127	11,809,250	31,176
Event Hospitality & Entertainment Ltd.	3,262,387	27,437	3,262,387	40,780
Freedom Foods Group Ltd.	4,225,897	12,720	1,250,000	6,350
Genworth Mortgage Insurance Australia Ltd.	3,208,901	6,642	3,208,901	9,017
GPT Group	3,480,667	14,514	3,480,667	21,406
GUD Holdings Ltd.	2,066,508	23,785	2,066,508	20,686

	2020 No. of shares or units	2020 \$'000	2019 No. of shares or units	2019 \$'000
Harvey Norman Holdings Ltd.	5,213,182	18,455	5,213,182	21,218
Healius Ltd.	13,820,664	42,153	10,307,750	31,129
Iluka Resources Ltd.	1,000,000	8,540	1,700,000	18,309
Incitec Pivot Ltd.	-	-	1,000,000	3,410
Insurance Australia Group Ltd.	4,910,330	28,333	4,910,330	40,559
Intrepica Pty Ltd.	8,509,112	2,212	3,030,502	1,394
Intrepica Pty Ltd conv. notes	-	-	350,000	350
InvoCare Ltd.	2,743,277	28,750	2,315,252	37,021
IRESS Ltd.	969,680	10,618	891,884	12,424
James Hardie Industries plc	1,400,000	38,528	1,400,000	26,180
Lendlease Group	4,480,092	55,419	3,893,609	50,617
Lynas Corporation Ltd	6,000,000	11,610	6,000,000	15,420
Macquarie Group Ltd.	2,458,151	291,537	2,458,151	308,228
McGrath Ltd.	10,000,000	1,900	10,000,000	2,250
Milton Corporation Ltd.	15,969,198	65,314	17,108,251	80,580
Mirvac Group	6,000,551	13,021	6,000,551	18,782
Monash IVF Group Ltd.	19,982,646	10,591	11,454,986	15,980
National Australia Bank Ltd.	6,309,685	114,962	6,309,685	168,595
NOVONIX Ltd.	13,296,969	11,568	1,250,000	550
NOVONIX Ltd. loan notes FV A\$0.60	-	-	3,500,000	2,100
NOVONIX Ltd. loan notes FV A\$0.40	-	-	2,250,000	900
NOVONIX Ltd. options	-	-	2,250,000	-
Nufarm Ltd.	-	-	2,246,407	9,210
Oil Search Ltd.	7,371,125	23,366	4,800,000	33,936
Orica Ltd.	1,955,364	32,537	1,807,983	36,648
Origin Energy Ltd.	11,351,603	66,293	11,351,603	82,980
Orora Ltd.	1,500,000	3,810	-	-
Pact Group Holdings Ltd.	4,172,314	9,137	5,172,314	14,431
Paragon Care Ltd.	-	-	6,644,661	2,758
Peet Ltd.	18,152,705	17,608	18,152,705	20,331
Perpetual Ltd.	130,000	3,857	130,000	5,491
Premier Investments Ltd.	1,250,000	21,563	1,250,000	18,963
QANTM Intellectual Property Ltd.	4,900,053	5,782	4,900,053	6,958
QBE Insurance Group Ltd.	7,790,088	69,020	6,945,491	82,165
Ramsay Health Care Ltd.	2,023,131	134,579	1,666,319	120,375
Ramsay Health Care Ltd. reset conv. preference	25,000	2,571	25,000	2,686

	2020 No. of shares or units	2020 \$'000	2019 No. of shares or units	2019 \$'000
Reece Ltd.	5,706,493	52,443	5,180,177	50,558
Regis Healthcare Ltd.	-	-	1,660,959	4,368
Rio Tinto Ltd.	2,097,139	205,436	2,097,139	217,599
Rural Funds Group	16,281,523	31,261	12,494,364	28,737
Santos Ltd.	10,942,014	57,993	10,942,014	77,469
Scentre Group	7,526,662	16,333	7,526,662	28,902
Sonic Healthcare Ltd.	3,626,053	110,341	3,626,053	98,266
South32 Ltd.	6,265,004	12,781	7,265,004	23,103
Spark Infrastructure	6,868,363	14,836	6,868,363	16,690
Speedcast International Ltd	3,267,742	-	3,267,742	11,372
Steadfast Group Ltd.	12,778,079	42,934	11,775,120	41,331
Stockland	4,017,934	13,299	4,017,934	16,755
Suncorp Group Ltd.	5,882,097	54,292	5,027,906	67,726
Sydney Airport	14,758,175	83,679	14,758,175	118,656
Tabcorp Holdings Ltd.	10,586,538	35,782	10,586,538	47,110
Tassal Group Ltd.	9,251,055	31,916	7,334,275	35,938
Technology One Ltd.	5,964,564	52,429	5,964,564	47,001
Telstra Corporation Ltd.	44,514,800	139,331	43,514,800	167,532
The Star Entertainment Group Ltd.	5,300,000	15,052	5,300,000	21,836
Transurban Group	8,273,736	116,908	8,123,736	119,744
Treasury Wine Estates Ltd.	3,250,000	34,060	-	-
Viva Energy Group Ltd.	8,000,000	14,560	8,000,000	16,880
Vocus Group Ltd.	5,652,447	16,675	5,652,447	18,484
Washington H. Soul Pattinson and Company Ltd.	2,182,606	42,626	2,182,606	47,995
Wesfarmers Ltd.	5,040,027	225,944	5,040,027	182,247
Westpac Banking Corporation	11,908,448	213,757	11,908,448	337,724
Woodside Petroleum Ltd.	1,700,873	36,824	1,700,873	61,844
Woolworths Group Ltd.	3,229,526	120,397	3,233,026	107,433
Xplore Wealth Ltd.	12,603,572	706	18,803,572	1,880
Total long-term investments		5,068,924		5,747,794

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 39 to 71 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 2020 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 2020.

Dated this 17th day of August 2020

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 2020 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 2020
- 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 and 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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

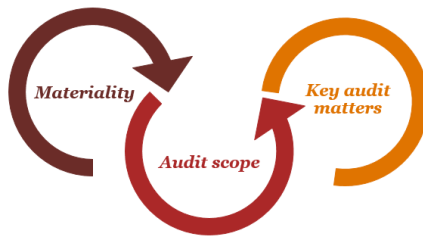
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Our audit approach

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 \$47.2 million, which represents approximately 1% of net assets of Argo at 30 June 2020.
- 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 where Argo made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- 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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Existence and valuation of investments</i></p> <p>Argo has investments of \$5.1 billion as at 30 June 2020 (refer note 8 of the financial report).</p> <p>Investments predominantly consist of listed Australian equities.</p> <p>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.</p>	<p>Our audit procedures over listed investments included:</p> <ol style="list-style-type: none"> 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 2020. 3) Testing a sample of investment purchases and sales by agreeing the transaction recorded to purchase and sale confirmations from brokers. 4) Agreeing all investment quantity holdings at 30 June 2020 to external share registries. 5) Agreeing market prices used to fair value the investments to independent market pricing sources. 6) Assessing the operating effectiveness of relevant controls 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 2020, 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:

http://www.auasb.gov.au/admin/file/content/02/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 17 to 37 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2020 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.

A stylized, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'M.T. Lojszczyk'.

M.T. Lojszczyk
Partner

Adelaide
17 August 2020

Shareholder information as at 31 July 2020

	Ordinary shareholders
Number of shareholders holding:	
1- 1,000 shares	28,805
1,001- 5,000 shares	33,062
5,001- 10,000 shares	14,152
10,001- 100,000 shares	16,119
100,001 or more shares	492
Total number of shareholders (entitled to one vote per share)	92,630
Number of shareholders holding less than a marketable parcel	2,458

20 largest shareholders of ordinary shares

	No. of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	10,405,666	1.44
RCY Pty. Limited	6,166,887	0.86
JIT Pty. Limited	4,950,972	0.69
Australian Executor Trustee Limited (IPS Super a/c)	3,375,047	0.47
TRIGT Pty. Limited	2,852,478	0.40
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,707,388	0.38
McLennan Australia Corporation Pty. Ltd.	2,329,043	0.32
Netwealth Investments Limited (Wrap Services a/c)	2,317,819	0.32
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,253,951	0.31
Citicorp Nominees Pty. Limited	2,196,451	0.30
Milton Corporation Limited	1,880,841	0.26
Donald Cant Pty. Ltd.	1,874,225	0.26
Kalymna Pty. Ltd.	1,608,087	0.22
Salur Holdings Pty. Limited	1,454,621	0.20
Bougainville Copper Limited	1,440,000	0.20
Poplar Pty. Ltd.	1,285,942	0.18
Jacaranda Pastoral Pty. Ltd.	1,212,614	0.17
HSBC Custody Nominees (Australia) Limited (Euroclear Bank SA NV a/c)	1,059,667	0.15
Ling Nominees Pty. Ltd. (Ling Family a/c)	1,056,195	0.15
Australian Executor Trustees Limited	1,040,277	0.14
	53,468,171	7.42

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



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