



# 2019 Annual Report

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## 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 Financial Officer

Andrew B. Hill

## Chief Operating Officer

Timothy C.A. Binks

## Auditor

PricewaterhouseCoopers

## Registered Head Office

Level 25, 91 King William Street,  
Adelaide, South Australia 5000  
Telephone: (08) 8210 9500  
Facsimile: (08) 8212 1658  
invest@argoinvestments.com.au  
www.argoinvestments.com.au

## Sydney Office

Level 37, 259 George Street,  
Sydney, New South Wales 2000  
Telephone: (02) 8274 4700  
Facsimile: (02) 8274 4777

## Share Registry

Computershare Investor  
Services Pty Limited  
Level 5, 115 Grenfell Street,  
Adelaide, South Australia 5000  
Telephone: 1300 350 716  
www.investorcentre.com

"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."

## Meetings

### Annual General Meeting

Adelaide

**Monday 21 October 2019**

Adelaide Oval, War Memorial Drive, North Adelaide

### Information meetings

Melbourne:

**22 October 2019**

*Grand Hyatt*

*123 Collins Street, Melbourne*

Sydney:

**23 October 2019**

*Radisson Blu Hotel*

*27 O'Connell Street, Sydney*

Canberra:

**24 October 2019**

*Hotel Realm*

*18 National Circuit, Canberra*

Brisbane:

**25 October 2019**

*Marriott Hotel*

*515 Queen Street, Brisbane*

Perth:

**31 October 2019**

*Duxton Hotel*

*1 St. Georges Terrace, Perth*

# 2019 Highlights

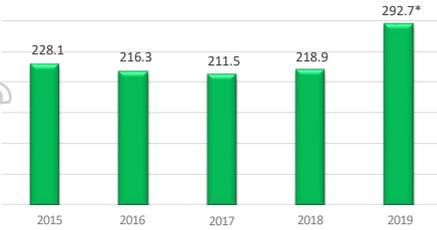
- Profit of \$292.7 million, compared with \$218.9 million last year.
- Earnings per share of 41.1 cents, compared with 31.3 cents last year.
- Dividends of 33.0 cents per share fully franked (including LIC capital gain component of 4.0 cents), compared with 31.5 cents per share fully franked (4.0 cents LIC capital gain component) last year, an increase of +4.8%.
- Year-end net tangible asset backing of \$8.42 per share, compared with \$8.16 per share at 30 June 2018.
- Management expense ratio of 0.15% of average assets at market value, which is unchanged from last year.
- Total NTA return for the year of +7.3% after deducting all costs and tax.
- Capital raisings of \$43.3 million from the Dividend Reinvestment Plan.

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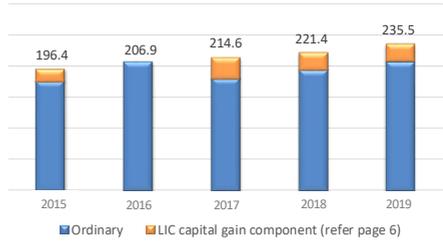
# Five year summary

Profit (\$millions)

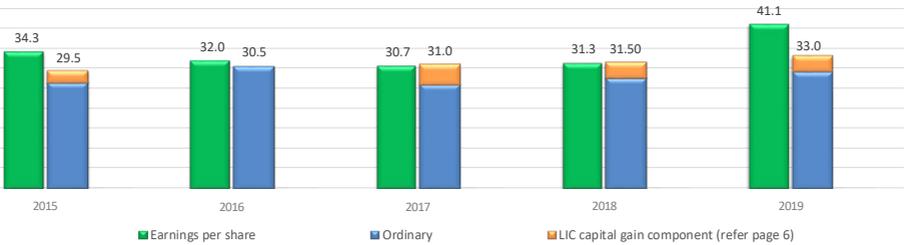


\* includes demerger dividend

Total dividends (\$millions)

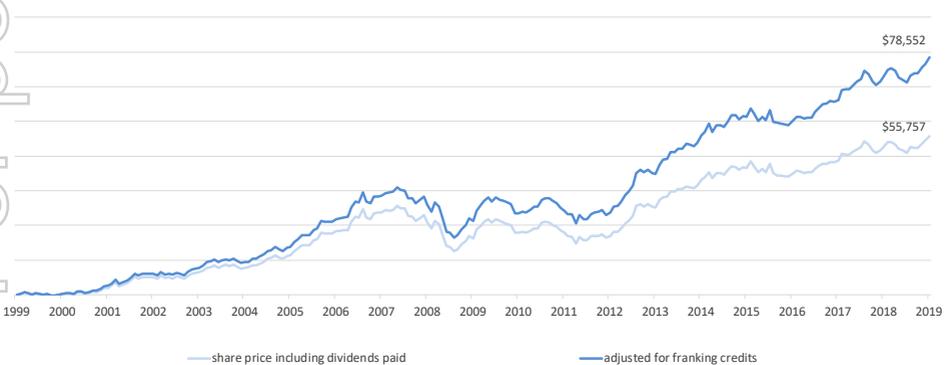


Earnings and dividends (cents per share)



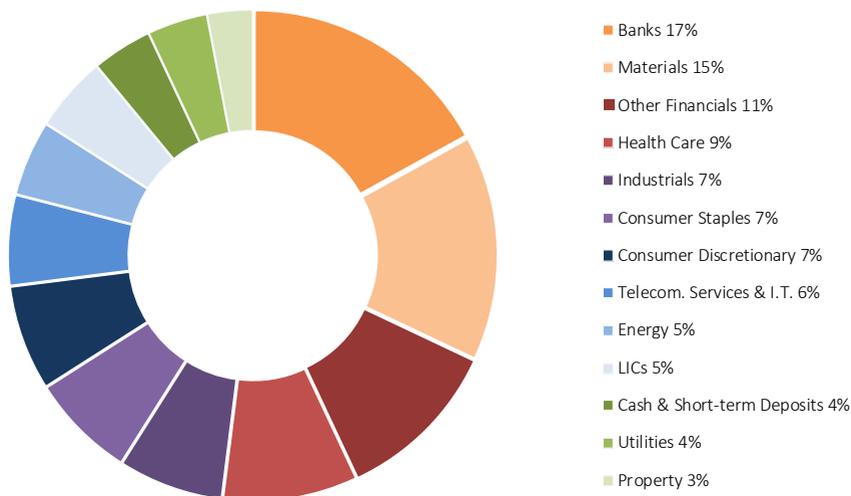
## Share price return

Share price return including dividends paid and adjusted for franking credits (20 year return based on \$10,000 invested)



A \$10,000 investment in Argo shares on 1 July 1999 would have grown to a value of \$55,757 at 30 June 2019. The tax effective value taking into account franking credits is \$78,552.

## Portfolio sector allocation as at 30 June 2019



## 20 largest investments as at 30 June 2019

	\$m	% of portfolio
Westpac Banking Corporation	337.7	5.7
Macquarie Group	308.2	5.2
BHP Group	304.8	5.1
Australia and New Zealand Banking Group	275.5	4.6
Commonwealth Bank of Australia	256.9	4.3
CSL	239.4	4.0
Rio Tinto	217.6	3.6
Wesfarmers	182.2	3.0
National Australia Bank	168.6	2.8
Telstra Corporation	167.5	2.8
Australian United Investment Company	130.9	2.2
Ramsay Health Care	123.1	2.1
Transurban Group	119.7	2.0
Sydney Airport	118.7	2.0
APA Group	117.5	2.0
Woolworths	107.4	1.8
Aristocrat Leisure	100.3	1.7
Sonic Healthcare	98.3	1.6
QBE Insurance Group	88.1	1.5
Origin Energy	83.0	1.4
	<b>3,545.4</b>	<b>59.4</b>
Cash and Short-term Deposits	<b>219.0</b>	<b>3.7</b>

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## Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation at 30 June 2019 of \$5.8 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 86,000 shareholders.

Argo's total assets were \$6.1 billion at 30 June 2019 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 95 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.

We encourage investors to visit the Argo website at [www.argoinvestments.com.au](http://www.argoinvestments.com.au) to obtain further up to date information about the Company's operations.

# Shareholder benefits

## Low management costs

Argo's management costs are very low when compared with many other managed investment products. For the year ended 30 June 2019, total operating costs were 0.15% of average assets at market value.

## Franked dividends and potential Listed Investment Company capital gain tax benefits

Argo has paid dividends every year since its inception in 1946.

Franking credits on dividends received by Argo are passed on to shareholders through dividends paid that are fully or substantially franked, depending on tax credits available to the Company.

Overseas shareholders also benefit, since withholding tax is not deducted from franked dividends.

In addition, certain Australian resident shareholders can also claim a tax benefit where a component of the dividend is sourced from realised eligible listed investment company (LIC) capital gains.

## Share Purchase Plan

Argo has a Share Purchase Plan (SPP) which is generally offered annually and allows eligible shareholders the opportunity to acquire additional parcels of shares directly from the Company, often at a discount to the market price as defined by the SPP.

No brokerage or other transaction costs are payable. The maximum amount that a shareholder can invest in any 12 month period pursuant to the SPP is \$15,000.

## Dividend Reinvestment Plan

Argo has a Dividend Reinvestment Plan (DRP) which allows eligible shareholders the opportunity to reinvest their dividends, often at a discount to the market price of Argo shares as defined by the DRP.

# Directors' Report

The Directors present their Seventy Third 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 2019, 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).

**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 Rabobank Australia and New Zealand Ltd (since 2011). 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), Antipodes Global Investment Company Ltd (since 2016) and Class Ltd (since 2017).

**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 Chairman of Bank of Queensland Ltd (Director since 2008) and a Non-executive Director of Charter Hall Retail (since 2018), Chairman of AIG Australia Ltd (Director since 2010) and a consulting Director at Rothschild Australia Ltd (since 2003). He was previously 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 Invocare Ltd (2015 to 2018).

**Jason Beddow** BEng, GdipAppFin(SecInst)

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:

	<b>Shares</b>	<b>Performance Rights</b>
R.A. Higgins AO	97,196	-
J. Beddow	286,346	324,518
A.B. Brennan	15,454	-
C.E. Cuffe AO	14,060	-
P.A. Davis	31,622	-
E.A. Lewin	12,765	-
J.C. Morton	25,856	-

### **BOARD AND COMMITTEE MEETINGS**

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

There were 7 Board meetings, 4 Audit & Risk Committee meetings and 5 Remuneration Committee meetings held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were:

	Board		Audit & Risk Committee		Remuneration Committee	
	No. of meetings held while a Director	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
R.A. Higgins AO	7	7	-	4*	5	5
J. Beddow	7	7	-	4*	-	5*
A.B. Brennan	7	7	4	4	-	-
C.E. Cuffe AO	7	6	4	4	-	2*
R.A. Davis	7	7	-	3*	5	5
E.A. Lewin	7	7	-	2*	4	4
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 became 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 97% of Argo's income from operating activities for the financial year, with the portfolio's top 20 equity investments generating 67% 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 2019 financial year the Company's total operating costs were equivalent to 0.15% 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 95 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 +8.9% 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 +8.7% 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 +9.0% per annum, and +10.9% 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 AGLI'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 2019

After a weak December 2018 quarter, global equity markets rebounded strongly when the US Federal Reserve indicated a more dovish stance on interest rates.

In Australia, the equity market received a further boost from the surprise Coalition victory in the federal election, which also provided some relief for the banking sector after the fallout from the Hayne Royal Commission. Then in June, the Reserve Bank announced its first rate cut since 2016, capping off the strongest six-month return for the Australian equity market since 1990.

Most Australian sectors recorded positive returns for the year, including telecommunications, which rebounded after several poor years; materials, led higher by a surging iron ore price despite the ever-present threat of global trade wars; and information technology, which is being squeezed higher by growth-seeking investors chasing a small number of listed IT companies.

Argo's focus on providing sustainable growing dividends to shareholders, which tends to bias the portfolio toward more mature companies with reliable cashflows and higher dividend payout ratios, allowed us to again increase annual dividends to a record high of 33.0 cents per share fully franked. However, this bias led to Argo underperforming the ASX200 Accumulation Index this year, due to investor preferences for growth stocks which helped drive the broader equity market to record highs.

During the year, \$343 million was outlaid on long-term investment purchases and \$256 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>
Bega Cheese	Asaleo Care **
Boral	BHP Group
Eclixp Group *	Coca-Cola Amatil **
James Hardie Industries *	Incitec Pivot
Oil Search	Milton Corporation
The Star Entertainment Group *	Navitas **
Transurban	Rio Tinto
Viva Energy *	Twenty-First Century Fox **

\* New portfolio position

\*\* Sale of complete position and removal from portfolio.

In addition, Coles Group has been added to the portfolio following its demerger from Wesfarmers. The other new stocks in the portfolio are Corporate Travel Management, Freedom Foods Group and Lynas Corporation. We also increased 34 of our existing holdings.

Several of the investment sales resulted in substantial capital gains being crystallised in the Company's portfolio. As a long-term, capital account, listed investment company (LIC), Argo is able to pass on the benefit of the capital gains tax discount for long-term holdings to its shareholders, in the form of a 'LIC capital gain' component of the final dividend. Most shareholders will be able to claim a tax deduction relating to this component of the dividend. Details will be in the dividend statement provided to shareholders in September.

Argo's best performing stocks based on share price return were Technology One, Telstra Corporation, Automotive Holdings Group, Mirvac Group, QANTM Intellectual Property and Vocus Group. The worst performing stocks were Eclixp Group, Xplore Wealth, Nufarm, Paragon Care, Pact Group Holdings, Speedcast International and Challenger.

Over the course of the year, Argo's investment portfolio returned +7.3% after deducting all costs and tax (measured by the movement in NTA assuming dividends paid are reinvested) and Argo's share price performance returned +6.1% for the financial year, with the share price trading at a slight discount to NTA.

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 2019 was 33.7% higher than the prior year and earnings per share rose by 31.3%. However, the result included a one-off, non-cash income item of \$36.1 million due to the demerger of Coles Group from Wesfarmers.

Excluding this corporate action, profit increased by 17.2% and earnings per share by 15.0%.

Dividend income was boosted by special dividends from BHP Group, Rio Tinto and Wesfarmers. There were also improved ordinary dividends from BHP Group, Rio Tinto, Macquarie Group, Ramsay Health Care and Transurban, offset to some extent by dividend decreases from Telstra Corporation, National Australia Bank and Woolworths.

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

Administration expenses increased by 2.9%, and include the costs of managing the external listed investment company, ALI, for which Argo received \$1.9 million in management fee income.

Dividends are very important to Argo shareholders, and the Company increased annual dividends by 1.5 cents to a record 33.0 cents per share fully franked.

Argo's total assets increased from \$5.8 billion to \$6.1 billion, chiefly due to the impact of the stronger equity market on the portfolio value. Shareholders also contributed \$43.3 million through the Dividend Reinvestment Plan. The number of Argo shareholders has increased again this year, with 86,740 holders on the register at 30 June 2019.

The cash assets at year end were \$219.0 million, representing 3.7% 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 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 2019, this valuation resulted in a NTA per share of \$8.42, a 3.2% increase on the 30 June 2018 level of \$8.16. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share at 30 June 2019 would have been \$7.37, compared with \$7.16 at 30 June 2018. 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. The performance of those entities is influenced by many factors which are difficult to predict, including economic growth rates, investor sentiment, inflation, interest rates, exchange rates, regulatory changes and taxation levels. There are also specific issues such as management competence, capital strength, industry trends and competitive behaviour.

Due to the above factors and general market and economic conditions which can change rapidly, the nature of Argo's business makes it very difficult to forecast future performance. However, the Company is conservatively managed and the diversification of the investment

portfolio holdings generally help to reduce the volatility of Argo's earnings and capital fluctuations.

Argo will continue to focus on controlling costs, growing dividends to shareholders and achieving long-term capital growth. Although the constantly changing nature of markets and other investment conditions requires management and the Directors to diligently appraise any opportunities that may present themselves, Argo does not envisage any significant changes to its business model.

### **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 2019.

On 12 August 2019, the Directors declared a fully franked final dividend of 17.0 cents per share to be paid on 13 September 2019, which includes a 4.0 cents per share listed investment company (LIC) capital gain component. This enables eligible shareholders to claim a deduction in their 2019/2020 income tax returns.

Total fully franked dividends for the year amount to 33.0 cents per share. This compares with 31.5 cents per share last year.

The final dividend paid by the Company for the financial year ended 30 June 2018 of \$113.5 million and referred to in the Directors' Report dated 13 August 2018 was paid on 14 September 2018.

### **DIVIDEND REINVESTMENT PLAN**

The Dividend Reinvestment Plan (DRP) raised \$43.3 million of new capital for investment during the year.

The DRP will operate for the 17.0 cents per share dividend payable on 13 September 2019 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.

During the year, the share buy-back was not activated.

## 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 2019.

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.

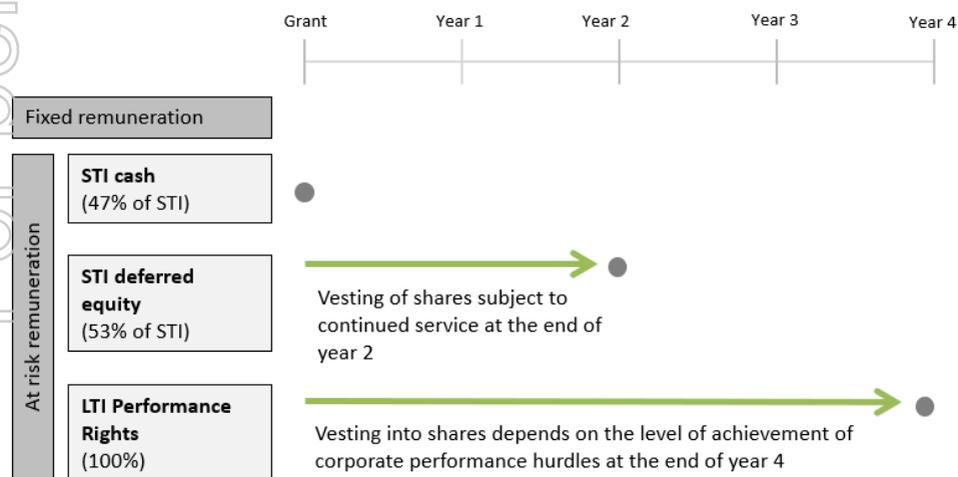
Remuneration reward is measured on a relative basis, reflecting the Company's profitability relative to its peer group and its investment performance relative to the ASX 200 share market index.

## 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.

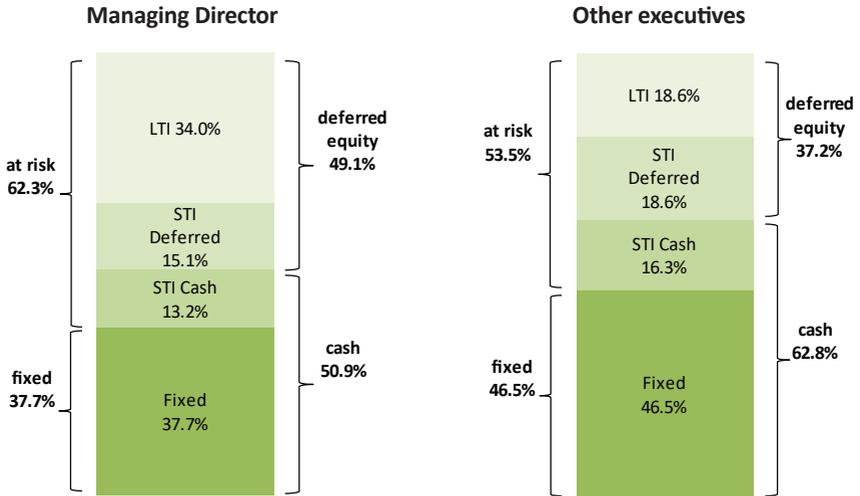
	Fixed	At risk	
	Fixed annual remuneration	Short-term Incentive (STI)	Long-term Incentive (LTI)
Description	Base salary including superannuation	Reward for strong individual and Company performance over <u>one</u> year	Reward for strong Company performance over <u>four</u> years
Designed to	Attract and 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 2019

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.

## 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"> <li>1. TPR Performance: the Total Portfolio Return (TPR)* of the Company, adjusted for franking credits, must exceed the movement in the S&amp;P ASX 200 Accumulation Index over the performance period, also adjusted for franking credits</li> <li>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</li> </ol> <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? The STI is designed to challenge, motivate and reward executives to improve the Company's performance by meeting or exceeding business objectives, both financial and non-financial

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

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

How is STI achievement assessed? STI achievement is measured annually by the Board and Remuneration Committee

### Long-term incentive (LTI)

What is the LTI? 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

It is issued in two equal tranches, each subject to different performance hurdles

What is the performance period? Four years

What is the value of the LTI? 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

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

How is the LTI aligned with shareholder interests?

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

LTI grants are based solely on financial performance, closely aligning shareholder value and executive reward

What are the Performance hurdles?

Tranche 1- TPR Performance: the Total Portfolio Return (TPR) of the Company, adjusted for franking credits, must exceed the movement in the S&P ASX 200 Accumulation Index over the performance period, adjusted for franking credits

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

- \* *independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested*
- \*\* *the Company's non-dilutive earnings per share which is measured as the profit for the year of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis*

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

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

- If the Company's absolute TPR is negative, only 50% of the TPR Performance Rights will 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 share market index is closely linked to remuneration actually received by executives as the STI and LTI performance indicators comprise these relative measures.

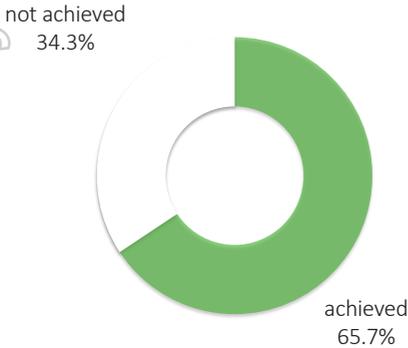
**Table A: Linking remuneration outcomes to Company performance**

<b>Summary of annual results</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Profit (\$m)	292.7	218.9	211.5	216.3	228.1
Earnings per share (cents)	41.1	31.3	30.7	32.0	34.3
Dividends (\$m)	235.5	221.4	214.6	206.9	196.4
Dividends per share (cents, fully franked)	33.0	31.5	31.0	30.5	29.5
Management Expense Ratio (% of average assets)	0.15	0.15	0.16	0.17	0.15
Share price at 30 June (\$)	8.12	7.97	7.67	7.37	7.97
Share price movement (\$)	+0.15	+0.30	+0.30	-0.60	+0.34
<b>One year returns (relate to STI awards)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Earnings Per Share growth	+31.3%	+2.0%	-4.1%	-6.7%	+13.8%
– relative to peer group	<b>over</b>	<b>under</b>	<b>over</b>	<b>over</b>	<b>over</b>
Investment (NTA) return after all costs and tax <sup>(a)</sup>	+9.1%	+12.1%	+14.9%	+0.7%	+7.8%
– relative to ASX 200 accum. index <sup>(a)</sup>	<b>under</b>	<b>under</b>	<b>under</b>	<b>under</b>	<b>over</b>
Dividends per share growth	+4.8%	+1.6%	+1.6%	+3.4%	+5.4%
Average % of maximum STI achieved <sup>(b)</sup>	65.7%	45.5%	63.3%	68.4%	89.4%

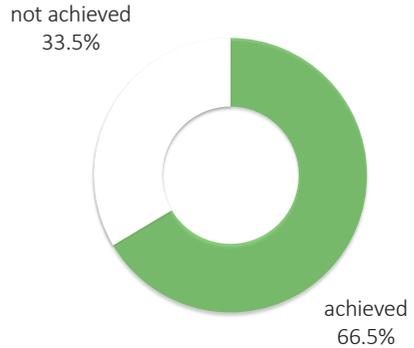
(a) adjusted for franking credits

(b) includes non-financial performance measures

STI outcomes - 2019



STI outcomes - 5 year average



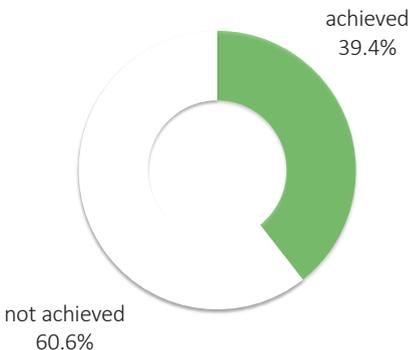
Four year returns \*  
(relate to LTI awards)

	2018	2017	2016	2015	2014
Earnings Per Share growth (pa)	+1.0%	+2.6%	+4.5%	+5.1%	+5.7%
– relative to peer group	<b>over</b>	<b>over</b>	<b>over</b>	<b>under</b>	<b>under</b>
Investment (NTA) return after all costs and tax (pa) <sup>(a)</sup>	+8.7%	+10.4%	+12.9%	+9.7%	+10.6%
– relative to ASX 200 accum. index <sup>(a)</sup>	<b>under</b>	<b>under</b>	<b>over</b>	<b>over</b>	<b>over</b>
Dividends per share growth (pa)	+2.1%	+3.1%	+3.8%	+3.4%	+1.9%
% of maximum LTI achieved	39.4%	50.0%	42.0%	11.6%	2.8%

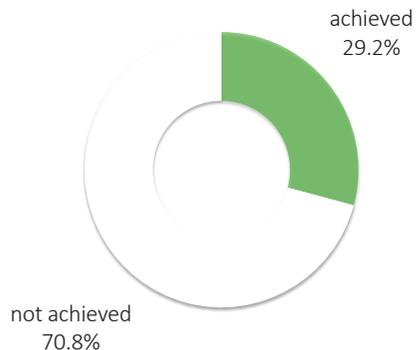
\*2019 LTI outcomes have not yet been tested and will be reported in next year's Annual Report.

(a) adjusted for franking credits

LTI outcomes - 2018



LTI outcomes - 5 year average



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

		Total fixed remuneration <sup>(a)</sup>	Annual STI to 30 June <sup>(b)</sup>	Loan repayment <sup>(c)</sup>	Prior years rights vested <sup>(d)</sup>	Total received
		\$	\$	\$	\$	\$
<b>Managing Director</b>						
J. Beddow	<b>2019</b>	<b>685,000</b>	<b>167,825</b>	<b>8,245</b>	<b>373,161</b>	<b>1,234,231</b>
	2018	665,000	100,083	8,106	477,183	1,250,372
<b>Other Key Management Personnel</b>						
T.C.A. Binks	<b>2019</b>	<b>280,000</b>	<b>70,070</b>	-	<b>99,537</b>	<b>449,607</b>
	2018	262,000	40,348	-	106,897	409,245
A.B. Hill	<b>2019</b>	<b>222,500</b>	<b>55,291</b>	<b>13,192</b>	<b>85,598</b>	<b>376,581</b>
	2018	216,000	34,776	12,986	105,263	369,025
Total	<b>2019</b>	<b>1,187,500</b>	<b>293,186</b>	<b>21,437</b>	<b>558,296</b>	<b>2,060,419</b>
	2018	1,143,000	175,207	21,092	689,343	2,028,642

(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 2019 will be issued on 8 October 2019 as STI performance rights and will vest two years after grant, subject to the executive having continued service with the Company (2018: issued 15 October 2018).

(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 2019, the fee for the Chairman was \$212,400 inclusive of Committee and subsidiary company appointments and the base fee for each of the other NEDs was \$99,500 with additional fees of \$3,400 for Committee membership and subsidiary company board appointments, and \$6,600 for Committee Chairs. Statutory superannuation payments are contributed on behalf of NEDs. Further details of the Non-executive Directors' remuneration are provided in Section 6, Table C on page 30 of this report.

Following a review of NED remuneration, a 2% increase is being applied for the year ending 30 June 2020.

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

### Change to TPR performance measurement next year

In order to better compare Argo's total Portfolio Return (TPR) investment performance to the benchmark S&P ASX200 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. There will also be changes to the vesting conditions for the applicable TPR tranche of performance rights.

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

## Section 6 Remuneration disclosure tables

Table C: Non-executive Directors' remuneration

		Short-term		Post-employment	Total
		Directors' fees	Committee fees	Superannuation <sup>(a)</sup>	
		\$	\$	\$	\$
<b>Non-executive Directors</b>					
R.A. Higgins AO <sup>(i)</sup>	<b>2019</b>	<b>212,420</b>	-	<b>20,180</b>	<b>232,600</b>
	2018	97,500	6,500	9,880	113,880
A.B. Brennan	<b>2019</b>	<b>99,498</b>	<b>10,000</b>	<b>10,402</b>	<b>119,900</b>
	2018	97,500	9,800	10,194	117,494
C.E. Cuffe AO	<b>2019</b>	<b>99,522</b>	<b>3,400</b>	<b>9,778</b>	<b>112,700</b>
	2018	97,500	3,300	9,576	110,376
R.A. Davis	<b>2019</b>	<b>99,542</b>	<b>6,333</b>	<b>10,058</b>	<b>115,933</b>
	2018	97,500	3,300	9,576	110,376
E.A. Lewin <sup>(ii)</sup>	<b>2019</b>	<b>99,522</b>	<b>3,400</b>	<b>9,778</b>	<b>112,700</b>
	2018	-	-	-	-
G.I. Martin AM <sup>(iii)</sup>	<b>2019</b>	-	-	-	-
	2018	208,200	-	19,779	227,979
J.C. Morton	<b>2019</b>	<b>99,522</b>	<b>3,400</b>	<b>9,778</b>	<b>112,700</b>
	2018	97,500	3,300	9,576	110,376
Total	<b>2019</b>	<b>710,026</b>	<b>26,533</b>	<b>69,974</b>	<b>806,533</b>
	2018	695,700	26,200	68,581	790,481

(i) Appointed Chairman 1 July 2018

(ii) Appointed 1 July 2018

(iii) Retired 30 June 2018

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

**Table D: Executive remuneration (statutory disclosures)**

		Short-term			Post-employment	Share based <sup>(f)</sup>		Total
		Salaries <sup>(a)</sup>	STI <sup>(b)</sup>	Non-monetary benefits <sup>(e)</sup>	Super-annuation	STI <sup>(g)</sup>	LTI <sup>(h)</sup>	
		\$	\$	\$	\$	\$	\$	\$
<b>Managing Director</b>								
J. Beddow	<b>2019</b>	<b>725,900</b>	<b>167,825<sup>(c)</sup></b>	<b>520</b>	-(c)	<b>126,598</b>	<b>160,497</b>	<b>1,181,340</b>
	2018	680,024	100,083 <sup>(c)</sup>	651	-(c)	153,499	208,205	1,142,462
<b>Other Key Management Personnel</b>								
T.C.A. Binks	<b>2019</b>	<b>268,286</b>	<b>70,070<sup>(d)</sup></b>	-	<b>20,531</b>	<b>51,822</b>	<b>27,319</b>	<b>438,028</b>
	2018	262,693	40,348 <sup>(d)</sup>	-	20,049	60,738	32,546	416,374
A.B. Hill	<b>2019</b>	<b>206,889</b>	<b>55,291<sup>(d)</sup></b>	<b>464</b>	<b>25,000</b>	<b>43,429</b>	<b>23,835</b>	<b>354,908</b>
	2018	194,324	34,776 <sup>(d)</sup>	665	25,000	51,838	30,683	337,286
<b>Total</b>	<b>2019</b>	<b>1,201,075</b>	<b>293,186</b>	<b>984</b>	<b>45,531</b>	<b>221,849</b>	<b>211,651</b>	<b>1,974,276</b>
	2018	1,137,041	175,207	1,316	45,049	266,075	271,434	1,896,122

(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 \$167,825 was paid \$142,825 in cash and \$25,000 as a superannuation contribution (2018: \$100,083 of which \$75,083 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 disclosed 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 <sup>(1)</sup>	Total performance related remuneration
J. Beddow	<b>2019</b>	<b>70.0%</b>	<b>30.0%</b>	<b>24.3%</b>	<b>38.5%</b>
	2018	43.0%	57.0%	31.7%	40.4%
T.C.A. Binks	<b>2019</b>	<b>71.5%</b>	<b>28.5%</b>	<b>18.1%</b>	<b>34.1%</b>
	2018	44.0%	56.0%	22.4%	32.1%
A.B. Hill	<b>2019</b>	<b>71.0%</b>	<b>29.0%</b>	<b>19.0%</b>	<b>34.5%</b>
	2018	46.0%	54.0%	24.5%	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<sup>(1)</sup> - 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. <sup>(2)</sup>	Max. <sup>(3)</sup>
								\$	\$
J. Beddow	STI	20,827	16/10/17	\$7.09	16/10/19	30/10/19	20,827	-	13,257
		13,781	15/10/18	\$6.99	15/10/20	29/10/20	13,781	-	37,875
	-	-	-	-	-	-	-	-	133,940 <sup>(4)</sup>
	LTI	64,950	26/10/15	\$6.41	26/10/19	9/11/19	64,950	-	9,005
		75,960	26/10/16	\$5.76	26/10/20	9/11/20	75,960	-	40,671
		74,720	16/10/17	\$6.35	16/10/21	30/10/21	74,720	-	68,366
		74,280	15/10/18	\$6.26	15/10/22	29/10/22	74,280	-	97,933
324,518							324,518	-	401,047
T.C.A. Binks	STI	8,422	16/10/17	\$7.09	16/10/19	30/10/19	8,422	-	5,361
		5,556	15/10/18	\$6.99	15/10/20	29/10/20	5,556	-	15,270
	-	-	-	-	-	-	-	-	54,750 <sup>(4)</sup>
	LTI	11,050	26/10/15	\$6.41	26/10/19	9/11/19	11,050	-	1,498
		12,770	26/10/16	\$5.76	26/10/20	9/11/20	12,770	-	6,690
		13,080	16/10/17	\$6.35	16/10/21	30/10/21	13,080	-	11,707
		13,490	15/10/18	\$6.26	15/10/22	29/10/22	13,490	-	17,400
64,368							64,368	-	112,676
A.B. Hill	STI	7,246	16/10/17	\$7.09	16/10/19	30/10/19	7,246	-	4,612
		4,788	15/10/18	\$6.99	15/10/20	29/10/20	4,788	-	13,159
	-	-	-	-	-	-	-	-	43,510 <sup>(4)</sup>
	LTI	8,950	26/10/15	\$6.41	26/10/19	9/11/19	8,950	-	1,281
		10,520	26/10/16	\$5.76	26/10/20	9/11/20	10,520	-	5,817
		10,790	16/10/17	\$6.35	16/10/21	30/10/21	10,790	-	10,197
		10,720	15/10/18	\$6.26	15/10/22	29/10/22	10,720	-	14,594
53,014							53,014	-	93,170
<b>Total</b>		<b>441,900</b>					<b>441,900</b>	-	<b>606,893</b>

Refer Table G for footnotes.

**Table G: Executive Performance Rights<sup>(1)</sup> - vested, exercised and lapsed**

		Grant date	Number of rights vested during the year	Number of shares purchased on exercise	Value at exercise date <sup>(5)</sup> \$	Number of rights lapsed during the year <sup>(6)</sup>	Value at lapse date <sup>(7)</sup> \$
J. Beddow	STI	26/10/16	23,106	23,106	178,147	-	-
	LTI	20/11/14	25,492	25,492	195,014	39,208	248,187
			48,598	48,598	373,161	39,208	248,187
T.C.A. Binks	STI	26/10/16	9,235	9,235	71,201	-	-
	LTI	20/11/14	3,704	3,704	28,336	5,696	36,056
			12,939	12,939	99,537	5,696	36,056
A.B. Hill	STI	26/10/16	7,427	7,427	57,262	-	-
	LTI	20/11/14	3,704	3,704	28,336	5,696	36,056
			11,131	11,131	85,598	5,696	36,056
<b>Total</b>			<b>72,668</b>	<b>72,668</b>	<b>558,296</b>	<b>50,600</b>	<b>320,299</b>

(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 2019 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 2014 LTI performance rights lapsed on 20 November 2018 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 20 November 2014 have a fair value of \$6.33.

**Table H: Executive loans**

	Opening balance \$	Closing balance \$	Interest not charged \$	Highest balance in period \$
J. Beddow	39,454	31,209	520	39,454
A.B. Hill	38,487	25,295	464	38,487
<b>Total</b>	<b>77,941</b>	<b>56,504</b>	<b>984</b>	<b>77,941</b>

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	109,462	(12,266)*	97,196
J. Beddow	237,706	48,640	286,346
A.B. Brennan	15,454	-	15,454
C.E. Cuffe AO	13,493	567	14,060
R.A. Davis	31,622	-	31,622
E.A. Lewin	-	12,765	12,765
J.C. Morton	24,815	1,041	25,856
T.C.A. Binks	17,234	14,061	31,295
A.B. Hill	97,180	11,623	108,803

\*Includes related party transfer of shares to deceased estate

**(b) STI performance rights holdings**

	<b>Opening balance</b>	<b>Granted as remuneration</b>	<b>Vested and exercised</b>	<b>Lapsed</b>	<b>Closing balance</b>
J. Beddow	43,933	13,781	(23,106)	-	34,608
T.C.A. Binks	17,657	5,556	(9,235)	-	13,978
A.B. Hill	14,673	4,788	(7,427)	-	12,034

**(c) LTI performance rights holdings**

	<b>Opening balance</b>	<b>Granted as remuneration</b>	<b>Vested and exercised</b>	<b>Lapsed</b>	<b>Closing balance</b>
J. Beddow	280,330	74,280	(25,492)	(39,208)	289,910
T.C.A. Binks	46,300	13,490	(3,704)	(5,696)	50,390
A.B. Hill	39,660	10,720	(3,704)	(5,696)	40,980

## **CORPORATE GOVERNANCE STATEMENT**

The Corporate Governance Statement for the year ended 30 June 2019 can be accessed on the Company's website at [www.argoinvestments.com.au/shareholder-centre/corporate-governance](http://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  
12 August 2019



### Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2019, 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  
12 August 2019

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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

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# Consolidated Statement of Profit or Loss

for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Dividends and distributions	2	305,080	229,899
Interest		5,102	5,373
Other income		2,301	2,408
Net gains on trading investments		2,692	1,955
Income from operating activities		315,175	239,635
Administration expenses	3	(8,534)	(8,292)
Profit before income tax expense		306,641	231,343
Income tax expense thereon	4	(13,968)	(12,425)
Profit for the year		292,673	218,918
		cents	cents
Basic and diluted earnings per share	5	41.1	31.3

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Profit for the year	292,673	218,918
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of long-term investments	139,172	339,850
Provision for deferred tax expense on revaluation of long-term investments	(53,297)	(103,372)
Other comprehensive income for the year	85,875	236,478
Total comprehensive income for the year	378,548	455,396

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Financial Position

as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6	219,006	108,519
Receivables	7	86,323	123,181
Investments	8	10,595	10,729
Other financial cash assets	9	-	120,000
<b>Total Current Assets</b>		315,924	362,429
<b>Non-Current Assets</b>			
Receivables	7	56	78
Investments	8	5,747,794	5,486,170
Plant and equipment	10	537	261
<b>Total Non-Current Assets</b>		5,748,387	5,486,509
<b>Total Assets</b>		6,064,311	5,848,938
<b>Current Liabilities</b>			
Payables	11	1,433	11,299
Derivative financial instruments	12	8,165	7,593
Current tax liabilities		16,107	17,521
Provisions	13	611	569
<b>Total Current Liabilities</b>		26,316	36,982
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	14	766,481	734,653
Provisions	13	195	155
<b>Total Non-Current Liabilities</b>		766,676	734,808
<b>Total Liabilities</b>		792,992	771,790
<b>Net Assets</b>		5,271,319	5,077,148
<b>Shareholders' Equity</b>			
Contributed equity	15	2,838,980	2,795,816
Reserves	16	1,928,508	1,871,129
Retained profits	17	503,831	410,203
<b>Total Shareholders' Equity</b>		5,271,319	5,077,148

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

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

for the year ended 30 June 2018

Balance as at 1 July 2017	2,671,527	1,669,531	375,456	4,716,514
Profit for the year	-	-	218,918	218,918
Other comprehensive income	-	236,478	-	236,478
Total comprehensive income for the year	-	236,478	218,918	455,396
Transactions with shareholders:				
Dividend Reinvestment Plan	40,563	-	-	40,563
Share Purchase Plan	84,122	-	-	84,122
Cost of share issues net of tax	(396)	-	-	(396)
Executive performance rights reserve	-	(209)	-	(209)
Dividends paid	-	(34,671)	(184,171)	(218,842)
Total transactions with shareholders	124,289	(34,880)	(184,171)	(94,762)
Balance as at 30 June 2018	2,795,816	1,871,129	410,203	5,077,148

(To be read in conjunction with the accompanying notes)

# Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Dividends and distributions received		270,500	214,985
Interest received		5,400	5,315
Other receipts		2,251	2,408
Proceeds from trading investments		14,365	26,043
Payments for trading investments		(10,968)	(21,081)
Other payments		(8,183)	(8,630)
Income tax paid		(36,804)	(38,582)
<b>Net operating cash inflows</b>	27	236,561	180,458
<b>Cash flows from investing activities</b>			
Proceeds from sale of long-term investments		254,780	123,576
Payments for long-term investments		(316,139)	(230,250)
Proceeds from other financial cash assets		120,000	90,000
Payments for other financial cash assets		-	(170,000)
Executive share scheme repayments		22	21
Payments for fixed assets		(444)	(47)
<b>Net investing cash inflows/(outflows)</b>		58,219	(186,700)
<b>Cash flows from financing activities</b>			
Proceeds from Share Purchase Plan		-	84,122
Cost of share issues		(129)	(566)
Dividends paid – net of Dividend Reinvestment Plan		(184,164)	(178,278)
<b>Net financing cash outflows</b>		(184,293)	(94,722)
Net increase/(decrease) in cash held		110,487	(100,964)
Cash at the beginning of the year		108,519	209,483
<b>Cash at the end of the year</b>	6	219,006	108,519

(To be read in conjunction with the accompanying notes)

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# Notes to the Financial Statements

for the year ended 30 June 2019

## 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 12 August 2019. 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 2019 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, consolidated financial statements are 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.

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.

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**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) 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 5.0% to 33.3%.

**(h) Income Tax**

The income tax expense is the tax payable on the current year's 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) **Operating Leases**

Payments made under operating leases are accounted for on a straight line basis over the period of the lease.

(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 9 *Financial Instruments* applies to annual reporting periods commencing on or after 1 January 2018. Argo early adopted this standard in December 2009.

AASB 15 *Revenue from Contracts with Customers* has been applied from 1 July 2018 and has not had a material impact on the Company's financial statements.

Accounting Standards that have been issued but are not yet mandatory for adoption:

AASB 16 *Leases* applies to Argo for the reporting period beginning on 1 July 2019.

This standard specifies how to recognise, measure and disclose leases in the financial statements. The standard will require lessees to recognise right-of-use assets and lease liabilities for most leases. The operating leases of the Company are disclosed in Note 23. The application of the lease standard has been assessed and will not have a material impact on the Company's financial statements.

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**

	2019 \$'000	2018 \$'000
Received/receivable from:		
Long-term investments held at the end of the year	298,718	222,816
Long-term investments sold during the year	6,140	6,920
Trading investments sold during the year	222	163
	<b>305,080</b>	<b>229,899</b>

**3. ADMINISTRATION EXPENSES**

	2019 \$'000	2018 \$'000
Employment benefits	5,297	5,484
Depreciation	168	61
Other	3,069	2,747
	<b>8,534</b>	<b>8,292</b>

**4. INCOME TAX EXPENSE**

	2019 \$'000	2018 \$'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	306,641	231,343
Prima facie tax expense calculated at 30% (2018: 30%)	91,992	69,403
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(68,579)	(54,408)
Non-taxable distributions	(10,835)	-
Other	1,496	(2,199)
Over provision in previous year	(106)	(371)
Income tax expense	<b>13,968</b>	<b>12,425</b>
(b) Income tax expense composition:		
Charge for tax payable relating to current year	13,980	13,669
Increase/(decrease) in deferred tax liabilities	94	(873)
Over provision in previous year	(106)	(371)
	<b>13,968</b>	<b>12,425</b>
(c) Amounts recognised directly in other comprehensive income:		
Increase in deferred tax liabilities	<b>53,297</b>	<b>103,372</b>

**5. EARNINGS PER SHARE**

	<b>2019</b> number '000	<b>2018</b> number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	712,377	698,658
	\$'000	\$'000
Profit for the year	292,673	218,918
	cents	cents
Basic and diluted earnings per share	<b>41.1</b>	<b>31.3</b>

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes cash on deposit with banks (floating interest rates between 1.25% and 1.50% at 30 June 2019; 2018: between 1.50% and 1.75%) and fixed term deposits with banks (fixed interest rates to maturity between 1.78% and 2.40% at 30 June 2019; 2018: 2.48% and 2.70%), maturing within three months from date of deposit.

	<b>2019</b> \$'000	<b>2018</b> \$'000
Bank deposits	<b>219,006</b>	<b>108,519</b>

**7. RECEIVABLES**

	<b>2019</b> \$'000	<b>2018</b> \$'000
<b>Current</b>		
Dividends and distributions receivable	33,849	42,749
Interest receivable	415	714
Outstanding settlements	51,207	79,070
Other	852	648
	<b>86,323</b>	<b>123,181</b>

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.

	<b>2019</b> \$'000	<b>2018</b> \$'000
<b>Non-Current</b>		
Executive share plan loans	<b>56</b>	<b>78</b>

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

**8. INVESTMENTS**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>Current</b>		
Listed securities at fair value <sup>(1)</sup>	<b>10,595</b>	<b>10,729</b>
<b>Non-Current</b>		
Listed securities at fair value <sup>(1)</sup>	5,743,050	5,484,776
Unlisted securities at fair value <sup>(2)</sup>	4,744	1,394
	<b>5,747,794</b>	<b>5,486,170</b>

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 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:

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Carrying amount at beginning of year	1,394	5,474
Additions	3,350	-
Disposal	-	(4,926)
Fair value gains recognised in other comprehensive income	-	846
Carrying amount at end of year	<b>4,744</b>	<b>1,394</b>

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

There were 515 investment transactions during the financial year. The total brokerage paid on these transactions was \$1.8 million.

**9. OTHER FINANCIAL CASH ASSETS**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Bank term deposits	-	<b>120,000</b>

Other financial cash assets are fixed term deposits with banks (2018: fixed interest rates to maturity between 2.49% and 2.70%) maturing from three to six months from date of deposit.

**10. PLANT AND EQUIPMENT**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Plant and equipment at cost	1,558	1,114
Accumulated depreciation	(1,021)	(853)
	<b>537</b>	<b>261</b>
<b>Movements</b>		
Carrying amount at beginning of year	261	275
Additions	444	47
Depreciation	(168)	(61)
Carrying amount at end of year	<b>537</b>	<b>261</b>

**11. PAYABLES**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Outstanding settlements	-	10,243
Other	1,433	1,056
	<b>1,433</b>	<b>11,299</b>

Payables are non-interest bearing and unsecured. Outstanding settlements include amounts due to brokers for settlement of security purchases and are settled within two business days of the transaction date.

**12. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Exchange traded options at fair value	<b>8,165</b>	<b>7,593</b>

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**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>Current</b>		
Provision for employee entitlements	<b>611</b>	<b>569</b>
<b>Non-Current</b>		
Provision for employee entitlements	<b>195</b>	<b>155</b>

**14. DEFERRED TAX LIABILITIES**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	768,009	736,330
Income receivable which is not assessable for tax until receipt	1,823	1,582
Deferred tax asset on unrealised gains on trading investments	(19)	(162)
	<b>769,813</b>	<b>737,750</b>
Offset by deferred tax assets:		
Provisions and payables	(3,127)	(2,837)
Deferred tax on cost of share issues	(205)	(260)
	<b>(3,332)</b>	<b>(3,097)</b>
<b>Net deferred tax liabilities</b>	<b>766,481</b>	<b>734,653</b>
<b>Movements</b>		
Balance at beginning of year	734,653	647,287
Debited/(credited) to profit or loss	94	(873)
Charged to other comprehensive income	53,297	103,372
Changes to the tax base of investments	(21,563)	(15,133)
<b>Balance at end of year</b>	<b>766,481</b>	<b>734,653</b>

The amount of net deferred tax liabilities expected to be settled in the next 12 months is \$0.8 million (2018: \$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.

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	No. of shares	No. of shares	\$'000	\$'000
Issued and fully paid ordinary shares:				
Opening balance	709,317,039	693,413,478	2,795,816	2,671,527
Dividend reinvestment plan <sup>(a)</sup>	5,613,902	5,201,040	43,254	40,563
Share purchase plan	-	10,702,521	-	84,122
Cost of share issues net of tax	-	-	(90)	(396)
<b>Closing balance</b>	<b>714,930,941</b>	<b>709,317,039</b>	<b>2,838,980</b>	<b>2,795,816</b>

(a) On 14 September 2018, 2,724,536 shares were allotted at \$7.89 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2018.

On 8 March 2019, 2,889,366 shares were allotted at \$7.53 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2019.

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

**16. RESERVES**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Executive Performance Rights Reserve	648	771
Investment Revaluation Reserve	1,653,417	1,619,164
Capital Profits Reserve	274,443	251,194
	<b>1,928,508</b>	<b>1,871,129</b>
<b>Movements in reserves during the year</b>		
<b>Executive Performance Rights Reserve</b>		
Balance at beginning of year	771	980
Accrued entitlement for unvested rights	797	941
Executive performance shares purchased	(920)	(1,150)
Balance at end of year	648	771
<b>Investment Revaluation Reserve</b>		
Balance at beginning of year	1,619,164	1,423,308
Revaluation of long-term investments	139,172	339,850
Provision for deferred tax expense on revaluation of long-term investments	(53,297)	(103,372)
Realised gains on sale of long-term investments transferred to capital profits reserve	(72,563)	(62,311)
Income tax expense thereon	20,941	21,689
Balance at end of year	1,653,417	1,619,164
<b>Capital Profits Reserve</b>		
Balance at beginning of year	251,194	245,243
Dividend paid	(28,373)	(34,671)
Transfer from investment revaluation reserve	51,622	40,622
Balance at end of year	274,443	251,194
<b>Total Reserves</b>	<b>1,928,508</b>	<b>1,871,129</b>

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 \$255.5 million (2018: \$200.6 million). The cumulative profit after tax on these disposals was \$51.6 million (2018 \$40.6 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

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Balance at beginning of year	410,203	375,456
Dividends paid	(199,045)	(184,171)
Profit for the year	292,673	218,918
Balance at end of year	<b>503,831</b>	<b>410,203</b>

**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**

	2019 \$'000	2018 \$'000
<b>(a) Dividends paid during the year</b>		
Final dividend for the year ended 30 June 2018 of 16.0 cents fully franked at 30% tax rate paid 14 September 2018 (2017: 15.5 cents fully franked at 30% tax rate)	113,491	110,946
Interim dividend for the year ended 30 June 2019 of 16.0 cents fully franked at 30% tax rate paid 8 March 2019 (2018: 15.5 cents fully franked at 30% tax rate)	113,927	107,896
<b>Total dividends paid</b>	<b>227,418</b>	<b>218,842</b>

The final dividend paid contained a listed investment company (LIC) capital gain component of 4.0 cents per share (2018: 5.0 cents). The interim dividend paid did not contain a LIC capital gain component (2018: nil).

	2019 \$'000	2018 \$'000
<b>(b) Dividend declared after balance date</b>		
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 2019 of 17.0 cents fully franked at 30% tax rate payable 13 September 2019 (2018: 16.0 cents fully franked at 30% tax rate)	<b>121,538</b>	<b>113,491</b>

The final dividend declared will contain a LIC capital gain component of 4.0 cents per share (2018: 4.0 cents).

**20. FRANKING ACCOUNT**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	149,254	118,142
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(52,088)	(48,639)
	<b>97,166</b>	<b>69,503</b>
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	<b>226,721</b>	<b>162,174</b>

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**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Balance of the LIC capital gain account	32,734	32,584
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)	(28,373)
	<b>4,137</b>	<b>4,211</b>
This equates to an attributable amount of	<b>5,910</b>	<b>6,016</b>

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.

**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. Argo has a diversified portfolio of investments with only Wesfarmers income (due to the demerger dividend) accounting for more than 10% of income.

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

**23. COMMITMENTS**

	2019 \$'000	2018 \$'000
<b>Operating leases</b>		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	309	346
Later than one year but not later than five years	1,278	1,325
Later than five years	173	435
	<b>1,760</b>	<b>2,106</b>

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.

**24. RELATED PARTIES**

	2019 \$	2018 \$
<b>(a) Key Management Personnel Compensation</b>		
Short-term	2,231,804	2,035,464
Post-employment (superannuation)	115,505	113,630
Share based	433,500	537,509
	<b>2,780,809</b>	<b>2,686,603</b>

Detailed remuneration disclosures are provided in the Remuneration Report.

	2019 \$	2018 \$
<b>(b) Key Management Personnel Loans</b>		
Balance at beginning of year	77,941	99,033
Loan repayments	(21,438)	(21,092)
Balance at end of year	<b>56,503</b>	<b>77,941</b>
Notional interest not charged	983	1,316

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 \$29.0 million (2018: \$22.5 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 \$3.9 million (2018: \$3.6 million) were received or receivable in the financial year ended 30 June 2019 with Cohen & Steers, the Portfolio Manager, receiving 50% of this fee to manage and invest the portfolio. Management fees of \$0.35 million (2018: \$0.30 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 2019 the parent entity is Argo Investments Limited.

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>Profit of the parent entity</b>		
Profit for the year	292,733	218,909
Total comprehensive income for the year	378,608	455,386
<b>Financial position of the parent entity as at 30 June</b>		
Current assets	313,472	359,926
Total assets	6,063,201	5,847,899
Current liabilities	24,746	35,539
Total liabilities	791,951	770,881
Net assets	5,271,250	5,077,018
<b>Total equity of the parent entity comprising of:</b>		
Contributed equity	2,838,980	2,795,816
Reserves	1,928,508	1,871,129
Retained profits	503,762	410,073
Total equity attributable to shareholders of the parent entity	5,271,250	5,077,018

Argo Investments Limited has an agreement in place with Argo Service Company Pty Ltd to provide up to \$250,000 (2018: \$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 2019.

## 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 (2018: 1,500) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of \$13,015 (2018: \$12,040) and had a market value of \$12,667 (2018: \$11,955) at \$8.12 per share (2018: \$7.97 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	Vested and exercised			Closing balance (unvested)
				Granted	exercised	Lapsed	
26/10/16	26/10/18	9/11/18	72,275	-	(72,275)	-	-
16/10/17	16/10/19	30/10/19	71,516	-	-	-	71,516
15/10/18	15/10/20	29/10/20	-	53,938 <sup>(1)</sup>	-	-	53,938
			<b>143,791</b>	<b>53,938</b>	<b>(72,275)</b>	-	<b>125,454</b>

- (1) The fair value at grant date of the STI performance rights issued during the year was \$6.99 (2018: \$7.09) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The following inputs were used to calculate the fair value of the STI performance rights issued:
- (a) Share price at valuation date 15 October 2018: \$7.80 (16 October 2017: \$7.91); and
  - (b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2018: 5.5%).
- (2) STI performance rights expense of \$469,495 (2018: \$516,986) 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 0.8 year (2018: 0.8 year).

During the year, 72,275 (2018: 72,945) shares were acquired by the Company on behalf of eligible employees for exercised STI performance rights at a cost of \$559,461 and had a market value of \$586,873 at \$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)
22/11/14	22/11/18	4/12/18	119,200	-	(46,966)	(72,234) <sup>(2)</sup>	-
26/11/15	26/11/19	9/12/19	132,320	-	-	-	132,320
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 <sup>(1)</sup>	-	-	171,030
			<b>575,990</b>	<b>171,030</b>	<b>(46,966)</b>	<b>(72,234)</b>	<b>627,820</b>

- (1) The fair value at grant date of the LTI performance rights issued during the year was \$6.26 (2018: \$6.35) 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 15 October 2018: \$7.80 (16 October 2017: \$7.91); and
  - (b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2018: 5.5%).
- (2) 72,234 LTI performance rights lapsed because the performance condition was not fully satisfied.
- (3) LTI performance rights expense totalling \$327,949 (2018: \$424,339) 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 (2018: 2.0 years).

During the year, 46,966 (2018: 70,350) shares were acquired by the Company on behalf of eligible employees for exercised LTI performance rights at a cost of \$360,532 (2018: \$567,113) and had a market value of \$381,364 (2018: \$560,690) at \$8.12 per share (2018: \$7.97 per share) at balance date.

**27. CASH FLOW INFORMATION**

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
(a) Reconciliation of net cash provided by operating activities to profit for the year:		
Profit for the year	292,673	218,918
Dividends received as securities in dividend reinvestment plan	(7,356)	(12,401)
Demerger dividends and distributions	(36,117)	-
Depreciation	168	61
Charges to provisions	176	182
Other movements	(123)	(209)
Decrease in provision for income tax	(1,414)	(10,328)
Transfer from provision for deferred income tax	(21,234)	(14,729)
Increase in deferred tax assets	(290)	(1,218)
Changes in operating assets and liabilities:		
Decrease/(increase) in current investments	134	(1,600)
Decrease/(increase) in other debtors	9,394	(2,820)
Increase in other creditors	550	4,602
<b>Net cash provided by operating activities</b>	<b>236,561</b>	<b>180,458</b>
(b) Non-cash financing activities		
Dividends paid totalling \$43.3 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2018: \$40.6 million).		

**28. AUDITOR'S REMUNERATION**

	<b>2019</b>	<b>2018</b>
	\$	\$
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	140,320
(b) Audit related services		
AFSL compliance audit and review	7,018	7,018
(c) Non-audit services		
Taxation and professional services	13,563	34,769
<b>Total remuneration</b>	<b>165,296</b>	<b>182,107</b>

## 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 A1+. 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 \$201.2 million (2018: \$192.0 million) and \$402.3 million (2018: \$384.0 million) respectively, after tax. The investment revaluation reserve at 30 June 2019 has an after tax balance of \$1,653.4 million (2018: \$1,619.2 million). It would require a 41% (2018: 42%) 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:

	<b>2019</b>	<b>2018</b>
Banks	17%	18%
Materials	15%	15%
Other Financials	11%	11%
Health Care	9%	9%
Industrials	7%	6%
Consumer Staples	7%	7%
Consumer Discretionary	7%	8%
Telecommunication Services & I.T.	6%	5%
Energy	5%	5%
Listed Investment Companies	5%	5%
Cash and Short-term Deposits	4%	4%
Utilities	4%	4%
Property	3%	3%
	100%	100%

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

	2019	2018
Westpac Banking Corporation	5.7%	6.0%
Macquarie Group	5.2%	5.3%
BHP Group	5.1%	4.7%

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 \$8.2 million (2018: \$7.6 million) and is disclosed in Note 12. Investments with a market value of \$52.0 million (2018: \$45.9 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 (2018: one security was not quoted in Australian dollars representing 1.9% of the fair value of long-term investments).

### 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.

	2019 No. of shares or units	2019 \$'000	2018 No. of shares or units	2018 \$'000
Adelaide Brighton Ltd	7,681,385	31,033	7,681,385	53,386
AGL Energy Ltd.	3,642,000	72,876	3,642,000	81,872
ALS Ltd.	5,104,023	37,464	5,104,023	38,484
Alumina Ltd.	12,429,285	28,960	12,429,285	34,802
Amcors plc	4,968,564	80,441	4,918,564	70,877
AMP Ltd.	10,381,674	22,009	13,381,674	47,639
Ansell Ltd.	636,972	17,103	636,972	17,319
APA Group	10,882,525	117,531	10,882,525	107,193
A.P. Eagers Ltd.	4,432,620	43,440	4,432,620	37,810
Argo Global Listed Infrastructure Ltd.	12,821,223	28,976	12,500,100	22,500
Aristocrat Leisure Ltd.	3,264,665	100,291	2,785,130	86,061
Asaleo Care Ltd.	-	-	13,534,001	18,880
Australia and New Zealand Banking Group Ltd.	9,765,275	275,478	9,765,275	275,771
Australian United Investment Company Ltd.	14,416,456	130,901	14,416,456	124,702
Automotive Holdings Group Ltd.	5,943,484	16,642	5,943,484	16,939
Bega Cheese Ltd.	3,568,294	17,056	450,000	3,335
BHP Group Ltd.	7,406,304	304,843	7,928,904	268,869
Boral Ltd.	11,596,552	59,374	8,585,327	56,062
Brambles Ltd.	6,001,109	77,294	5,501,609	48,854
Brickworks Ltd.	584,009	9,514	584,009	9,134
Challenger Ltd.	5,440,311	36,124	4,690,311	55,486
Coles Group Ltd.	5,040,027	67,284	-	-
Coca-Cola Amatil Ltd.	-	-	2,200,733	20,247
Commonwealth Bank of Australia	3,103,731	256,927	3,203,731	233,456
Computershare Ltd.	4,901,166	79,448	4,901,166	90,328
Corporate Travel Management Ltd.	736,682	16,575	-	-
Crown Resorts Ltd.	2,609,184	32,484	2,609,184	35,224
CSL Ltd.	1,113,370	239,375	1,113,370	214,457
Diversified United Investment Ltd.	9,269,575	40,415	9,269,575	38,283
Downer EDI Ltd.	2,659,538	18,404	2,309,538	15,659
DuluxGroup Ltd.	3,881,512	36,176	3,881,512	29,694
Eclixp Group Ltd.	12,086,416	15,833	-	-

	<b>2019</b> No. of shares or units	<b>2019</b> \$'000	<b>2018</b> No. of shares or units	<b>2018</b> \$'000
Estia Health Ltd.	11,809,250	31,176	11,209,250	36,878
Event Hospitality & Entertainment Ltd.	3,262,387	40,780	3,012,387	40,336
Freedom Foods Group Ltd.	1,250,000	6,350	-	-
Genworth Mortgage Insurance Australia Ltd.	3,208,901	9,017	3,208,901	8,247
GPT Group	3,480,667	21,406	3,480,667	17,612
GUD Holdings Ltd.	2,066,508	20,686	1,772,013	25,092
Harvey Norman Holdings Ltd.	5,213,182	21,218	5,213,182	17,308
Healius Ltd.	10,307,750	31,129	7,808,917	27,253
Iluka Resources Ltd.	1,700,000	18,309	1,700,000	19,006
Incitec Pivot Ltd.	1,000,000	3,410	4,095,530	14,867
Insurance Australia Group Ltd.	4,910,330	40,559	5,031,075	42,915
Intrepica Pty Ltd.	3,030,502	1,394	3,030,502	1,394
Intrepica Pty Ltd conv. notes	350,000	350	-	-
InvoCare Ltd.	2,315,252	37,021	2,282,191	31,357
IRESS Ltd.	891,884	12,424	791,884	9,534
James Hardie Industries plc	1,400,000	26,180	-	-
Lendlease Group	3,893,609	50,617	3,893,609	77,132
Lynas Corporation Ltd	6,000,000	15,420	-	-
Macquarie Group Ltd.	2,458,151	308,228	2,458,151	303,950
McGrath Ltd.	10,000,000	2,250	10,000,000	3,750
Milton Corporation Ltd.	17,108,251	80,580	20,919,808	96,440
Mirvac Group	6,000,551	18,782	6,000,551	13,021
MMA Offshore Ltd.	-	-	6,000,000	1,530
Monash IVF Group Ltd.	11,454,986	15,980	11,454,986	12,371
National Australia Bank Ltd.	6,309,685	168,595	6,055,138	165,971
Navitas Ltd.	-	-	3,757,061	16,681
NOVONIX Ltd.	1,250,000	550	1,250,000	763
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	1,870,605	16,574
Oil Search Ltd.	4,800,000	33,936	2,000,000	17,800
Orica Ltd.	1,807,983	36,648	2,307,983	40,967
Origin Energy Ltd.	11,351,603	82,980	10,951,603	109,845
Pact Group Holdings Ltd.	5,172,314	14,431	3,672,314	19,353
Paragon Care Ltd.	6,644,661	2,758	6,304,156	5,201

	2019 No. of shares or units	2019 \$'000	2018 No. of shares or units	2018 \$'000
Peet Ltd.	18,152,705	20,331	16,152,705	21,322
Perpetual Ltd.	130,000	5,491	238,905	9,939
Premier Investments Ltd.	1,250,000	18,963	1,250,000	21,100
QANTM Intellectual Property Ltd.	4,900,053	6,958	4,900,053	5,145
QBE Insurance Group Ltd.	6,945,491	82,165	5,945,491	57,909
Ramsay Health Care Ltd.	1,666,319	120,375	1,666,319	89,948
Ramsay Health Care Ltd. reset conv. preference	25,000	2,686	25,000	2,675
Reece Ltd.	5,180,177	50,558	4,402,712	55,694
Regis Healthcare Ltd.	1,660,959	4,368	1,660,959	5,448
Rio Tinto Ltd.	2,097,139	217,599	2,220,739	185,298
Rural Funds Group	12,494,364	28,737	5,407,750	11,465
Santos Ltd.	10,942,014	77,469	11,007,714	69,018
Scentre Group	7,526,662	28,902	7,526,662	33,042
Sonic Healthcare Ltd.	3,626,053	98,266	3,147,791	77,215
South32 Ltd.	7,265,004	23,103	7,265,004	26,227
Spark Infrastructure	6,868,363	16,690	6,868,363	15,660
Speedcast International Ltd	3,267,742	11,372	2,767,742	17,077
Steadfast Group Ltd.	11,775,120	41,331	11,095,120	31,177
Stockland	4,017,934	16,755	2,817,934	11,187
Suncorp Group Ltd.	5,027,906	67,726	5,027,906	73,357
Sydney Airport	14,758,175	118,656	14,458,175	103,521
Tabcorp Holdings Ltd.	10,586,538	47,110	10,586,538	47,216
Tassal Group Ltd.	7,334,275	35,938	6,614,275	27,317
Technology One Ltd.	5,964,564	47,001	5,964,564	25,349
Telstra Corporation Ltd.	43,514,800	167,532	46,014,800	120,559
The Star Entertainment Group Ltd.	5,300,000	21,836	-	-
Transurban Group	8,123,736	119,744	6,273,178	75,090
Twenty-First Century Fox, Inc. class B	-	-	1,531,687	101,995
Viva Energy Group Ltd.	8,000,000	16,880	-	-
Vocus Group Ltd.	5,652,447	18,484	6,152,447	14,212
Washington H. Soul Pattinson and Company Ltd.	2,182,606	47,995	2,182,606	45,158
Wesfarmers Ltd.	5,040,027	182,247	5,040,027	248,776
Westpac Banking Corporation	11,908,448	337,724	11,758,448	344,523
Woodside Petroleum Ltd.	1,700,873	61,844	1,700,873	60,313

	2019 No. of shares or units	2019 \$'000	2018 No. of shares or units	2018 \$'000
Woolworths Group Ltd.	3,233,026	107,433	3,333,026	101,724
Xplore Wealth Ltd.	18,803,572	1,880	18,803,572	4,043
Total long-term investments		<b>5,747,794</b>		<b>5,486,170</b>

### 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 72 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 2019 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 2019.

Dated this 12th day of August 2019

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 the Argo's financial position as at 30 June 2019 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 2019
- 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### PricewaterhouseCoopers, ABN 52 780 433 757

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

T +61 8 8218 7000, F +61 8 8218 7999, [www.pwc.com.au](http://www.pwc.com.au)

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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 \$52.7 million, which represents approximately 1% of net assets of Argo at 30 June 2019.
- 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. We perform our audit procedures predominantly at the Adelaide office. The investment management and administration operations for Argo are conducted by the Company's subsidiary, Argo Service Company Pty Ltd.

## Key audit matters

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

### Key audit matter

### How our audit addressed the key audit matter

#### *Existence and valuation of investments*

Argo has investments of \$5.8 billion as at 30 June 2019 (refer note 8 of the financial report).

Investments mostly consist of listed Australian equities and some unlisted Australian securities. Investments are valued by multiplying the quantity held by the respective fair value.

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 other comprehensive income which also affects the deferred tax provisions. Given the pervasive impact investments have on Argo's key financial metrics, we determined the existence and valuation of investments to be a key audit matter.

Our audit procedures included:

- 1) Recalculation of the movement of investments for the year, including purchases, sales and other relevant transactions.
- 2) Verifying the mathematical accuracy of investments by multiplying quantity by unit price as at 30 June 2019.
- 3) Testing a sample of investment purchases and sales by agreeing the transaction recorded to purchase and sale confirmations from brokers.
- 4) Agreeing all the investment quantity holdings at 30 June 2019 to external share registries.
- 5) For listed investments, agreeing market prices used to fair value the investments to independent market pricing sources.
- 6) For unlisted investments, where there was less or little market observable data, agreeing the investment value used to the original cost or net tangible asset values per share which the directors have determined to represent fair value.
- 7) Assessing the design and performing tests of the implementation and operating effectiveness of the key accounting controls over the investments.

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### *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 2019 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.

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### *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/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.



## Report on the remuneration report

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### Our opinion on the remuneration report

We have audited the remuneration report included in pages 17 to 36 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

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### 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 handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

M.T. Lojczyk  
Partner

Adelaide  
12 August 2019

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## Shareholder information as at 31 July 2019

	Ordinary shareholders
Number of shareholders holding:	
1- 1,000 shares	24,423
1,001- 5,000 shares	31,676
5,001- 10,000 shares	14,083
10,001- 100,000 shares	16,187
100,001 or more shares	482
<b>Total number of shareholders (entitled to one vote per share)</b>	<b>86,851</b>
Number of shareholders holding less than a marketable parcel	1,656

### 20 largest shareholders of ordinary shares

	No. of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	11,250,830	1.57
RCY Pty. Limited	6,166,887	0.86
JIT Pty. Limited	4,950,972	0.69
Australian Executor Trustee Limited (IPS Super a/c)	3,630,025	0.51
TRIGT Pty. Limited	2,852,478	0.40
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,756,867	0.39
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,368,689	0.33
McLennan Australia Corporation Pty. Ltd.	2,329,043	0.33
Citicorp Nominees Pty. Limited	1,924,707	0.27
Milton Corporation Limited	1,880,841	0.26
Donald Cant Pty. Ltd.	1,854,225	0.26
Bougainville Copper Limited	1,734,326	0.24
Kalymna Pty. Ltd.	1,608,087	0.22
Salur Holdings Pty. Limited	1,487,357	0.21
Poplar Pty. Ltd.	1,285,942	0.18
Jacaranda Pastoral Pty. Ltd.	1,284,614	0.18
JPMorgan Nominees Australia Pty. Limited	1,223,503	0.17
Netwealth Investments Limited (Wrap Services a/c)	1,161,152	0.16
Ling Nominees Pty. Ltd. (Ling Family a/c)	1,090,849	0.15
Australian Executor Trustees Limited (IPS IDPS a/c)	1,067,258	0.15
	<b>53,908,652</b>	<b>7.53</b>

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

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