



4 August, 2008

Dear Shareholder,

The Directors of Argo Investments Limited ("the Company"), a leading Australian listed investment company with total assets of \$3.9 billion, are pleased to advise a record profit and increased dividend for the year ended 30 June, 2008.

Financial Result

Operating profit after tax and before realised gains on the sale of long-term investments increased 23% to a record \$182.3 million, compared with \$147.9 million in the previous year. Although global sharemarkets are plagued with uncertainty and investment values are significantly lower than last year, the Company's operating profit relies more on the continuing profitability and dividend paying prospects of the listed stocks within our diverse and high quality Australian investment portfolio. For the period under review, company profits and dividends have been strong.

The result reflects the analytical strength and disciplined approach adopted by the Company in evaluating and selecting long-term investment opportunities in the Australian sharemarket.

Other more specific factors which have contributed to the record 2007-2008 profit include:

- a full 12 months contribution from the \$446 million of new capital raised in the oversubscribed 1 for 8 rights issue at \$7.20 per share in March 2007, compared with approximately 3 months contribution in the previous corresponding period.
- a continuing focus on managing costs which has resulted in the management expense ratio (MER) for the year of 0.12% of average assets at market value being maintained at last year's level, despite the decline in asset values.

Accounting Standards now require realised gains on the sale of long-term investments to be included in the reported profit of the Company. We do not consider these gains are part of the Company's ordinary activities and they have been identified separately from its operating profit detailed above. Realised gains on the sale of long-term investments after tax amounted to \$111.8 million, compared with \$23.7 million in the previous year, and represent mainly the gains from corporate takeovers which occurred during the year.

Profit for the year, represented by the Company's operating profit and realised gains on the sale of long-term investments, amounted to \$294.1 million, compared with \$171.5 million last year. The net realised gains on the sale of long-term investments have been transferred to the Company's Capital Profits Reserve.

Operating earnings per share, excluding realised gains on the sale of long-term investments, rose 11.4% to 32.2 cents, compared with 28.9 cents in the previous year.

Argo Investments Limited

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Dividends

Following the increased interim dividend payment of 14 cents per share, the Directors have declared an increased fully franked final dividend of 16 cents per share (last year 15 cents per share) which includes a 3 cents per share Listed Investment Company (LIC) capital gain dividend (last year 2 cents per share). The LIC component of the dividend will give rise to an attributable part of 4.29 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2008/2009 income tax returns. The amount which eligible shareholders may be able to claim as a tax deduction depends on their individual situation. Details will be provided in the dividend statement.

The fully franked final dividend, totalling \$91.4 million, will be paid on 5 September, 2008. The shares will trade ex-dividend on 14 August, 2008 and the record date to establish shareholder dividend entitlements is 20 August, 2008.

Total fully franked dividends for the year amount to a record 30 cents per share, compared with fully franked dividends of 27 cents per share for the previous year. Dividends totalling \$171.0 million will be distributed to shareholders this year, compared with \$141.8 million in the previous year, an increase of 20.6%.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will operate for the dividend payable on 5 September, 2008.

The Directors have resolved that the shares will be allotted at a discount of 2.5% from the market price of Argo shares, as defined by the DRP, to eligible shareholders participating in the DRP.

Eligible shareholders, being those shareholders with registered addresses in Australia or New Zealand, who wish to participate in the DRP and who have not already lodged their intention, must do so by 20 August, 2008. Any variation to an existing election must also be lodged by this date.

Net Asset Backing

Reflecting the significant downturn in equity markets over the reporting period, net tangible asset backing per share was \$6.76 as at 30 June, 2008 compared with \$8.28 as at 30 June 2007.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains was to be deducted, the net tangible asset backing per share would be \$5.98 as at 30 June, 2008 compared with \$6.97 as at 30 June, 2007.

Investment Portfolio

The Company's objective is to maximise long-term secure returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. For the last 10 years the Company's investment portfolio has produced a compound annual return of 12.4%, as measured by the movement in net asset backing per share plus dividends paid, compared with 11.5% from the ASX All Ordinaries Accumulation Index. As a result of the significant decline in investment values during the year under review, the total return from the Company's portfolio was negative 15.3%.

Significant investment purchases made by the Company during the year were:-

	\$M
QBE Insurance Group	29.8
Westpac Banking Corporation	21.6
Fairfax Media Ltd.	20.3
BHP Billiton Ltd.	18.9
Westfield Group	17.6

While there were no major sales during the year, Adelaide Bank Ltd., Alinta Ltd., Coates Hire Ltd., Coles Group Ltd., Consolidated Minerals Ltd., Dyno Nobel Ltd., Macquarie Private Capital Group, Rinker Group Ltd., Southern Cross Broadcasting Ltd. and Symbion Health Ltd. were taken over.

During the year, the Company purchased an unlisted investment company with total assets of approximately \$62 million which were mainly cash. As part consideration, 5,963,879 shares were issued for the acquisition.

A list of the Company's principal investments as at 30 June, 2008 is set out below:-

	Market Value \$M
BHP Billiton Ltd.	302.7
Rio Tinto Ltd.	189.1
Macquarie Group Ltd.	183.9
Milton Corporation Ltd.	151.0
Wesfarmers Ltd.	142.1
Telstra Corporation Ltd.	130.6
Australian United Investment Company Ltd.	129.4
National Australia Bank Ltd.	111.2
Westpac Banking Corporation	95.0
Woolworths Ltd.	93.1
Australia and New Zealand Banking Group Ltd.	88.8
Woodside Petroleum Ltd.	86.6
Origin Energy Ltd.	86.2
Commonwealth Bank of Australia	74.6
St. George Bank Ltd.	71.1
QBE Insurance Group Ltd.	58.1
Santos Ltd.	56.6
Westfield Group	55.8
Orica Ltd.	49.1
AMP Ltd.	45.4

Outlook

The past year has seen dramatic volatility in global financial markets as the five year bull market in equities finally gave way to the global credit crisis triggered by the U.S. sub-prime mortgage market. The key factor which will determine the way forward is whether the developed countries can avoid recession.

Volatility in the Australian sharemarket is likely to continue due to the uncertain environment that lies ahead. Developing countries' demand for Australia's natural resources and agricultural products should underpin those industries. On the other hand, the resulting strong Australian dollar is hurting some exporters and currency translation of U.S. dollar earnings is adversely affecting many companies with international operations.

Australia's economy is slowing under the weight of very high energy prices and interest rates which were increased to control an upsurge in inflation due to strong demand.

Argo's management will be closely monitoring the current company reporting period to see how individual companies are faring in this environment and to identify attractive investment opportunities. With no debt and \$228 million in cash assets available for investment at 30 June, 2008, Argo remains in a strong position to benefit from the current uncertainty in financial markets.

Share Purchase Plan

The Share Purchase Plan (SPP) will be offered in September 2008 to allow eligible shareholders the opportunity to purchase additional Argo shares up to a maximum value of \$2,500. The maximum amount that a shareholder can invest in any twelve month period pursuant to the SPP is \$5,000 and it is the Directors' current intention to offer the SPP to shareholders each half-year at which time up to \$2,500 can be invested.

An application form advising the issue price and other relevant information will be mailed to all eligible shareholders on 5 September, 2008 at the time of the payment of the abovementioned dividend. The offer will close on 29 September, 2008.

Some features of the SPP are as follows:

- Participation in the SPP is entirely at the option of shareholders and is open to all shareholders, other than shareholders who have registered addresses in countries outside Australia where regulatory requirements make participation by the shareholder unlawful or impracticable. The Directors have determined that shareholders whose registered addresses are outside Australia and New Zealand will be unable to participate in the SPP.

- Entitlement to the SPP is non-renounceable and in order to establish SPP entitlements for eligible shareholders, the same registration criteria will be used as that to establish entitlement to the fully franked dividend payable on 5 September, 2008.
- Shares will be offered at a discount of 2.5% from the market price of Argo shares, as defined by the SPP.
- No brokerage or other transaction costs will be payable by shareholders in respect of the application for, and allotment of, shares purchased through the SPP.

Annual General Meeting

The Annual General Meeting will be held at the Adelaide Convention Centre, North Terrace, Adelaide on Monday 27 October, 2008 at 10.00 a.m.

Information Meetings

For the benefit of shareholders unable to attend the Annual General Meeting in Adelaide, informal meetings will be held in Melbourne on Tuesday 28 October, 2008 at 10.00 a.m. in the offices of PricewaterhouseCoopers, Level 19, 2 Southbank Boulevard, Southbank and in Sydney on Wednesday 29 October, 2008 at 10.00 a.m. in the offices of PricewaterhouseCoopers, Darling Park Cockle Bay, Tower 2, 201 Sussex Street, Sydney.

Yours faithfully,
ARGO INVESTMENTS LIMITED



C.L. Harris
Chairman



R.J. Patterson
Managing Director