Argo

Investing in Australia

2008 Annual Report

Directory

Argo Investments Limited
ABN 35 007 519 520

Directors
Christopher L. Harris, Chairman
Robert T. Rich, Deputy Chairman
Robert J. Patterson, Managing Director
Marina S. Darling
Ian R. Johnson
G. Ian Martin

Associate Directors
Jason Beddow - Chief Investment Officer
Christopher C. Hall - Investment and Business Development

Chief Financial Officer and Company Secretary
Brenton R. Aird

Auditors
PricewaterhouseCoopers

Registered Office and Share Registry
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New South Wales 2000
GPO Box 4313, Sydney, New South Wales 2001
Telephone: (02) 9247 8900
Facsimile: (02) 9247 6088

Calendar

Share purchase plan acceptances due	**29 September, 2008**
Annual general meeting:- Adelaide Convention Centre, North Terrace, Adelaide at 10.00 a.m.	**27 October, 2008**
Information meetings:- Melbourne PricewaterhouseCoopers, Level 19, 2 Southbank Boulevard, Southbank at 10.00 a.m.	**28 October, 2008**
Sydney PricewaterhouseCoopers, Darling Park Cockle Bay, Tower 2, 201 Sussex Street, Sydney at 10.00 a.m.	**29 October, 2008**
Half yearly result announced	**2 February, 2009**

Objective

"Argo'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."

Contents

2008 Highlights

~ Net operating profit before realised gains on sale of long-term investments a record $182.3 million, an increase of 23.3%.

~ Operating earnings per share increased 11.4% to a record 32.2 cents per share.

~ Profit of $294.1 million including net realised gains on sale of long-term investments.

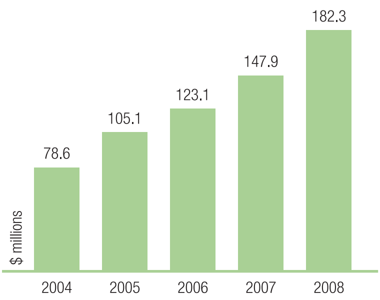
~ Dividends of 30 cents per share, fully franked (including LIC capital gain component of 3 cents per share), compared with 27 cents per share last year.

~ Management expense ratio maintained at 0.12% of average assets at market value.

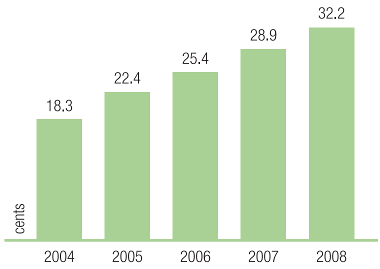
~ Capital raisings of $58.6 million from the Share Purchase Plan and $33.4 million from the Dividend Reinvestment Plan.

Five years of growth

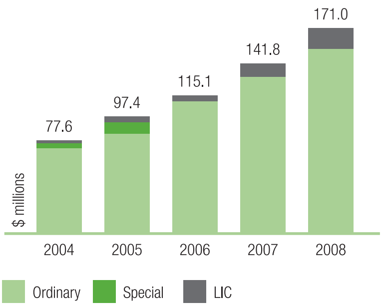
Operating profit



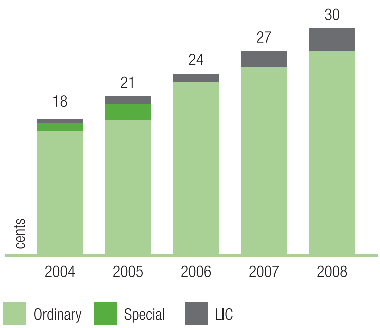
Operating earnings per share



Total dividends

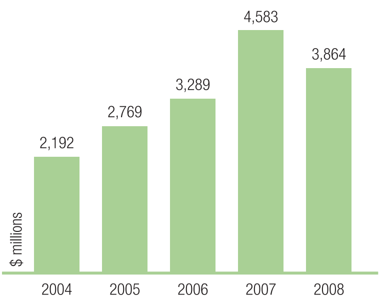


Dividends per share



Shareholders' equity

before provision for deferred income tax

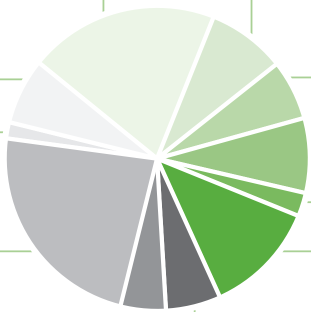


Net tangible assets

per share

Portfolio allocation

as at 30 June, 2008



20 largest investments

as at 30 June, 2008

	$m	% of total assets
BHP Billiton Ltd.	302.7	7.7
Rio Tinto Ltd.	189.1	4.8
Macquarie Group Ltd.	183.9	4.7
Milton Corporation Ltd.	151.0	3.9
Wesfarmers Ltd.	142.1	3.6
Telstra Corporation Ltd.	130.6	3.3
Australian United Investment Company Ltd.	129.4	3.3
National Australia Bank Ltd.	111.2	2.8
Westpac Banking Corporation	95.0	2.4
Woolworths Ltd.	93.1	2.4
Australia and New Zealand Banking Group Ltd.	88.8	2.3
Woodside Petroleum Ltd.	86.6	2.2
Origin Energy Ltd.	86.2	2.2
Commonwealth Bank of Australia	74.6	1.9
St. George Bank Ltd.	71.1	1.8
QBE Insurance Group Ltd.	58.1	1.5
Santos Ltd.	56.6	1.4
Westfield Group	55.8	1.4
Orica Ltd.	49.1	1.3
AMP Ltd.	45.4	1.2
	2,200.4	**56.1**

Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation as at 30 June, 2008 of $4.1 billion.

The shares of a listed investment company offer investors a professionally managed entry to the sharemarket.

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

At 30 June, 2008 Argo had 571.4 million shares on issue.

Argo has 63,000 shareholders who are seeking capital growth and a regular income.

Argo's assets were $3.9 billion as at 30 June, 2008 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange.

Argo has an experienced Board of Directors and a stable management team which are essential for the effective surveillance of a long-term investment portfolio. The Board consists of six highly qualified Directors, one of whom is an executive Director. In 62 years of operation, Argo has only had two Chief Executives.

The investment policy followed by Argo is simple. Rather than attempt to gain spectacular rewards in the short term from high-risk situations, the management aim to provide safe, steady and satisfactory progress, secured by a spread of investments over a wide range of the Australian economy. The portfolio contains investments in about 180 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 good quality management and prospects for sound earnings growth.

Successful share investment depends on research. Argo's investment team includes the executive management plus a number of specialist research analysts. The research has two objectives; first to monitor the core holding of leading stocks and smaller companies; and secondly, to find new, successful investments. The investment goal is to identify well-managed businesses with the potential and ability to generate growing and substantial profits to fund increasing dividend payments.

Shares in Argo are particularly suitable for new and passive sharemarket investors due to the spread of investments within its portfolio, for those investors who are too busy to monitor their own investment portfolios and for self-managed superannuation funds.

Argo shares can be purchased through any sharebroker and the market price of the shares is reported daily in the press. There is no initial service fee charged to invest in Argo. Being a securities exchange listed company, only normal sharebrokers' charges apply.

We encourage investors to visit the Argo website at www.argoinvestments.com.au and read our Owner's Manual to obtain further information on the Company's operations.

Shareholder benefits

Low Management Costs

Argo's management costs are extremely low when compared with many other managed investment products. For the year ended 30 June, 2008, total operating costs were 0.12% of average assets at market value.

Franked Dividends

Argo has paid a dividend in every year since its inception.

Franking credits on dividends received by Argo are passed on to Argo shareholders through dividends paid that are fully or substantially franked, depending on tax credits available to the Company. The franked portion of Argo's dividends are largely tax free for tax-paying Australian shareholders. Certain Australian resident shareholders can also claim a tax benefit where the dividend component is sourced from realised eligible LIC capital gains. Overseas shareholders also benefit, since withholding tax is not deducted from franked dividends.

Share Purchase Plan

Argo has a Share Purchase Plan (SPP) which allows eligible shareholders the opportunity to acquire additional small parcels of shares at a discount, currently 2.5%, from the market price. No brokerage or other transaction costs are payable. The maximum amount that a shareholder can invest in any 12 month period pursuant to a SPP is $5,000. The Directors decide when the SPP will operate and currently the Directors offer the SPP to eligible shareholders each half-year at which time up to $2,500 can be invested, making a maximum total of $5,000 in any year.

Dividend Reinvestment Plan

Argo has a Dividend Reinvestment Plan (DRP) which allows eligible shareholders the opportunity to reinvest their dividends, currently at a 2.5% discount from the market price of Argo shares as defined by the DRP.

New Share Issues

Argo has a history of making new issues of shares on a pro-rata basis to existing shareholders at a discount to the market price. These issues have resulted in an increase in the amount of dividends received by shareholders. In the case of renounceable rights issues, a shareholder who does not wish to apply for additional shares may sell the entitlement.

Share Price Performance

Information produced by Goldman Sachs JBWere Pty. Limited, sharebrokers, reveals the following share price performance, assuming that all dividends and the proceeds from the sale of rights had been reinvested in Argo shares:-

	10 years to 30 June, 2008
$1,000 invested in Argo shares	$3,219
Compound annual growth rate	
Argo shares	13.6% p.a.
S&P ASX all ordinaries accumulation index	11.5% p.a.
Consumer price index	2.5% p.a.

Performance statistics for various periods of time are regularly updated on Argo's website.

Directors' Report

The Directors present their Sixty Second Annual Report together with the financial report of Argo Investments Limited ("the Company") and the entities it controlled for the financial year ended 30 June, 2008 including the independent Audit Report thereon.

Operating and Financial Review

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. This is achieved through building a portfolio of long-term investments, currently about 180 stocks, representing a cross section of Australia's enterprises, where there is good quality management and prospects for sound earnings and dividend growth.

A number of key performance indicators are used by the Directors and management in their assessment of the Company's performance, including growth in operating profit, operating earnings per share, dividends paid to shareholders, shareholders' equity, asset backing per share, total portfolio return and control of management costs.

The Company has no debt and has substantial liquid funds on deposit at balance date available for additional long-term investment.

Operating profit for the financial year, after providing for income tax and before realised gains on the sale of long-term investments, increased 23.3% to a record $182,291,862 compared with $147,854,674 in the previous financial 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 share market.

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

- a full twelve months contribution from the $445,402,852 of capital raised in the oversubscribed 1 for 8 rights issue at $7.20 per share in March 2007, compared with approximately three 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.

The policy of only investing in Australian companies, many of which have extensive overseas interests, enables the Company's investment analysts to maintain a strong and close relationship with the companies in which we invest.

Accounting Standards 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. Realised gains on the sale of long-term investments after tax amounted to $111,824,260 (last year $23,682,436), 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 $294,116,122 compared with $171,537,110 last year. The net realised gains on the sale of long-term investments have been transferred to the Company's capital profits reserve.

For the last ten 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 reinvested, compared with 11.5% from the S&P 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%.

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.

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. The aquired company was deregistered on 11 June, 2008.

The Company intends to continue its investment activities in future years as it has done in the past. The results of these investment activities depend upon the performance of the stocks in the Company's investment portfolio. Their performance is influenced by many economic factors, including economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also specific issues such as management competence, capital strength, industry economics and competitive behaviour.

The Company will continue to focus on producing results that accord with its stated objective.

Dividends

A fully franked interim dividend of 14 cents per share was paid on 4 March, 2008.

On 4 August, 2008, the Directors declared a fully franked dividend of 16 cents per share which includes a 3 cents per share Listed Investment Company (LIC) capital gain dividend. 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.

Total fully franked dividends for the year amount to a record 30 cents per share, including a 3 cents per share LIC capital gain component. This compares with 27 cents per share last year, which included a 2 cents per share LIC capital gain component.

The dividends total $170,986,125 and compare with $141,767,582 in the previous year, an increase of 20.6%.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised $33,385,461 of new capital for investment during the year.

The DRP will operate for the 16 cents per share dividend payment payable on 5 September, 2008 and the Directors have resolved that the shares will be allotted to eligible shareholders participating in the DRP at a discount of 2.5% from the market price of Argo shares, as defined by the DRP.

Share Buy-Back

The Company has an on-market share buy-back in place in order that its shares can be bought back and cancelled where they are able to be purchased at a significant discount to the net tangible asset backing of the Company. Any such purchases have the result of increasing the value of the remaining shares on issue.

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

Share Purchase Plan

During the year, shareholders supported the Share Purchase Plan (SPP) on offer and an additional $58,638,312 of new capital was raised for investment.

The SPP is again being offered to eligible shareholders in September 2008 at a discount of 2.5%, as defined by the SPP.

Asset Backing

Reflecting the significant downturn in equity markets over the reporting period, the net tangible asset backing per Argo share before providing for deferred capital gains tax on unrealised gains within the investment portfolio was $6.76 as at 30 June, 2008, compared with $8.28 as at 30 June, 2007.

Additional statutory information

1.(a) The names of the Directors in office at the date of the report are as follows:

Christopher Lee Harris BEc, FCPA, FAICD
Non-executive Chairman – Independent

Mr. Harris joined the Board of Argo Investments Limited in 1994 and was appointed Chairman in 1998. He is currently the Chairman of the Nomination and Remuneration Committee and is a member of the Corporate Governance Committee.

Mr. Harris holds Board positions on other listed companies, having been appointed a non-executive Director of Adelaide Brighton Ltd in 1995, Australian Vintage Limited in 2002 and Arana Therapeutics Limited in 2007.

He was previously a non-executive Director of Simeon Wines Limited from 1994 to 2002 when it merged with McGuigan Simeon Wines Limited which changed its name to Australian Vintage Limited in 2008 and Chairman of EvoGenix Limited from 2004 to 2007 when it merged with Peptech Limited which changed its name to Arana Therapeutics Limited in 2007.

He has a company management and corporate finance background and was a former Group Managing Director and Chief Executive Officer of F.H. Faulding & Co. Limited.

Robert Tom Rich FCA, FAICD
Non-executive Deputy Chairman – Independent

Mr. Rich joined the Board of Argo Investments Limited in 1992, was an executive Director until 1998 when he became a non-executive Director and was appointed Deputy Chairman. He is currently

Chairman of the Corporate Governance Committee and a member of the Nomination and Remuneration Committee and the Audit Committee.

He has a chartered accounting background and was previously the Managing Director of Stoddarts Holdings Limited.

Robert John Patterson FAICD
Managing Director – Non-independent

Mr. Patterson began his career with Argo Investments Limited in 1969 and held the position of Company Secretary from 1969 to 1985. He was appointed Chief Executive in 1982, joined the Board as an executive Director in 1983 and was appointed Managing Director of the Company in 1992.

He has had over 39 years experience in the investment industry.

Marina Santini Darling BA (Hons), LLB, FAICD
Non-executive – Independent

Mrs. Darling joined the Board of Argo Investments Limited in 1999 and is currently a member of the Corporate Governance Committee.

She was a non-executive Director of Southern Cross Broadcasting (Australia) Limited from 1999 to 2007.

Mrs. Darling has commercial, legal and corporate advisory experience.

Ian Rutledge Johnson BSc (Hons), FAICD
Non-executive – Independent

Mr. Johnson joined the Board of Argo Investments Limited in 2006 and is currently a member of the Audit Committee.

Mr. Johnson retired as a group executive of CRA Limited in 1996 after more than 25 years with the company. He was a non-executive Director of Fonterra Cooperative Group Limited from 2004 to 2005, a non-executive Director of Leighton Holdings Limited from 1997 to 2004 and was a non-executive Director and Chairman of Newcrest Mining Limited from 1998 to 2006.

He has a resource sector background with experience in management and geology.

Geoffrey Ian Martin BEc (Hons), FAICD
Non-executive – Independent

Mr. Martin joined the Board of Argo Investments Limited in 2004, is currently Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

Mr. Martin holds Board positions on other listed companies, having been appointed a non-executive Director of Babcock and Brown Limited in 2004 and GPT Group in 2005.

He has a background in economics, investment management and investment banking.

(b) **Directors' relevant interests**

Directors' relevant interests in shares and performance rights, as notified by the Directors to the Australian Securities Exchange in accordance with the Corporations Act 2001, at the date of this report are as follows:-

	Beneficial shares	Non-Beneficial shares	Beneficial performance rights
C.L. Harris	117,001	–	–
R.T. Rich	14,343,438	2,741,290	–
R.J. Patterson	820,166*	–	177,800
M.S. Darling	49,860	–	–
I.R. Johnson	12,827	–	–
G.I. Martin	161,634	–	–

*includes 794,657 shares issued to R.J. Patterson pursuant to the Argo Investments Executive Share Plan

(c) **Board Committees**

At the date of this report, the Company has an Audit Committee, a Nomination and Remuneration Committee and a Corporate Governance Committee of the Board.

There were 12 Directors' meetings, 6 Audit Committee meetings, 4 Nomination and Remuneration Committee meetings and 2 Corporate Governance 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 Committee		Nomination & Remuneration Committee		Corporate Governance 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	No. of meetings held while a member	No. of meetings attended
C.L. Harris	12	11	–	1*	4	4	2	2
R.T. Rich	12	12	6	6	4	4	2	2
R.J. Patterson	12	12	–	–	–	4*	–	–
M.S. Darling	12	12	–	1*	–	–	2	2
I.R. Johnson	12	12	6	6	–	–	–	–
G.I. Martin	12	12	6	6	4	4	–	–

*by invitation

2. The name of the Company Secretary in office at the date of the report is as follows:-

   Brenton Raymond Aird FPNA

   Mr. Aird joined the Company in 1986 and has been Company Secretary since that time. He was alternate executive Director for Mr. R.J. Patterson from 1992 to 2004 and was appointed Chief Financial Officer in 2004. Mr. Aird has an accounting and investment background.

3. 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. No significant change in the nature of these activities occurred during the financial year. No significant change in the state of affairs of the Company occurred during the financial year other than those mentioned in this report.

4. The dividend paid by the Company for the financial year ended 30 June, 2007 of $82,985,361 (including an LIC capital gain component of $11,064,715) and referred to in the Directors' Report dated 24 August, 2007 was paid on 5 September, 2007.

5. The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year and 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.

6. The Directors do not anticipate any particular developments in the operations of the Company which will affect the results of future financial years other than those mentioned in this report.

7. 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.

8. The shareholders in general meeting in November 1999 approved that the Company indemnify its current and future Directors against liabilities arising out of the Directors' position as a Director of 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.

9. **Remuneration Report**

   The Company is an investor in securities listed in Australia. For the Company to meet its objectives on behalf of its shareholders, it is essential to have professional, competent and highly motivated non-executive Directors, executives and employees. This requires the Company to have attractive remuneration arrangements which are fair, reflect market conditions and recognise the roles, obligations and responsibilities of respective individuals.

   The Company has established a Nomination and Remuneration Committee to review and advise the Board on remuneration issues for the non-executive Directors, the Managing Director (an executive Director) and executives. External advice is sought to ensure that the Company's remuneration policies and structure are in accordance with the market conditions of the securities industry within which the Company operates.

Non-executive Directors' remuneration
Non-executive Directors are remunerated by fees within the aggregate limit approved by shareholders from time to time. At the Annual General Meeting held in October 2005, shareholders approved $600,000 as the maximum aggregate amount of remuneration available per annum for distribution to non-executive Directors. The Board, after taking into account the recommendations of the Nomination and Remuneration Committee, determines the nature and amount of emoluments of non-executive Directors within the limit approved by shareholders.

The Chairman currently receives remuneration of $157,500 per year (inclusive of any Committee fees). The current fee structure for each of the other non-executive Directors is $76,125 per year, with an additional fee of $2,500 paid for each Committee appointment, except that the Chairman of the Audit Committee receives an additional fee of $5,000. In addition, contributions are made by the Company on behalf of non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

The Managing Director does not receive Directors' fees.

The Company has entered into an agreement with each non-executive Director holding office prior to 31 December, 2003 for payment of a retirement benefit upon termination of office, within the limits contemplated by the Corporations Act 2001 and in accordance with principles established by resolution of the shareholders. The agreements were varied as at 31 December, 2003 and entitlements to that date were frozen. As the amounts due for Directors' retiring benefits have been determined, the balances are shown as non-current payables and are disclosed in note 9 to the financial statements.

Managing Director and executives' remuneration
The remuneration framework to reward the Managing Director and executives includes a mix of fixed remuneration and short and long-term performance based incentives with the proportions of those elements of the person's remuneration being considered appropriate having regard to industry and commercial practices. The broad remuneration policy is to ensure remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality who are able to create value for shareholders.

(a) **fixed remuneration and benefits**
The terms of employment for all executive management contain a fixed remuneration component (inclusive of superannuation) together with certain non-monetary benefits which can include motor vehicle expenses and the benefit of receiving interest free loans to assist the purchase of shares pursuant to the Argo Investments Executive

Share Plan. The fixed amount of remuneration and benefits are determined in line with market factors and independent professional advice is considered.

(b) **short-term performance incentive**
After receiving independent advice from a human resources consultant, the Board resolved that the Managing Director and executives are entitled to receive an annual short-term performance incentive bonus of up to 50% of their Total Fixed Remuneration which is inclusive of superannuation and any agreed salary sacrifice arrangements.

The amount available is determined based on the Company's performance and key performance indicators which have been tailored for each individual to take account of their specific role and responsibilities. These performance conditions were chosen as their mix was considered appropriate to measure the short-term performance of the Company's executives.

A number of key performance indicators are used to assess the Company's performance, including growth in operating earnings per share, total portfolio return and control of management costs.

Where applicable, the assessment of an individual's performance is made by the Board, the Nomination and Remuneration Committee, the Chairman or the Managing Director, as the case may be, as it was considered that they were best qualified to provide an objective assessment of the performance of the individual concerned.

The Board considers the short-term performance incentives, including the performance hurdles and the method of assessing performance, are appropriate in a competitive remuneration environment and will assist to retain and attract quality executives who can drive Company performance and shareholder returns.

(c) **long-term performance incentive**
Argo Investments Executive Share Plan
Prior to 28 October, 2004, the Managing Director and executives were provided with longer term incentives through the Argo Investments Executive Share Plan. The shares pursuant to this Plan were issued at the market price on the day of issue with the assistance of an interest free loan from the Company and had regard to the executives' contribution to the Company's performance. 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. Although the shares vest in the names of the Managing Director and executives, the share registry has placed a trading lock on these shares and they cannot be dealt with until the loans have been repaid in full. The holders of these shares are prohibited from engaging in any conduct that seeks to secure the economic value of the shares and that removes the element of price risk inherent to the value of those shares.

No further new allotments have been or will be made under the Plan following the approval of the Argo Investments Limited Executive Performance Rights Plan at the Company's Annual General Meeting held on 28 October, 2004.

Argo Investments Limited Executive Performance Rights Plan

The Argo Investments Limited Executive Performance Rights Plan was introduced in 2004 to create a stronger link between increasing shareholder value and employee reward. The Plan allows the Board to grant performance rights to acquire shares in the Company to the Managing Director and executives to a monetary value of up to 50% of their Total Fixed Remuneration which is inclusive of superannuation and any agreed salary sacrifice arrangements. It is considered that the performance linked design of this Plan is appropriate in the contemporary business environment.

Five year performance rights issued in three equal tranches (structured as zero exercise price options) with vesting opportunities occurring in the third, fourth and fifth year were granted by the Company on 25 November, 2004 as remuneration pursuant to the Plan to the Managing Director and Company executives.

The performance condition provides that pro-rata vesting of the performance rights will occur when the Company's Total Portfolio Return (based on net tangible asset backing per share, plus dividends reinvested) outperforms the S&P ASX All Ordinaries Accumulation Index movement over a scale from 0.1% through to 3% for the measurement period.

The performance condition can be re-measured so that the tranche 1 rights (which had an initial expiry date of 25 November, 2007) can be re-tested in the fourth and fifth years to the extent that they have not vested and tranche 2 rights (initial expiry date of 25 November, 2008) will similarly be re-tested in the fifth year. Tranche 3 rights (expiry date of 25 November, 2009) are not subject to re-testing.

A service condition also applies which makes the performance rights subject to the individual executives remaining in service until the rights vest. However, the Board has discretion to enable performance rights to continue beyond cessation of employment in certain circumstances which could include death, retirement etc.

Three year performance rights (structured as zero exercise price options) were granted by the Company on 29 November, 2007 as remuneration pursuant to the Plan to the Managing Director and Company executives with the same performance condition as described above with vesting opportunities at the end of the third year and re-measuring in the fourth and fifth years to the extent that the rights have not yet vested. The same service condition as described above also applies.

At the time of determining and amending the performance condition, the Board sought the advice from independent remuneration consultants and reviewed independent surveys of the performance of a range of managers of Australian share funds and believed that the selected performance condition was appropriate for the Company.

The Company generally uses the S&P ASX All Ordinaries Accumulation Index as its benchmark for performance and therefore it is appropriate and consistent that this Index was chosen as the method of assessing the performance condition.

It is considered that the re-measuring opportunities minimise the impact of short-term share market volatility. Any performance rights that do not vest at the applicable time of testing or after re-testing thereupon lapse.

Following independent professional advice, the Directors issued restricted share rights on 29 November, 2007 to certain Company executives. These restricted share rights were issued in three equal tranches and will vest in three, four and five years, subject to continued service with the Company. The Board has the discretion to allow the restricted share rights to vest in certain other circumstances. No restricted share rights were granted to the Managing Director.

Company policy prohibits executives from entering into transactions or arrangements which limit the economic risk of unvested entitlements under the Executive Performance Rights Plan. The Plan does not include a specific mechanism to enforce the policy.

The investment industry provides numerous opportunities for executives to be well remunerated and to accumulate significant equity positions in their employer. In view of this, it is essential that the Company offers competitive remuneration packages which will attract and retain high calibre executives who are able to provide superior returns to shareholders.

Further details regarding the performance rights and restricted share rights are disclosed on pages 19 and 20.

Directors

The names of persons who were non-executive Directors of the Company during the financial year are Mr. C.L. Harris (Chairman), Mr. R.T. Rich (Deputy Chairman), Mrs. M.S. Darling, Mr. I.R. Johnson and Mr. G.I. Martin.

Mr. R.J. Patterson (Managing Director) was an executive Director during the financial year.

Executives

The Company has currently four executives for whom disclosures are required by Accounting Standard AASB 124 "Related Party Disclosures" and the Corporations Act 2001, being Mr. R.J. Patterson (Managing Director), Mr. J. Beddow (Associate Director - Chief Investment Officer), Mr. C.C. Hall (Associate Director - Investment and Business Development) and Mr. B.R. Aird (Chief Financial Officer and Company Secretary).

Remuneration of Directors and Executives

		Short-term			Post-employment	Other long-term	Share based	
		Fees & salaries $	Bonus $	Non-monetary benefits $	Superannuation $	$	Rights[i] $	Total $
Non-executive Directors								
C.L. Harris	**2008**	**78,000**	**–**	**–**	**85,500**	**–**	**–**	**163,500**
	2007	42,000	–	–	94,250	–	–	136,250
R.T. Rich	**2008**	**–**	**–**	**–**	**87,200**	**–**	**–**	**87,200**
	2007	17,500	–	–	58,800	–	–	76,300
M.S. Darling	**2008**	**50,000**	**–**	**–**	**31,750**	**–**	**–**	**81,750**
	2007	70,000	–	–	6,300	–	–	76,300
I.R. Johnson	**2008**	**–**	**–**	**–**	**81,750**	**–**	**–**	**81,750**
	2007	11,667	–	–	64,633	–	–	76,300
G.I. Martin	**2008**	**40,000**	**–**	**–**	**47,200**	**–**	**–**	**87,200**
	2007	23,333	–	–	52,967	–	–	76,300
Executive Director								
R.J. Patterson	**2008**	**504,674**[a]	**208,025**[c]	**132,114**	**30,000**	**–**	**39,191**	**914,004**
	2007	449,200[a]	70,000[c]	100,085	44,100	–	34,388	697,773
Other Executives								
J. Beddow	**2008**	**258,320**[b]	**97,285**[d]	**7,771**	**25,875**	**11,420**[g]	**86,286**	**486,957**
	2007	244,646[b]	38,500[d]	6,234	24,750	6,850[g]	14,146	335,126
C.C. Hall	**2008**	**245,660**[b]	**91,685**[e]	**4,037**	**27,000**	**10,248**[h]	**75,433**	**454,063**
	2007	227,665[b]	36,400[e]	3,792	26,400	7,184[h]	17,322	318,763
B.R. Aird	**2008**	**210,166**[a]	**92,386**[f]	**84,847**	**65,000**	**–**	**23,227**	**475,626**
	2007	200,039[a]	35,000[f]	64,542	65,000	–	20,689	385,270
Total	**2008**	**1,386,820**	**489,381**	**228,769**	**481,275**	**21,668**	**224,137**	**2,832,050**
	2007	1,286,050	179,900	174,653	437,200	14,034	86,545	2,178,382

(a) Fees and salaries include the movement for the year in the provision for annual leave and long service leave (where qualification for long service leave has been met and is entitled to be taken).

(b) Fees and salaries include the movement for the year in the provision for annual leave.

(c) Of the short-term performance incentive awarded to Mr. R.J. Patterson, $97,358 was paid in cash and $110,667 was paid as an additional superannuation contribution. In 2007, the total amount of $70,000 was paid as an additional superannuation contribution.

(d) Of the short-term performance incentive awarded to Mr. J. Beddow, $88,481 was paid in cash and $8,804 was paid as an additional superannuation contribution. In 2007, $35,035 was paid in cash and $3,465 was paid as an additional superannuation contribution.

(e) Of the short-term performance incentive awarded to Mr. C.C. Hall, $82,978 was paid in cash and $8,707 was paid as an additional superannuation contribution. In 2007, $32,760 was paid in cash and $3,640 was paid as an additional superannuation contribution.

(f) Of the short-term performance incentive awarded to Mr. B.R. Aird, $16,132 was paid in cash and $76,254 was paid as an additional superannuation contribution. In 2007, the total amount of $35,000 was paid as an additional superannuation contribution.

(g) Other long-term benefits include the movement for the year in the provision for long service leave where qualification has been met on a pro-rata basis but is not entitled to be taken.

(h) Other long-term benefits include the movement for the year in the provision for long service leave where qualification has not been met and therefore not entitled to be taken.

(i) The fair value of the rights was calculated at the grant date using the Binomial method and Monte Carlo simulation and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights allocated to this reporting period.

(j) 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.

Remuneration Performance Percentages

		Proportion of performance related remuneration	Value of performance rights and restricted share rights as proportion of remuneration
R.J. Patterson	**2008**	**27.0%**	**4.3%**
	2007	15.0%	4.9%
J. Beddow	**2008**	**37.7%**	**17.7%**
	2007	15.7%	4.2%
C.C. Hall	**2008**	**36.8%**	**16.6%**
	2007	16.9%	5.4%
B.R. Aird	**2008**	**24.3%**	**4.9%**
	2007	14.5%	5.4%

Performance Rights

	Performance rights	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Value yet to vest Min.(3) $	Value yet to vest Max.(4) $
R.J. Patterson	85,200(1)(2)	25/11/2004	$4.59	25/11/2008	9/12/2009	nil	3,839
	42,600(1)	25/11/2004	$4.34	25/11/2009	9/12/2009	nil	7,573
	50,000	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	67,225
	177,800					nil	78,637
J. Beddow	37,400(1)(2)	25/11/2004	$4.59	25/11/2008	9/12/2009	nil	1,685
	18,700(1)	25/11/2004	$4.34	25/11/2009	9/12/2009	nil	3,324
	17,500	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	20,943
	73,600					nil	25,952
C.C. Hall	45,800(1)(2)	25/11/2004	$4.59	25/11/2008	9/12/2009	nil	2,064
	22,900(1)	25/11/2004	$4.34	25/11/2009	9/12/2009	nil	4,070
	16,500	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	20,185
	85,200					nil	26,319
B.R. Aird	41,600(1)(2)	25/11/2004	$4.59	25/11/2008	9/12/2009	nil	2,595
	20,800(1)	25/11/2004	$4.34	25/11/2009	9/12/2009	nil	6,655
	25,000	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	33,613
	87,400					nil	42,863
Total	**424,000**					**nil**	**173,771**

(1) If the performance and service conditions are met, 1.021472 shares will vest for each performance right as a result of the 1 for 8 rights issue at $7.20 per share in March 2007.

This adjustment was calculated by Mercer Finance and Risk Consulting and the Company's auditor has confirmed that the adjustment, in their opinion, is fair and reasonable.

(2) Pursuant to the terms of the Executive Performance Rights Plan, as the tranche 1 performance rights with the earliest vesting date of 25 November, 2007 did not meet the performance condition, they will be re-tested on 25 November, 2008.

(3) The minimum value of performance rights yet to vest is $nil as the performance and service conditions may not be met and consequently the performance rights may not vest.

(4) The maximum value of performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed.

(5) The performance rights issued do not have an exercise price and no amount is payable by the recipient.

No performance rights were vested, exercised, forfeited or lapsed during the year.

Restricted Share Rights

	Restricted share rights	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Value yet to vest Min.[1] $	Value yet to vest Max.[2] $
J. Beddow	25,000	29/11/2007	$7.37	29/11/2010	13/12/2010	nil	131,785
	25,000	29/11/2007	$7.12	29/11/2011	13/12/2011	nil	130,537
	25,000	29/11/2007	$6.88	29/11/2012	13/12/2012	nil	125,942
	75,000					nil	388,264
C.C. Hall	20,000	29/11/2007	$7.34	29/11/2010	13/12/2010	nil	107,797
	20,000	29/11/2007	$7.12	29/11/2011	13/12/2011	nil	106,859
	20,000	29/11/2007	$6.88	29/11/2012	13/12/2012	nil	104,395
	60,000					nil	319,051
Total	**135,000**					**nil**	**707,315**

(1) The minimum value of restricted share rights yet to vest is $nil as the service condition may not be met and consequently the restricted share rights may not vest.

(2) The maximum value of restricted share rights yet to vest has been determined as the amount of the grant date fair value of the restricted share rights that is yet to be expensed.

(3) The restricted share rights issued do not have an exercise price and no amount is payable by the recipient.

No restricted share rights were vested, exercised, forfeited or lapsed during the year.

Service Agreements

Messrs. R.J. Patterson (Managing Director) and B.R. Aird (Chief Financial Officer and Company Secretary) have service agreements with the Company which commenced on 1 July, 2005 and Messrs. J. Beddow (Associate Director - Chief Investment Officer) and C.C. Hall (Associate Director - Investment and Business Development) have service agreements with the Company which commenced on 1 July, 2008. These agreements are for a twelve month initial period and upon expiration, the agreements automatically extend for further periods of twelve months each. Remuneration is reviewed annually by the Company but there is no obligation to increase such remuneration unless the Company sees fit to do so.

The agreements may be immediately terminated by the Company, without prior notice to the abovenamed executives, if they have committed certain breaches or become permanently incapacitated.

The abovementioned executives' employment may be terminated at any time after the initial period by either party giving to the other party written notice of termination (not less than twelve calendar months for Messrs. Patterson and Aird and not less than three calendar months for Messrs. Beddow and Hall), or written notice of such other duration as is agreed in writing between the parties.

The Company is entitled at any time after the initial period to terminate the abovementioned executives' employment by paying each respective party a lump sum in lieu of notice being the equivalent to twelve calendar months' total fixed remuneration for Messrs. Patterson and Aird and three calendar months' total fixed remuneration for Messrs. Beddow and Hall.

If the Company changes the responsibilities of the abovementioned executives without their consent, they can terminate their agreements by giving not less than three calendar months' prior written notice to the Company. If the Company commits any serious or persistent breach of any of the provisions of the agreement including failing to materially maintain the salary or other benefits, or where a receiver and manager or a liquidator is appointed, the abovementioned executives may terminate their agreement immediately by giving written notice to the Company.

Unless otherwise stated above, no termination payments are provided for under the service agreements.

Remuneration Policy and Company Performance

In considering the relationship between the Company's remuneration policy, the Company's performance and benefits for shareholders' wealth, the following data can be considered:-

	2008	2007	2006	2005	2004
Change in share price between years (adjusted for new issues)	-$0.98	$0.94	$1.39	$0.66	$0.13
	$'000	$'000	$'000	$'000	$'000
Operating profit before net gains on sale of long-term investments	182,292	147,855	123,124	105,053	78,593
Dividends paid	170,987	141,768	115,088	97,417	77,636
Total assets	3,909,675	4,616,454	3,306,938	2,789,516	2,211,381

The negative change in share price for the year ended 30 June, 2008 is reflective of the general market trend. As a long-term investor, the Company has used this period to purchase investments where it is considered there is value. When confidence returns to the market generally, the Company will be well placed to benefit in the next growth phase.

Total Shareholder Return based on the Company's share price performance and dividends paid for the 5 years ended 30 June, 2008 was 13.3% compounded per annum. Due to the Company's long-term investment philosophy, the Company considers that its remuneration policy should be judged against this longer term investment time frame.

2005, 2006, 2007 and 2008 profit and asset figures have been prepared under Australian equivalents to International Financial Reporting Standards (AIFRS) and 2004 figures have been prepared under Australian Generally Accepted Accounting Principles (AGAAP).

The Company's structured short-term performance incentive bonus and the long-term performance incentive plan were introduced with effect from 1 July, 2004. Prior to that date, both the bonus and the Executive Share Plan did not require specific performance hurdles to be met. However, the Company considers the remuneration structure, including performance related remuneration, is generating the desired outcome for shareholders.

10. Environmental Regulations

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

11. Rounding of Amounts

Australian Securities and Investments Commission Class Order 98/100 dated 10 July, 1998 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

12. Non-audit Services

There were no professional fees for non-audit services paid to PricewaterhouseCoopers during the year ended 30 June, 2008.

The Auditor's Independence Declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 23.

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

On behalf of the Board

C.L. Harris, Chairman

Adelaide
21 August, 2008

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2008, 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 period.

DR Clark
Partner
PricewaterhouseCoopers

Adelaide
21 August 2008

Corporate governance

Our experienced Board of Directors and executives are committed to responsible financial and business practices to protect and advance shareholders' interests. Consistent with this aim, Argo Investments Limited ("Company") has followed the 1st Edition of the ASX Corporate Governance Principles and Recommendations.

The Board has adopted these ASX principles and recommendations, however it believes that these rules and regulations are of limited value unless supported by a foundation of honesty and integrity.

The Company's Code of Conduct, Charters and Policies referred to in this Statement are available on request or can be found in the Corporate Governance section of the Company's website at www.argoinvestments.com.au.

Code of Conduct

The reputation of the Company in the business world and broader community is of fundamental importance. Our reputation can only be protected and enhanced by all Directors, executives and employees consistently maintaining the highest standards of honesty and integrity.

The Code of Conduct provides the framework that ensures all Directors, executives and employees of the Company engage in practices necessary to maintain confidence in the Company's integrity.

The Company is committed to its objective of maximising long-term secure returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. We can achieve this objective by striving for professional excellence whilst operating within the framework of behaviour provided by our Code of Conduct.

The Board

The Board's primary role is to ensure the long-term prosperity of the Company which is accomplished by:

- setting objectives, goals and strategic direction for management with a view to maximising shareholder value.
- adopting an annual budget and monitoring financial performance.
- ensuring adequate internal controls exist and are appropriately monitored for compliance.
- ensuring significant business risks are identified and appropriately managed.
- approving the interim and final financial statements and related reports and other communications to the ASX and shareholders.
- appointing and reviewing the performance of the Managing Director.
- setting appropriate business standards and a code for ethical behaviour.

The Board currently comprises the Managing Director and five non-executive, independent Directors. The Board regularly assesses whether each non-executive Director is independent. Mr. R.T. Rich is considered independent by the Board notwithstanding the existence of one of the relationships which may affect independence as determined by the

ASX Corporate Governance Principles and Recommendations. Mr. Rich joined the Board of the Company in 1992 and was an executive Director until 1998 when he became a non-executive Director, without serving the recommended three year gap between being an executive Director and a non-executive Director. The Board considers that since becoming a non-executive Director, Mr. Rich has consistently exhibited independent judgement and at all times acted in the best interests of shareholders, and as such is deemed an independent Director in accordance with the Company's Board Charter.

It is the policy of the Board that there be a majority of non-executive, independent Directors and that there be a separation of the roles of Chairman and Managing Director. Information about the Directors and Board Committees, as required by the ASX Corporate Governance Principles and Recommendations, is contained in the relevant sections of the Directors' Report.

The composition of the Board is monitored by the Nomination and Remuneration Committee to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company.

Directors (other than the Managing Director) are elected by shareholders and, in accordance with the provisions of the Constitution, no Director holds office for a period longer than three years without standing for re-election by the shareholders.

In June each year, every Director completes an evaluation process in relation to the performance of the Board. This process addresses all key aspects of the Board's operations.

The Chairman meets individually with each Director on an annual basis to review their performance and give Directors the opportunity to raise any particular concerns or issues not addressed by the review of the Board as a whole.

The evaluation of the Chairman's performance is made by each Director on an annual basis, with the responses collated by the Chairman of the Corporate Governance Committee who reviews the Chairman's performance.

Managing Business Risk

The Board monitors the business risk and guides the affairs of the Company in the discharge of its stewardship responsibilities. Responsibility for managing and progressing the profitable operation and development of the Company, consistent with the directions and standards set by the Board, is delegated to the Managing Director, who is accountable and reports to the Board.

The Board also delegates some of its functions to Board Committees, which are accountable to the Board.

Matters which are not covered by delegations require Board approval. Such matters include the prior approval of investment transactions and scrip lending exposures above delegated levels.

The monthly Board reports advise the Board of current and forthcoming issues relevant to the Company's operations and performance. In addition to the monthly Board consideration of the investment portfolio, there is in each six months a formal Board review of the investment portfolio with the investment and analytical executives of the Company in attendance.

Audit Committee

The Audit Committee of the Board, comprising three independent non-executive Directors, works to defined terms of reference in compliance with all the regulatory requirements. The external audit firm partner responsible for the Company audit attends meetings by invitation. The Committee formally reports to the Board after each of its meetings.

The Committee primarily provides assistance to the Board in fulfilling its responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and the external audit functions. The process for approval of the financial statements involves the sign-offs by various levels of senior management, including the Managing Director. The Company's external audit is undertaken by PricewaterhouseCoopers and the audit engagement partner is required to be changed at regular intervals.

Derek Clark, a partner of PricewaterhouseCoopers, is the partner responsible for the external audit of the Company for the 2008 financial year.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises three independent non-executive Directors. It is responsible for the evaluation of the Board to ensure that it comprises individuals who are best able to discharge the duties of Directors having regard to complementary skills, experience and qualifications together with high standards of corporate governance.

It also reviews and advises the Board on remuneration arrangements for the non-executive Directors, the Managing Director and the executives. The Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the Company's remuneration policy links the nature and amount of executive Directors' and officers' remuneration to the Company’s financial and operational performance.

The Company's remuneration policy, performance evaluation process and the details of the remuneration of each Director and executive can be found in the Remuneration Report which forms part of the Directors' Report. There are four current executives, including the Managing Director, for whom this disclosure is required.

A performance evaluation for the Board, its Committees, individual Directors and executives has been carried out during the reporting period, in accordance with the process disclosed in the Directors' Report and relevant Company charters.

The Company entered into an agreement with each non-executive Director holding office prior to 31 December, 2003 for payment of a retirement benefit upon termination of office which is not superannuation. Whilst this was within the limits contemplated by the Corporations Act 2001 and in accordance with principles established by resolution of the shareholders, it does represent a departure from the ASX Corporate Governance Principles and Recommendations. The agreements were subsequently varied and the entitlements were determined and frozen as at 31 December, 2003.

Corporate Governance Committee

The Corporate Governance Committee comprises three independent non-executive Directors.

The Board believes the Company engages in sound corporate governance practices which comply with the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Committee makes recommendations to the Board where it considers there are opportunities for the further enhancement of its corporate governance procedures.

Shareholdings of Designated Officers

Directors are not required to hold a minimum number of shares pursuant to the Company's Constitution. However, their current relevant interests in the Company's shares are shown in the Directors' Report.

The Board has adopted a policy for dealings in the Company's shares by Designated Officers (as defined in the Policy for Dealing in Securities issued by the Company) and entities controlled by them. On the basis that they are not in possession of price sensitive confidential information which is not generally available, the policy permits the purchase or sale of shares in the Company in the following periods :-

(a) a period of six weeks commencing on the day following the announcement of the half-yearly results;

(b) a period of six weeks commencing on the day following the announcement of the annual results; and

(c) a period of six weeks commencing on the day following the Annual General Meeting.

A Director or an entity controlled by a Director is not permitted to purchase or sell shares in the Company at other times without the prior consent of the Board.

Other Designated Officers are not permitted to purchase or sell shares in the Company at other times without the prior consent of the Company Secretary (or in the case of intended dealing by the Company Secretary, the Chairman).

This policy does not preclude Designated Officers or an entity controlled by them from taking up or renouncing an entitlement to the Company's shares, from participating in the Company's Share Purchase Plan or from participating in the Company's Dividend Reinvestment Plan.

Conflict of Interest

Directors are required to disclose to the Board details of transactions which may create a conflict of interest.

Designated Officers of the Company are prohibited from dealing in the securities of other companies about which they may gain price sensitive information by virtue of their position in the Company. They must not cause that information to be communicated to another person nor use that information in conflict with the interests of the Company.

Designated Officers must at all times act in accordance with the Company's Code of Conduct.

Indemnities

In accordance with the Company's Constitution and as approved by shareholders, each Director and officer is indemnified to the extent permitted by law.

Directors and officers of the Company are covered by insurance against certain liabilities they may incur in carrying out their duties for the Company.

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which is not to be unreasonably withheld.

Disclosure and Shareholder Communication

The Company is committed to providing relevant and timely information to its shareholders and to the broader financial community, in accordance with its obligations under the ASX continuous disclosure regime, the Company's Disclosure Policy and the Company's Communications Policy.

Information is communicated to shareholders through:

- the Annual Report which is distributed to shareholders who request it;
- a letter providing details of the half-yearly and annual results;
- the Owner's Manual;
- the Company's website; and
- other correspondence regarding matters impacting on shareholders as required.

All documents that are released publicly are made available on the Company's website.

Shareholders are also encouraged to participate in the Annual General Meeting held in Adelaide to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as single resolutions.

Shareholder information meetings are also held each year following the Annual General Meeting, in both Sydney and Melbourne, providing an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

Consolidated Income Statement

for the year ended 30 June, 2008

	Note	2008	2007
		$'000	$'000
Dividends and distributions		173,684	145,024
Interest		24,754	15,922
Other revenue		890	731
Total revenue		199,328	161,677
Net gains on trading investments		2,272	377
Income from operating activities before realised gains on sale of long-term investments		201,600	162,054
Administrative expenses	2	(5,501)	(4,740)
Operating profit before income tax expense and realised gains on sale of long-term investments		196,099	157,314
Income tax expense thereon*	3	(13,807)	(9,459)
Net operating profit before realised gains on sale of long-term investments		182,292	147,855
Realised gains on sale of long-term investments		154,464	33,906
Income tax expense thereon*	3	(42,640)	(10,224)
Net realised gains on sale of long-term investments		111,824	23,682
Profit for the year		294,116	171,537
*Total income tax expense		56,447	19,683

		2008	2007
		cents	cents
Basic and diluted earnings per share including realised gains on sale of long-term investments	4	52.0	33.5

Information on earnings per share, including operating profit before realised gains on sale of long-term investments, can be found in note 4.

(To be read in conjunction with the accompanying notes)

Balance Sheet

as at 30 June, 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS			
Cash and cash equivalents	5(a)	228,281	424,225
Receivables	6	33,527	27,212
Investments	7	299	–
Total Current Assets		262,107	451,437
NON-CURRENT ASSETS			
Receivables	6	2,706	3,003
Investments	7	3,644,349	4,161,583
Plant and equipment	8	513	431
Total Non-Current Assets		3,647,568	4,165,017
TOTAL ASSETS		3,909,675	4,616,454
CURRENT LIABILITIES			
Payables	9	5,847	14,803
Derivative financial instruments	10	623	220
Current tax liabilities		15,965	15,439
Provisions	11	549	495
Total Current Liabilities		22,984	30,957
NON-CURRENT LIABILITIES			
Payables	9	501	501
Deferred tax liabilities	12	466,844	726,097
Provisions	11	149	138
Total Non-Current Liabilities		467,494	726,736
TOTAL LIABILITIES		490,478	757,693
NET ASSETS		3,419,197	3,858,761
SHAREHOLDERS' EQUITY			
Contributed equity	13(a)	1,865,056	1,725,212
Reserves	14	1,356,516	1,966,728
Retained profits	15	197,625	166,821
TOTAL SHAREHOLDERS' EQUITY		3,419,197	3,858,761

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June, 2008

	Note	2008 $'000	2007 $'000
Total equity at the beginning of the year		3,858,761	2,786,234
Revaluation of long-term investments	14	(1,002,806)	737,370
Provision for tax on unrealised gains on long-term investments	14	291,584	(220,163)
Net unrealised (losses)/gains recognised directly in equity		(711,222)	517,207
Profit for the year		294,116	171,537
Total recognised income (including unrealised gains) and expense for the year		(417,106)	688,744
Dividend Reinvestment Plan	13(a)	33,385	24,341
Share issued as consideration for acquisition	13(a)	48,129	–
Share Purchase Plan	13(a)	58,638	35,554
Rights Issue 1:8	13(a)	–	445,717
Cost of share issues net of tax	13(a)	(308)	(390)
Executive performance rights reserve	14	251	123
Dividend paid from capital profits reserve	14	(11,065)	(4,829)
Dividends paid from retained profits	15	(151,488)	(116,733)
Total transactions with shareholders		(22,458)	383,783
Total equity at the end of the year		3,419,197	3,858,761

(To be read in conjunction with the accompanying notes)

Consolidated Cash Flow Statement

for the year ended 30 June, 2008

	Note	2008 $'000	2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		169,257	141,158
Interest received		25,382	15,153
Other receipts		2,547	1,037
Payments for trading investments		(5,195)	(1,199)
Proceeds from trading investments		5,923	1,324
Other payments		(5,116)	(4,394)
Income tax paid		(23,396)	(10,189)
Net operating cash flows	5(b)	169,402	142,890
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		185,133	73,754
Acquisitions of long-term investments		(528,843)	(344,034)
Cash on acquisition of subsidiary		62,248	–
Payments for acquisition of subsidiary		(12,598)	–
Executive share scheme repayments		298	228
Proceeds from sale of fixed assets		25	14
Payments for fixed assets		(168)	(63)
Net investing cash flows		(293,905)	(270,101)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		58,638	480,198
Cost of share issues		(330)	(557)
Dividends paid - net of reinvestment		(129,167)	(97,221)
Net financing cash flows		(70,859)	382,420
Net (decrease)/increase in cash held		(195,362)	255,209
Cash at the beginning of the year		423,412	168,203
Cash at the end of the year	5(a)	228,050	423,412

(To be read in conjunction with the accompanying notes)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS) and compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

These financial statements have been prepared using the conventional historical cost basis except for the fair value accounting of investments detailed in note 1(c)(2) and exchange traded options in note 1(d).

(b) Principles of Consolidation

The consolidated financial statements incorporate the results of all subsidiaries for the year ended 30 June, 2008.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated.

The parent and consolidated disclosures are identical. The Company did not control any subsidiaries as at 30 June, 2008 and 30 June, 2007.

(c) Investments

(1) 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 profit and 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 categorised as available-for-sale financial assets. Investments are initially recognised at fair value plus transaction costs.

(2) **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.

(3) **Gains and Losses**

Current Assets

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

Realised gains and losses from the sale of trading securities are included in the Income Statement in the period in which they arise.

Non-Current Assets

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

When long-term investments are sold or impaired, the realised gains and losses on the sale or impairment of long-term investments are transferred from the investment revaluation reserve and recorded in the Income Statement. Long-term 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. The cumulative gain or loss, net of tax, is then transferred from retained profits to the capital profits reserve.

(4) **Securities Lending**

The Company earns income from lending various investment holdings in accordance with securities lending agreements.

Where investments have been lent at balance date, the relevant investments are not physically held by the Company but the investments are still recorded in the Company's Balance Sheet. The Company holds as collateral sufficient cash in a trust account to secure the borrower's obligation to return an equivalent parcel of investments to those which were lent.

(d) **Exchange Traded Options**

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 brought to account as revenue but is recognised in the Balance Sheet as a liability. When the option expires, is exercised or is repurchased from the holder, the premium received is brought to account and is included in net gains on trading investments in the Income Statement.

Open option positions at balance date are carried at their fair value and unrealised gains and losses are included in the Income Statement.

(e) **Bills of Exchange**

Bills of exchange and investment grade promissory notes, which have been purchased in the market at a discount to face value, are deemed to be held-to-maturity investments which are measured at amortised cost using the effective interest method.

(f) **Revenue**

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

(g) **Plant and Equipment**

Items of plant, equipment and vehicles are depreciated over their estimated useful lives to the Company using the straight line method of depreciation at rates ranging from 7.5% to 33.3%.

(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.

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.

Current and deferred tax balances attributable to revaluation amounts recognised directly in equity through the investment revaluation reserve are also recognised directly in equity through the investment revaluation reserve. The revaluation of investments is net of tax on unrealised capital gains by recognising a deferred tax liability. Where the Company disposes of 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, offset against any capital losses carried forward. The tax recognised directly in equity is then transferred to the Income Statement as income tax expense. The associated deferred tax liability is similarly adjusted and transferred to tax payable.

(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.

(j) **Argo Executive Performance Rights Plan**

The share based performance rights and restricted share rights are required to be 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. The fair value of the performance rights and restricted share rights are calculated using the Binomial method and Monte-Carlo simulation.

(k) **Executive Share Plan Loans**

The interest free loans issued to executives pursuant to the Argo Investments Executive Share Plan 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 Cash Flow Statement, cash and cash equivalents include deposits held at call with financial institutions, other short-term, highly liquid investments 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) **Earnings per Share**

Basic earnings per share including realised gains on the sale of long-term investments is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period.

Basic operating earnings per share excluding realised gains on the sale of long-term investments is calculated by dividing operating profit before realised gains on the sale of long-term investments 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.

(q) **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.

(r) **Provision for Dividend**

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

(s) **Rounding of Amounts**

Australian Securities and Investments Commission Class Order 98/100 dated 10 July, 1998 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

(t) **New Accounting Standards**

All inoperative Accounting Standards and UIG interpretations have been assessed and the impact on the Company's financial statements when they become operative is not expected to be material.

(u) **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. The determination whether an available-for-sale financial asset is impaired requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and the business outlook of the asset.

2. ADMINISTRATION EXPENSES

	2008	2007
	$'000	$'000
Employment benefits	3,752	3,093
Depreciation	50	50
Other administration	1,699	1,597
	5,501	**4,740**

3. INCOME TAX EXPENSE

	2008	2007
	$'000	$'000
(a) Reconciliation of income tax expense to prima facie tax payable		
Operating profit before income tax expense and realised gains on sale of long-term investments	196,099	157,314
Prima facie tax payable calculated at 30% (2007:30%)	58,830	47,194
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Imputation gross-up on dividends received	17,310	14,587
Franking credits on dividends received	(57,701)	(48,622)
Other	(4,207)	(3,788)
(Over)/Under provision previous year	(425)	88
Income tax expense on operating profit before realised gains on sale of long-term investments	13,807	9,459
Realised gains on sale of long-term investments	154,464	33,906
Prima facie tax payable calculated at 30% (2007:30%)	46,339	10,172
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Difference between accounting and tax cost base for capital gains purposes	(3,699)	52
Income tax expense on realised gains on sale of long-term investments	42,640	10,224
Total income tax expense	**56,447**	**19,683**

	2008 $'000	2007 $'000
(b) Income tax expense composition		
Charge for tax payable relating to current year	43,665	19,979
Increase/(Decrease) in deferred tax liabilities	13,207	(384)
(Over)/Under provision previous year	(425)	88
	56,447	**19,683**
(c) Amounts recognised directly in equity		
(Decrease)/Increase in deferred tax liabilities	**(291,584)**	**220,163**

4. EARNINGS PER SHARE

	2008 number '000	2007 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	565,684	511,904
	$'000	$'000
Basic and diluted earnings per share		
Profit for the year	294,116	171,537
	cents	cents
Basic and diluted earnings per share including realised gains on sale of long-term investments	**52.0**	**33.5**
	$'000	$'000
Basic and diluted operating earnings per share excluding realised gains on sale of long-term investments		
Net operating profit before realised gains on sale of long-term investments	182,292	147,855
	cents	cents
Basic and diluted operating earnings per share excluding realised gains on sale of long-term investments	**32.2**	**28.9**

5. CASH AND CASH EQUIVALENTS

(a) Cash includes cash on deposit (7.20% floating interest rate 30 June, 2008; 6.20% as at 30 June, 2007) with banks, fixed term deposits (fixed interest rates to maturity between 7.51% and 7.86% as at 30 June, 2008; 6.32% and 6.39% as at 30 June, 2007) with banks, negotiable bank bills of exchange (fixed interest rates to maturity between 7.59% and 7.72% as at 30 June, 2008; 6.32% and 6.37% as at 30 June, 2007) and investment grade negotiable promissory notes (nil as at 30 June, 2008; fixed interest rates to maturity between 6.37% and 6.49% as at 30 June, 2007), all maturing within three months from date of acquisition.

Reconciliation of cash disclosed in the Balance Sheet and the Cash Flow Statement:-

	2008 $'000	2007 $'000
Bank deposits	192,345	145,393
Bank accepted bills (face value $25,000,000; 2007 $204,500,000)	24,855	203,940
Bank negotiable certificates of deposits (face value $11,145,625; 2007 $37,078,413)	11,081	37,006
Promissory notes (face value nil; 2007 $38,000,000)	–	37,886
	228,281	424,225
Amortised interest	(231)	(813)
	228,050	**423,412**

(b) Reconciliation of net cash provided by operating activities to profit for the year:-

	2008 $'000	2007 $'000
Profit for the year	294,116	171,537
Net realised (gain)/loss on sale of long-term investments	(111,824)	(23,682)
Net loss/(gain) on fixed assets	11	7
Depreciation	50	50
(Increase)/Decrease in current investments	(299)	–
Charges to provisions	429	289
Increase/(Decrease) in provision for income tax	526	18,177
Transfer (to)/from provision for deferred income tax	(10,128)	(18,881)
(Increase)/Decrease in deferred tax assets	(163)	(105)
Changes in assets and liabilities		
(Increase)/Decrease in other debtors	(3,729)	(4,658)
Increase/(Decrease) in other creditors	413	156
Net cash provided by operating activities	**169,402**	**142,890**

	2008 $'000	2007 $'000
(c) Financing Arrangements		
Total lines of credit available:-		
Bank overdraft	200	200
Amount utilised	–	–
Undrawn facility	**200**	**200**

The bank overdraft is repayable on demand and is subject to a set-off arrangement against a credit account and to an annual review.

(d) Non-cash Investing Activities

5,963,879 shares were issued at a fair value of $48,128,564 as part of the consideration to acquire an unlisted investment company.

(e) Non-cash Financing Activities

Dividends paid totalling $33,385,461 were reinvested in shares under the Company's dividend reinvestment plan (last year $24,340,472).

6. RECEIVABLES

	2008 $'000	2007 $'000
Current		
Dividends and distributions receivable	30,880	26,529
Interest receivable	608	652
Outstanding settlements	2,016	–
Other	23	31
	33,527	**27,212**

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within three days of the transaction date.

	2008 $'000	2007 $'000
Non-Current		
Executive share plan loans		
- Director	1,437	1,613
- Others	1,269	1,390
	2,706	**3,003**

The executive share plan loans are repaid in accordance with the terms of the plan.

7. INVESTMENTS

	2008	2007
	$'000	$'000
Current		
Listed securities at fair value	**299**	**–**
Non-Current		
Listed securities at fair value	3,638,949	4,156,583
Unlisted securities at fair value	5,400	5,000
	3,644,349	**4,161,583**

The total number of investment transactions that occurred in securities during the financial year was 225. The total brokerage paid on these transactions was $1,708,460.

At 30 June, 2008, investments with a fair value of $33,353,250 (last year $33,980,700) were on loan as a result of securities lending. Cash totalling $35,020,913 (last year $35,966,385) was held in a trust account as collateral. Also, investments with a market value of $10,091,200 (last year $10,924,200) were lodged with the Australian Clearing House as collateral for option positions written by the Company in the Exchange Traded Option Market. In both instances, the fair values of the investments are included as part of the total of the Company's listed securities.

8. PLANT AND EQUIPMENT

	2008	2007
	$'000	$'000
Plant, equipment and vehicles at cost	792	701
Accumulated depreciation	(279)	(270)
	513	**431**
Reconciliation of Plant and Equipment		
Carrying amount at beginning of year	431	439
Additions	168	63
Disposals	(36)	(21)
Depreciation	(50)	(50)
Carrying amount at end of year	**513**	**431**

9. PAYABLES

	2008	2007
	$'000	$'000
Current		
Outstanding settlements	5,350	14,316
Other	497	487
	5,847	**14,803**

	2008 $'000	2007 $'000
Non-Current		
Directors' retiring allowances	**501**	**501**

Outstanding settlements include amounts due to brokers for settlement of security purchases and are settled within three days of the transaction date. Other payables and Directors' retiring allowances are non-interest bearing and unsecured.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 $'000	2007 $'000
Exchange traded options at fair value	**623**	**220**

11. PROVISIONS

	2008 $'000	2007 $'000
Current		
Provision for employee entitlements	**549**	**495**
Non-Current		
Provision for employee entitlements	**149**	**138**
Aggregate of provision for employee entitlements	**698**	**633**

12. DEFERRED TAX LIABILITIES

	2008 $'000	2007 $'000
Non-Current		
Amounts recognised in profit for the year:-		
Deferred tax liability on realised gains on sale of long-term investments	12,439	–
Income receivable which is not assessable for tax until receipt	573	916
Tax on unrealised income on trading investments	(37)	(50)
	12,975	866
Offset by deferred tax assets:-		
Provisions and payables	(645)	(482)
	12,330	384

	2008 $'000	2007 $'000
Amounts recognised directly in equity:-		
Deferred tax liability on unrealised gains on long-term investments	454,754	725,934
Offset by deferred tax assets:-		
Cost of share issues	(240)	(221)
	454,514	725,713
Aggregate of deferred tax liabilities	**466,844**	**726,097**
Movements:-		
Balance at beginning of year	726,097	514,769
Charged/(Credited) to the Income Statement	13,207	(384)
(Credited)/Charged to equity	(291,584)	220,163
Tax effect on revaluation of long-term investments not recognised in equity	19,124	(8,451)
Balance at end of year	**466,844**	**726,097**

13. CONTRIBUTED EQUITY

	30.6.08 No. of shares	30.6.07 No. of shares	30.6.08 $'000	30.6.07 $'000
(a) Issued and fully paid ordinary shares				
Opening balance	553,235,741	482,919,018	1,725,212	1,219,990
Dividend reinvestment plan	4,448,636	3,295,844	33,385	24,341
Shares issued as consideration for acquisition	5,963,879	–	48,129	–
Share purchase plan	7,719,427	5,115,695	58,638	35,554
Rights issue 1:8	–	61,905,184	–	445,717
Cost of share issues net of tax	–	–	(308)	(390)
Closing balance	**571,367,683**	**553,235,741**	**1,865,056**	**1,725,212**

(b) On 5 September, 2007, 2,217,569 shares were allotted at $7.62 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2007.

On 4 March, 2008, 2,231,067 shares were allotted at $7.39 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2008.

(c) An unlisted company with total assets of approximately $62 million which were mainly cash was purchased and on 14 September, 2007, 5,963,879 shares were allotted at $8.07 per share as part consideration. This company was deregistered on 11 June, 2008.

(d) On 9 October, 2007, 6,920,635 shares were allotted at $7.62 per share resulting from the Share Purchase Plan offered to eligible shareholders.

On 8 April, 2008, 798,792 shares were allotted at $7.39 per share resulting from the Share Purchase Plan offered to eligible shareholders.

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

14. MOVEMENTS IN RESERVES DURING THE YEAR

	2008	2007
	$'000	$'000
Capital Profits Reserve		
Balance at beginning of year	210,416	191,563
Transfer to provision for dividend	(11,065)	(4,829)
Transfer from retained profits	111,824	23,682
Balance at end of year	**311,175**	**210,416**
Investment Revaluation Reserve		
Balance at beginning of year	1,755,993	1,238,786
Revaluation of long-term investments	(1,002,806)	737,370
Provision for tax on unrealised gains on long-term investments	291,584	(220,163)
Balance at end of year	**1,044,771**	**1,755,993**
Executive Performance Rights Reserve		
Balance at beginning of year	319	196
Accrued entitlement for unvested rights	251	123
Balance at end of year	**570**	**319**
Total Reserves	**1,356,516**	**1,966,728**

Nature and Purpose of Reserves

Capital Profits Reserve
Gains or losses arising from the sale of long-term investments are recorded in this reserve.

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.

Executive Performance Rights Reserve
This reserve contains the fair value of the performance rights and restricted share rights issued to participants, as per the Executive Performance Rights Plan, calculated at grant date and allocated to each reporting period from grant date to vesting date.

15. RETAINED PROFITS

	2008 $'000	2007 $'000
Balance at beginning of year	166,821	135,699
Profit for the year	294,116	171,537
Transfer to capital profits reserve	(111,824)	(23,682)
Dividends paid	(151,488)	(116,733)
Balance at end of year	**197,625**	**166,821**

16. CAPITAL MANAGEMENT

The Company's objective in managing 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 increased 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, may 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 change to this capital is shown in the Statement of Changes in Equity.

17. DIVIDENDS

	2008 $'000	2007 $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June, 2007 of 15 cents fully franked at 30% tax rate paid 5 September, 2007 (last year 13 cents fully franked at 30% tax rate)	82,985	62,779
Interim dividend for the year ended 30 June, 2008 of 14 cents fully franked at 30% tax rate paid 4 March, 2008 (last year 12 cents fully franked at 30% tax rate)	79,568	58,783
Total dividends paid	**162,553**	**121,562**

The final dividend contained a Listed Investment Company (LIC) capital gain component of 2 cents per share (last year 1 cent per share).

	2008 $'000	2007 $'000
(b) **Dividends declared after balance date**		
Since the end of the financial year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the financial year:-		
Final dividend for the year ended 30 June, 2008 of 16 cents fully franked at 30% tax rate payable 5 September, 2008 (last year 15 cents fully franked at 30% tax rate)	**91,419**	**82,985**

The final dividend will contain a Listed Investment Company (LIC) capital gain component of 3 cents per share (last year 2 cents per share).

18. FRANKING ACCOUNT

	2008 $'000	2007 $'000
Balance of the franking account after allowing for tax payable in respect of the current year's profits and the receipt of franked dividends recognised as receivables	80,446	67,248
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(39,179)	(35,565)
	41,267	**31,683**
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	**96,289**	**73,928**

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 itself paying tax.

19. LISTED INVESTMENT COMPANY CAPITAL GAIN ACCOUNT

	2008 $'000	2007 $'000
Balance of the Listed Investment Company (LIC) capital gain account	60,307	17,346
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(17,141)	(11,065)
	43,166	**6,281**
This equates to an attributable amount of	**61,666**	**8,973**

Distributed LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the dividend statement.

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 distributions from LIC securities held in the investment portfolio.

20. FINANCIAL REPORTING BY SEGMENTS

The Company operates only in the investment industry within Australia.

21. COMMITMENTS

	2008 $'000	2007 $'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	207	240
Later than one year but not later than five years	224	431
Later than five years	–	–
	431	**671**
Future lease receipts in relation to sub-leases of operating leases not provided for in the financial statements	**25**	**86**

The Company has entered into two property leases, one expiring on 31 March, 2009 and the other expiring on 12 December, 2011. Lease rentals are subject to review during the term of the leases. The lease expiring on 12 December, 2011 provides the Company with a right of renewal at which time all terms are renegotiated.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

The names of each person holding the position of Director of Argo Investments Limited for the financial year were Mr. C.L. Harris (Chairman), Mr. R.T. Rich (Deputy Chairman), Mr. R.J. Patterson (Managing Director), Mrs. M.S. Darling, Mr. I.R. Johnson and Mr. G.I. Martin.

Persons who were executives with authority for the strategic direction and management of the Company during the financial year were Mr. R.J. Patterson (Managing Director), Mr. J. Beddow (Associate Director - Chief Investment Officer), Mr. C.C. Hall (Associate Director - Investment and Business Development) and Mr. B.R. Aird (Company Secretary and Chief Financial Officer).

Shareholdings, performance rights, restricted share rights and transactions
The number of ordinary shares, performance rights and restricted share rights in the Company held directly, indirectly or beneficially during the financial year by key management personnel, including their related parties, are disclosed in the following tables:-

(a) **Shareholdings**

		Opening balance	Changes during the year	Closing balance
Non-executive Directors				
C.L. Harris	**2008**	**108,331**	**8,670**	**117,001**
	2007	85,413	22,918	108,331
R.T. Rich	**2008**	**17,572,306**	**(71,550)**	**17,500,756**
	2007	16,092,751	1,479,555	17,572,306
M.S. Darling	**2008**	**18,467**	**31,393**	**49,860**
	2007	15,900	2,567	18,467
I.R. Johnson	**2008**	**12,024**	**803**	**12,827**
	2007	10,000	2,024	12,024
G.I. Martin	**2008**	**98,915**	**62,719**	**161,634**
	2007	50,372	48,543	98,915
Executive Director				
R.J. Patterson	**2008**	**905,380**	**1,013**	**906,393**
	2007	805,615	99,765	905,380
Other Key Management Personnel				
J. Beddow	**2008**	**35,455**	**121**	**35,576**
	2007	31,375	4,080	35,455
C.C. Hall	**2008**	**31,534**	**2,089**	**33,623**
	2007	25,742	5,792	31,534
B.R. Aird	**2008**	**471,709**	**1,463**	**473,172**
	2007	417,181	54,528	471,709

(b) **Performance rights holdings**

		Opening balance	Granted as remuner-ation	Closing balance
Executive Director				
R.J. Patterson	**2008**	**127,800**	**50,000**	**177,800**
	2007	127,800	–	127,800

		Opening balance	Granted as remuner-ation	Closing balance
Other Key Management Personnel				
J. Beddow	**2008**	**56,100**	**17,500**	**73,600**
	2007	56,100	–	56,100
C.C. Hall	**2008**	**68,700**	**16,500**	**85,200**
	2007	68,700	–	68,700
B.R. Aird	**2008**	**62,400**	**25,000**	**87,400**
	2007	62,400	–	62,400

No performance rights were exercised or vested during the financial year nor any prior financial year.

(c) **Restricted share rights holdings**

		Opening balance	Granted as remuner-ation	Closing balance
Other Key Management Personnel				
J. Beddow	**2008**	**–**	**75,000**	**75,000**
	2007	–	–	–
C.C. Hall	**2008**	**–**	**60,000**	**60,000**
	2007	–	–	–

No restricted share rights were exercised or vested during the financial year.

Key Management Personnel Compensation

	2008 $	2007 $
Short-term	2,104,970	1,640,603
Post-employment	481,275	437,200
Other long-term	21,668	14,034
Share based	224,137	86,545
	2,832,050	**2,178,382**

Loans

Key management personnel with loans from the Company above $100,000 in the financial year are as follows:

		Opening balance $	Interest charged $	Interest not charged $	Closing balance $	Highest balance in period $
Executive Director						
R.J. Patterson	**2008**	**1,612,925**	**–**	**102,319**	**1,436,794**	**1,612,925**
	2007	1,112,166	–	74,518	1,612,925	1,612,925
Other Key Management Personnel						
J. Beddow	**2008**	**119,045**	**–**	**7,771**	**111,502**	**119,045**
	2007	97,602	–	6,234	119,045	119,045
B.R. Aird	**2008**	**973,149**	**–**	**62,286**	**880,633**	**973,149**
	2007	710,113	–	46,809	973,149	973,149

Interest free loans were issued to the executive Director and 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.

No key management personnel had loans with the Company that were less than $100,000 at any time during the financial year.

Other arrangements with non-executive Director

Mr. R.T. Rich rents office space from the Company at commercial rates and rental income received by the Company during the financial year amounted to $18,700 (2007: $17,600).

23. SHARE BASED PAYMENTS

(a) **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 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 Company's Annual General Meeting held on 17 November, 1997.

During the year, 1,573 (2007: 1,692) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $13,064 (2007: $12,011). These shares had a market value of $11,153 (2007: $13,654) at $7.09 per share (2007: $8.07 per share) as at 30 June, 2008.

(b) **Executive Performance Rights Plan**

The establishment of the Argo Investments Limited Executive Performance Rights Plan ("Plan") was approved by shareholders at the 2004 Annual General Meeting and amended at the 2007 Annual General Meeting. The Plan is designed to provide long-term incentives for participants to deliver long-term returns to shareholders. Under the Plan, participants are granted options which only vest if certain performance and service standards 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.

Performance Rights

The performance rights issued are subject to a performance condition that provides pro-rata vesting of the performance rights will occur when the Company's Total Portfolio Return (based on net tangible asset backing per share, plus dividends reinvested) outperforms the S&P ASX All Ordinaries Accumulation Index movement over a scale from 0.1% through to 3% for the measurement period.

Restricted Share Rights

The restricted share rights issued will vest in full at each vesting date, subject to the holder continuing employment with the Company. The Board also has the discretion to allow the restricted share rights to vest in certain other circumstances.

Both the performance rights and the restricted share 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 and each restricted share 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:

Performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Forfeited	Closing balance
25/11/2004	25/11/2008	9/12/2009	299,800	–	(25,200)	274,600
25/11/2004	25/11/2009	9/12/2009	149,900	–	(12,600)	137,300
29/11/2007	29/11/2010	13/12/2012	–	135,000[1]	–	135,000
			449,700	**135,000**	**(37,800)**	**546,900**

(1) The fair value at grant date of the performance rights issued during the year was $7.37 and was independently calculated using the Binomial method and Monte Carlo simulation. The following inputs were used to calculate the fair value of the performance rights issued:

(a) Share price at valuation date 29 November, 2007 - $8.19
(b) Risk free rate was derived from the yield on Australian Government Bonds - 6.24%
(c) Dividend yield based on historic and future yield estimates - 3.5%
(d) Share price volatility was based on the actual volatility of the Company's closing share price over the three years to 29 November, 2007 - 14%.

(2) Performance rights costs of $95,214 (2007: $122,675) were recognised as an administration expense in the Income Statement.

(3) The weighted average remaining life of the performance rights outstanding at the end of the year was 2.2 years (2007: 2.5 years).

Restricted share rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Forfeited	Closing balance
29/11/2007	29/11/2010	13/12/2010	–	55,000[(1)]	–	55,000
29/11/2007	29/11/2011	13/12/2011	–	55,000[(1)]	–	55,000
29/11/2007	29/11/2012	13/12/2012	–	55,000[(1)]	–	55,000
			–	**165,000**	**–**	**165,000**

(1) The fair values at grant date of the three tranches of restricted share rights issued during the year were $7.37, $7.12 and $6.88 respectively and were independently calculated using the Binomial method. The following inputs were used to calculate the fair value of the restricted share rights issued:

(a) Share price at valuation date 29 November, 2007 - $8.19
(b) Risk free rate was derived from the yield on Australian Government Bonds - 6.44%, 6.34% and 6.24% respectively
(c) Dividend yield based on historic and future yield estimates - 3.5%
(d) Share price volatility was based on the actual volatility of the Company's closing share price over the three years to 29 November, 2007 - 14%.

(2) Restricted share rights costs of $155,815 were recognised as an administration expense in the Income Statement.

(3) The weighted average remaining life of the restricted share rights outstanding at the end of the year was 3.5 years.

No performance rights or restricted share rights were vested, exercised or lapsed during the year.

24. REMUNERATION OF AUDITORS

	2008	2007
	$	$
During the year the auditor earned the following remuneration:		
- auditing the financial statements	60,060	61,875
- tax compliance services	–	14,828
- Prospectus due diligence for 1:8 rights issue	–	3,850
	60,060	**80,553**

25. FINANCIAL RISK MANAGEMENT

The risks associated with the holding of financial instruments such as investments, cash, cash equivalents, 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 5(a), the credit risk exposure of bank deposits is the carrying amount and any interest accrued. For bank accepted bills and bank negotiable certificates of deposits, the credit risk exposure is the carrying value which comprises the cost of these investments plus the interest accrued.

The Company's cash investments are managed internally under Board approved guidelines. Funds are invested for the short-term where the bank or issuer has a Standard & Poor's short-term rating of A1+, A1 or A2 and each rating category has a maximum amount that can be invested in any one bank or issuer. No maturity is greater than three months.

The credit risk exposure for the Company's receivables as disclosed in note 6 is the carrying amount.

In relation to convertible notes and other interest related securities, the credit risk is the extent of their carrying values in the event of a shortfall on the winding-up of the issuing entities. The total credit risk exposure of these assets which are included in note 7 as non-current investments is $30,419,200 (2007: $37,349,798).

Credit risk exposure also arises in relation to options bought by the Company. The extent of this exposure is reflected in the carrying value and is disclosed in note 10.

None of the assets exposed to credit risk are overdue 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 the purchase of securities, the amount receivable from the 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 the purchases of investments and dividends paid to shareholders, the level of both these is controllable by the Board and management.

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

The Company has a financing arrangement in place which is disclosed in note 5(c). The line of credit facility was undrawn at 30 June, 2008 (2007: nil).

Current financial liabilities are disclosed in note 9.

Market Risk

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

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 $127.6 million (2007: $145.7 million) and $255.1 million (2007: $291.3 million) respectively, at a tax rate of 30%. The Investment Revaluation Reserve at 30 June, 2008 has an after tax balance of $1,044.7 million (2007: $1,756.0 million). It would require a 33% (2007: 51%) after tax fall in the value of the 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 investment portfolio that can be invested in a single company or sector.

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

	2008	2007
Energy	7%	4%
Materials	20%	16%
Industrials	8%	12%
Consumer Discretionary	6%	8%
Consumer Staples	8%	5%
Health Care	2%	2%
Banks	12%	13%
Cash Assets	6%	9%
Other Financials	24%	25%
Telecommunication Services & I.T.	5%	4%
Utilities	2%	2%
	100%	**100%**

The following investments represent over 5% of the total assets:

BHP Billiton Ltd.	7.7%	–
Macquarie Group Ltd.	–	7.0%

The fair value of the Company's current investments, as disclosed in note 7, is minimal and the Board's current policy is not to substantially increase the Company's trading portfolio. It is considered that the market risk to the Company's trading portfolio is immaterial.

The Company is not materially exposed to interest rate risk as all its cash investments mature in the short-term and have a fixed interest rate. Furthermore, the Company is not materially exposed to interest rate risk on the Company's convertible notes and other interest bearing securities totalling $30,419,200 (2007: $37,349,798).

The Company is also not directly exposed to currency risk as almost all its investments are quoted in Australian dollars.

Directors' Declaration

In the opinion of the Directors of Argo Investments Limited:

a) the financial statements and notes set out on pages 29 to 56 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 Company's financial position as at 30 June, 2008 and of the Company's and consolidated entity's 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June, 2008.

Dated at Adelaide this 21st day of August, 2008

Signed in accordance with a resolution of the Directors

C.L. Harris
Chairman

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of Argo Investments Limited

Report on the financial report

We have audited the accompanying financial report of Argo Investments Limited (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Argo Investments Limited and Argo Investments Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PRICEWATERHOUSECOOPERS

Auditor's opinion

In our opinion:

(a) the financial report of Argo Investments Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of the company's and consolidated entity's performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the remuneration report presented on pages 12 to 22 in the directors' report for the year ended 30 June 2008. 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.

Auditor's opinion

In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

DR Clark

DR Clark
Partner

Adelaide
21 August 2008

Shareholding details
as at 18 August, 2008

	Ordinary shareholders
Total number of shareholders (entitled to one vote per share)	**63,046**
Number of shareholders holding:-	
1 - 1,000 shares	14,502
1,001 - 5,000 shares	24,120
5,001 - 10,000 shares	11,425
10,001 - 100,000 shares	12,525
100,001 or more shares	474
	63,046
Number of shareholders holding less than a marketable parcel	1,205

20 largest shareholders of ordinary shares

Name	No. of shares	% of issued capital
RCY Pty. Limited	6,166,887	1.08
JIT Pty. Limited	4,925,972	0.86
Bougainville Copper Limited	2,977,055	0.52
TRIGT Pty. Limited	2,957,478	0.52
Questor Financial Services Limited (TPS RF a/c)	2,643,986	0.46
Ramea Holdings Pty. Limited	2,475,126	0.43
RBC Dexia Investor Services Australia Nominees Pty. Limited (MLCI a/c)	2,149,276	0.38
McLennan Holdings Pty. Ltd.	2,113,238	0.37
Donald Cant Pty. Ltd.	1,677,339	0.29
Kalymna Pty. Ltd.	1,620,364	0.28
Asgard Capital Management Ltd. (Pension a/c)	1,334,715	0.23
Poplar Pty. Limited	1,286,764	0.23
Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c)	1,216,489	0.21
Salur Holdings Pty. Limited	1,196,450	0.21
Pont Pty.	1,132,064	0.20
Pards Pty. Limited	1,045,457	0.18
Ling Nominees Pty. Ltd.	1,023,395	0.18
JIN Pty. Limited	969,275	0.17
Palmerston Pty. Ltd.	945,771	0.17
Bersal Pty. Ltd.	933,816	0.16
	40,790,917	**7.13**

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

Investments
as at 30 June, 2008

	No. of shares or units	Market value $m
ABB Grain Ltd	379,767	3.2
Aberdeen Leaders Ltd.	11,703,850	19.5
Adelaide Brighton Ltd	3,445,062	12.9
Aevum Ltd.	1,394,982	2.6
AGL Energy Ltd.	2,453,787	35.1
ALE Property Group	610,000	1.8
Alesco Corporation Ltd.	2,515,979	17.4
Allco Equity Partners Ltd.	830,000	1.4
Alumina Ltd.	5,302,194	25.1
Amalgamated Holdings Ltd.	752,392	3.7
Amcor Ltd.	5,051,511	25.5
AMP Ltd.	6,780,954	45.4
Ansell Ltd.	665,685	6.2
APA Group	3,656,713	9.5
A.P. Eagers Ltd.	845,524	11.0
APN News & Media Ltd.	3,461,844	10.3
Aristocrat Leisure Ltd.	2,311,000	14.8
Asciano Group	2,525,121	8.8
ASX Ltd.	119,015	3.7
Atlas Iron Ltd.	750,000	2.8
Austal Ltd.	1,200,000	3.1
Austar United Communications Ltd.	2,400,000	2.7
Australand Property Group	1,584,831	1.9
Australia and New Zealand Banking Group Ltd.	4,745,260	88.8
Australian Infrastructure Fund	2,123,823	4.7
Australian United Investment Company Ltd.	16,802,190	129.4
Australian Vintage Ltd.	1,098,906	1.3
Automotive Holdings Group Ltd.	2,294,629	5.2
AXA Asia Pacific Holdings Ltd.	5,236,109	24.5
Babcock & Brown Ltd.	150,000	1.1
Babcock & Brown Communities Group	2,850,000	1.2
Babcock & Brown Infrastructure Group	5,574,722	3.8
Babcock & Brown Power	2,416,312	1.5
Bank of Queensland Ltd.	460,147	6.0
Bank of Queensland Ltd. reset preference	7,500	0.7
Bank of Queensland Ltd. reset preference series 1	5,000	0.5
BBI EPS Ltd. exch. preference	3,309,946	2.3
Bendigo and Adelaide Bank Ltd.	2,044,700	22.3

Investments
as at 30 June, 2008

	No. of shares or units	Market value $m
Bendigo and Adelaide Bank Ltd. reset preference	17,000	1.6
BHP Billiton Ltd.	6,927,411	302.7
Billabong International Ltd.	968,908	10.5
Boart Longyear Ltd.	2,555,000	5.7
Boom Logistics Ltd.	2,250,000	1.6
Boral Ltd.	2,866,907	16.2
Brambles Ltd.	4,252,106	37.1
Brickworks Ltd.	554,960	6.7
Brickworks Ltd. reset conv. preference	6,000	0.6
Brickworks Investment Company Ltd.	6,477,402	7.9
Bunnings Warehouse Property Trust	1,000,000	1.7
Cadbury Plc	246,789	3.3
Campbell Brothers Ltd.	577,954	15.8
CEC Group Ltd.	1,690,168	0.4
Centennial Coal Company Ltd.	1,498,624	8.4
Choiseul Investments Ltd.	824,655	4.3
Coca-Cola Amatil Ltd.	1,211,982	8.5
Cochlear Ltd.	128,000	5.6
Codan Ltd.	800,000	0.5
Coffey International Ltd.	3,664,361	6.6
Colorpak Ltd.	4,049,000	1.9
Commonwealth Bank of Australia	1,858,306	74.6
Commonwealth Property Office Fund	2,344,066	2.9
Computershare Ltd.	4,281,166	39.4
ConnectEast Group	4,141,093	3.6
Consolidated Media Holdings Ltd.	1,548,203	5.1
Corporate Express Australia Ltd.	361,000	1.9
Coventry Group Ltd.	740,703	1.4
Crane Group Ltd.	616,173	8.0
Crown Ltd.	1,548,203	14.4
CSL Ltd.	709,752	25.3
CSR Ltd.	3,095,512	7.6
David Jones Ltd.	4,193,829	11.8
Dexion Ltd.	2,534,099	2.5
DEXUS Property Group	1,777,428	2.5
Diversified United Investment Ltd.	11,009,210	36.8

Investments
as at 30 June, 2008

	No. of shares or units	Market value $m
Downer EDI Ltd.	768,755	5.3
Dr Pepper Snapple Group, Inc.	46,272	1.0
DUET Group	2,594,214	6.7
Envestra Ltd.	2,928,139	1.9
Fairfax Media Ltd.	9,162,961	26.8
FKP Property Group	2,100,000	10.3
Fleetwood Corporation Ltd.	1,492,485	13.8
Foster's Group Ltd.	7,449,721	37.8
Futuris Corporation Ltd.	2,000,000	2.2
Gazal Corporation Ltd.	2,900,000	5.5
Global Mining Investments Ltd.	5,134,094	10.5
Goodman Fielder Ltd.	2,850,000	4.0
Goodman Group	1,048,473	3.2
GPT Group	4,219,496	9.4
Great Southern Ltd.	1,237,806	0.8
Great Southern Ltd. reset conv. notes	10,000	0.7
G.U.D. Holdings Ltd.	1,320,000	10.0
GWA International Ltd.	1,043,094	2.6
Harvey Norman Holdings Ltd.	4,030,000	12.5
Hastings Diversified Utilities Fund	1,141,537	2.3
Hills Industries Ltd.	4,338,006	13.8
IAG Finance (New Zealand) Ltd. reset exch. notes	25,000	2.0
Iluka Resources Ltd.	1,817,027	8.6
Incitec Pivot Ltd.	128,033	23.7
ING Industrial Fund	1,263,717	2.0
Insurance Australia Group Ltd.	6,303,333	21.9
Insurance Australia Group Ltd. reset conv. preference	30,800	2.6
InvoCare Ltd.	958,348	6.1
IRESS Market Technology Ltd.	790,000	4.9
Jabiru Metals Ltd.	5,725,180	3.3
James Hardie Industries N.V.	2,469,000	10.5

Investments
as at 30 June, 2008

	No. of shares or units	Market value $m
Legend Corporation Ltd.	3,975,751	0.4
Leighton Holdings Ltd.	484,000	24.6
Lend Lease Corporation Ltd.	2,172,814	20.8
Lex Property Fund	3,000,000	3.0
Lex Retail Property Trust	2,000,000	2.4
Macquarie Airports	8,734,743	18.0
Macquarie Airports Reset Exchange Securities Trust		
reset conv. preference	23,194	2.2
Macquarie Communications Infrastructure Group	4,140,000	12.6
Macquarie CountryWide Trust	2,443,786	2.2
Macquarie Group Ltd.	3,780,360	183.9
Macquarie Group Ltd. income securities	15,000	1.2
Macquarie Infrastructure Group	7,172,491	16.6
Macquarie Media Group	1,040,000	3.1
MAC Services Group Ltd. (The)	1,000,000	2.5
Mermaid Marine Australia Ltd.	5,650,000	8.8
Metcash Ltd.	1,564,038	5.8
Milton Corporation Ltd.	7,793,087	151.0
Minara Resources Ltd.	1,400,000	4.6
Mirvac Group	688,807	2.0
Mount Gibson Iron Ltd.	4,900,000	15.3
MYOB Ltd.	2,050,000	2.5
National Australia Bank Ltd.	4,195,367	111.2
National Australia Bank Ltd. income securities	25,770	2.3
Navitas Ltd.	2,244,817	4.7
News Corporation class A	879,655	14.2
News Corporation class B	780,067	12.8
Nomad Building Solutions Ltd.	1,219,810	2.1
Norfolk Group Ltd.	1,312,814	1.6
Oakton Ltd.	1,815,242	5.9
OneSteel Ltd.	3,738,307	27.8
Orica Ltd.	1,675,433	49.1
Origin Energy Ltd.	5,350,318	86.2
Oxiana Ltd.	3,873,825	10.2

Investments
as at 30 June, 2008

	No. of shares or units	Market value $m
PaperlinX Ltd.	2,203,100	3.8
Peet Ltd.	1,460,435	3.0
Perilya Ltd.	2,020,000	1.5
Perpetual Ltd.	350,880	15.0
Powers Trust reset preference	13,000	1.4
Premier Investments Ltd.	1,250,000	9.6
Primary Health Care Ltd.	1,965,845	10.2
Programmed Maintenance Services Ltd.	1,357,127	4.5
Qantas Airways Ltd.	2,999,302	9.1
QBE Insurance Group Ltd.	2,595,117	58.1
QRxPharma Ltd.	500,000	0.3
Queensland Gas Company Ltd.	1,000,000	5.4
Ramsay Health Care Ltd.	1,216,747	10.6
Ramsay Health Care Ltd. reset conv. preference	25,000	2.4
Reece Australia Ltd.	579,055	12.2
ResMed Inc.	671,750	2.4
Rio Tinto Ltd.	1,395,843	189.1
Salmat Ltd.	1,457,048	4.1
Santos Ltd.	2,550,000	54.7
Santos Ltd. reset conv. preference	20,000	1.9
Sigma Pharmaceuticals Ltd.	7,150,000	7.0
Sims Group Ltd.	415,772	17.3
Sonic Healthcare Ltd.	1,549,483	22.5
Soul, (Washington H.) Pattinson & Company Ltd.	1,532,507	17.3
Spark Infrastructure Group	1,750,000	2.7
St. George Bank Ltd.	2,526,137	68.5
St. George Bank Ltd. reset conv. preference	15,000	1.4
St. George Bank Ltd. reset conv. preference (SAINTS)	12,000	1.2
Stockland	1,266,934	6.8
Straits Resources Ltd.	2,751,194	18.8
Structural Systems Ltd.	1,669,916	4.3
Suncorp-Metway Ltd.	2,230,000	29.1
Suncorp-Metway Ltd. reset conv. preference	32,000	2.9

Investments
as at 30 June, 2008

	No. of shares or units	Market value $m
Tabcorp Holdings Ltd.	1,784,810	17.5
Talent2 International Ltd.	1,126,374	1.3
TAPS Trust reset preferred	5,000	0.4
Tatts Group Ltd.	1,539,000	3.6
Technology One Ltd.	3,764,564	3.1
Telstra Corporation Ltd.	30,804,800	130.6
Ten Network Holdings Ltd.	2,051,523	2.8
Thakral Holdings Group	3,432,000	2.9
ThinkSmart Ltd.	1,102,766	0.9
Timbercorp Ltd.	1,800,000	1.4
Timbercorp Ltd. reset conv. notes	4,450	0.3
Timbercorp Ltd. reset preference	1,000,000	1.3
Toll Holdings Ltd.	2,150,993	12.9
Toll Holdings Ltd. reset conv. preference	5,000	0.5
Transfield Services Ltd.	1,238,487	9.2
Transfield Services Infrastructure Fund	1,500,000	1.9
Transurban Group	2,819,767	11.9
United Group Ltd.	1,478,242	18.2
Valad Property Group	2,595,906	1.7
Wattyl Ltd.	497,421	0.7
WDS Ltd.	1,150,000	2.9
Wesfarmers Ltd.	3,435,765	128.2
Wesfarmers Ltd. partially protected	369,590	13.9
West Australian Newspapers Holdings Ltd.	1,039,558	8.2
Westfield Group	3,425,569	55.8
Westpac Banking Corporation	4,747,612	95.0
Westpac Office Trust instalment receipts	6,722,374	2.7
Whitehaven Coal Ltd.	1,642,844	7.3
Woodside Petroleum Ltd.	1,283,057	86.6
Woolworths Ltd.	3,808,985	93.1
WorleyParsons Ltd.	92,336	3.5

Securities issued

since 19 September, 1985

Date	Details
10 January, 1986	1:5 bonus issue from Capital Profits Reserve
16 May, 1986	1:10 bonus issue from Share Premium Reserve
20 March, 1987	1:8 rights issue @ $2.50 per share
23 March, 1987	1:9 bonus issue from Capital Profits Reserve
22 May, 1987	1:5 bonus issue from Capital Profits Reserve
16 December, 1988	1:8 rights issue @ $2.40 per share
19 December, 1988	1:6 bonus issue from Share Premium Reserve
27 April, 1990	1:10 bonus issue from Share Premium Reserve
12 March, 1992	1:8 rights issue @ $2.00 per share
10 October, 1995	1:10 bonus issue from Share Premium Reserve
21 June, 1996	Share Purchase Plan @ $2.57 per share
19 July, 1996	1:10 bonus issue from Share Premium Reserve
20 June, 1997	Share Purchase Plan @ $2.65 per share
27 November, 1997	1:10 rights issue @ $2.50 per share
19 June, 1998	Share Purchase Plan @ $3.19 per share
23 June, 1999	Share Purchase Plan @ $3.48 per share
15 November, 1999	Dividend Reinvestment Plan @ $3.32 per share
19 May, 2000	Dividend Reinvestment Plan @ $3.08 per share
23 June, 2000	Share Purchase Plan @ $3.08 per share
28 March, 2001	Dividend Reinvestment Plan @ $3.43 per share
27 June, 2001	Dividend Reinvestment Plan @ $3.74 per share
12 September, 2001	Dividend Reinvestment Plan @ $3.92 per share
12 October, 2001	Share Purchase Plan @ $3.92 per share
15 March, 2002	Dividend Reinvestment Plan @ $4.27 per share
18 April, 2002	1:10 rights issue @ $3.95 per share
13 September, 2002	Dividend Reinvestment Plan @ $4.35 per share
15 October, 2002	Share Purchase Plan @ $4.35 per share
14 March, 2003	Dividend Reinvestment Plan @ $4.00 per share
16 April, 2003	Share Purchase Plan @ $4.00 per share
12 September, 2003	Dividend Reinvestment Plan @ $4.78 per share
20 October, 2003	Share Purchase Plan @ $4.78 per share
12 March, 2004	Dividend Reinvestment Plan @ $4.76 per share
16 April, 2004	1:10 rights issue @ $4.40 per share with the possibility of additional shares

Securities issued
since 19 September, 1985

Date	Details
8 September, 2004	Dividend Reinvestment Plan @ $4.75 per share
18 October, 2004	Share Purchase Plan @ $4.75 per share
11 March, 2005	Dividend Reinvestment Plan @ $5.43 per share
18 April, 2005	Share Purchase Plan @ $5.43 per share
8 September, 2005	Dividend Reinvestment Plan @ $5.79 per share
19 October, 2005	Share Purchase Plan @ $5.79 per share
10 March, 2006	Dividend Reinvestment Plan @ $6.71 per share
20 April, 2006	Share Purchase Plan @ $6.71 per share
8 September, 2006	Dividend Reinvestment Plan @ $6.95 per share
17 October, 2006	Share Purchase Plan @ $6.95 per share
9 March, 2007	Dividend Reinvestment Plan @ $7.92 per share
27 March, 2007	1:8 rights issue @ $7.20 per share with the possibility of additional shares
5 September, 2007	Dividend Reinvestment Plan @ $7.62 per share
9 October, 2007	Share Purchase Plan @ $7.62 per share
4 March, 2008	Dividend Reinvestment Plan @ $7.39 per share
8 April, 2008	Share Purchase Plan @ $7.39 per share