Argo

Investing in Australia

2007 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

Chief Financial Officer and Company Secretary
Brenton R. Aird

Investment Executives
Jason Beddow
Christopher C. Hall

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 — 27 September, 2007

Annual general meeting:-
Adelaide Convention Centre,
North Terrace, Adelaide at 10 a.m.
29 October, 2007

Information meetings:-
Melbourne
The Age Theatre, Melbourne Museum,
11 Nicholson Street, Carlton at 10.30 a.m.
30 October, 2007

Sydney
The Tattersalls Club,
181 Elizabeth Street, Sydney at 10 a.m.
31 October, 2007

Half yearly result announced — 4 February, 2008

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

2007 Highlights

~ Net operating profit before realised gains on sale of long-term investments a record $147.9 million, an increase of 20.1%.

~ Profit of $171.5 million including net realised gains on sale of long-term investments.

~ Total portfolio return 28.4%.

~ Record year-end asset backing of $8.28 per share compared with $6.85 per share on 30 June, 2006.

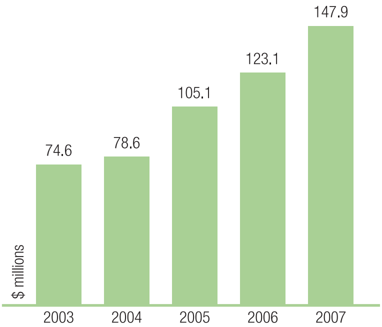
~ Dividends of 27 cents per share, fully franked (including LIC capital gain dividend of 2 cents per share), compared with 24 cents per share last year.

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

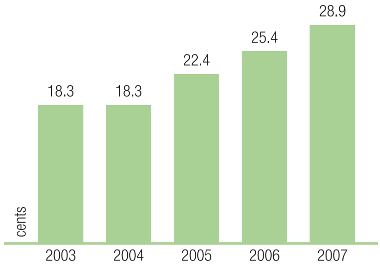
~ Capital raisings of $445.4 million from 1 for 8 rights issue at $7.20 per share, $35.5 million from the Share Purchase Plan and $24.3 million from the Dividend Reinvestment Plan.

Five years of growth

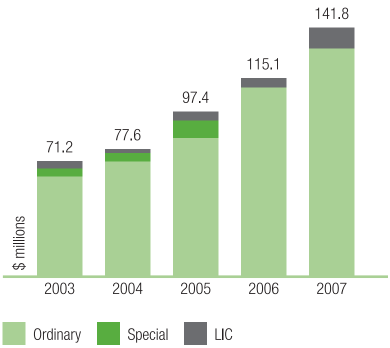
Operating profit



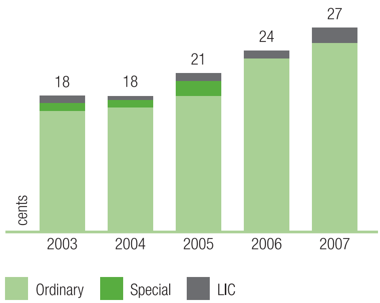
Operating earnings per share



Total dividends

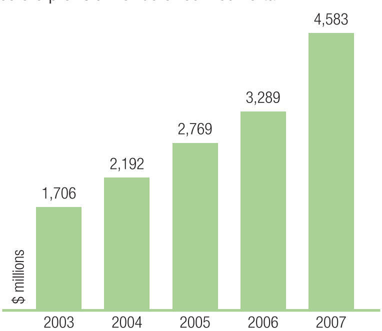


Dividends per share



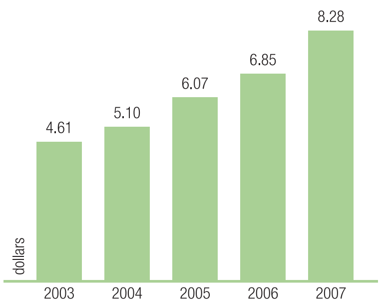
Shareholders' equity

before provision for deferred income tax



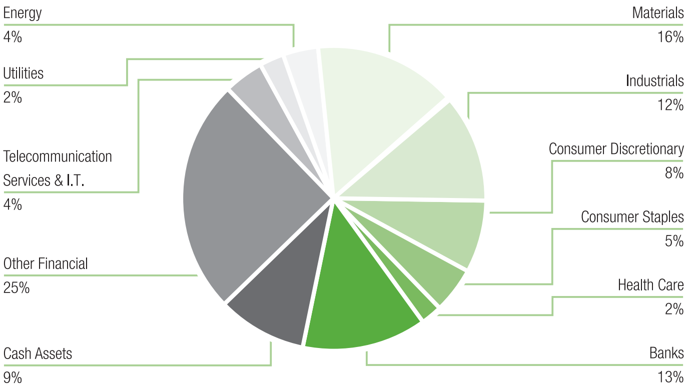
Net tangible assets

per share



Portfolio allocation

as at 30 June, 2007



20 largest investments

as at 30 June, 2007

	$m	% total assets
Macquarie Bank Ltd.	321.3	7.0%
BHP Billiton Ltd.	225.0	4.9%
Milton Corporation Ltd.	174.7	3.8%
National Australia Bank Ltd.	156.1	3.4%
Rio Tinto Ltd.	132.3	2.9%
Australian United Investment Company Ltd.	130.7	2.8%
Australia and New Zealand Banking Group Ltd.	124.5	2.7%
Telstra Corporation Ltd.	121.5	2.6%
Wesfarmers Ltd.	115.9	2.5%
Westpac Banking Corporation	99.3	2.2%
Commonwealth Bank of Australia	97.1	2.1%
St. George Bank Ltd.	88.8	1.9%
Woolworths Ltd.	88.3	1.9%
AMP Ltd.	63.0	1.4%
Rinker Group Ltd.	60.6	1.3%
Woodside Petroleum Ltd.	56.2	1.2%
Westfield Group	50.0	1.1%
Orica Ltd.	49.2	1.1%
QBE Insurance Group Ltd.	48.5	1.0%
Foster's Group Ltd.	47.5	1.0%
	2,250.5	48.8%

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, 2007 of $4.5 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, 2007 Argo had 553.2 million shares on issue.

Argo has 59,000 shareholders who are seeking capital growth and a regular income.

Argo's assets were $4.6 billion as at 30 June, 2007 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange.

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 190 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.

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 61 years of operation, Argo has only had two Chief Executives.

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 internet site 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, 2007, 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 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 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, 2007
$1,000 invested in Argo shares	$4,081
Compound annual growth rate	
Argo shares	15.1% p.a.
ASX all ordinaries accumulation index	13.1% p.a.
Consumer price index	2.7% p.a.

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

Directors' Report

The Directors present their Sixty First Annual Report together with the financial report of Argo Investments Limited ("the Company") for the financial year ended 30 June, 2007 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 190 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 20.1% to a record $147,854,674 compared with $123,123,625 in the previous financial year.

Factors contributing to the record 2006-2007 profit performance included:

- strong growth in income from ordinary dividends, interest and trust distributions, including approximately three months income from the $445,402,852 of capital raised in the oversubscribed 1 for 8 rights issue at $7.20 per share in March 2007;
- a continuing focus on managing costs which has resulted in the management expense ratio (MER) for the year reducing to 0.12% of average assets at market value.

The Company's result reflects the analytical strength and disciplined approach adopted by the Argo management team in evaluating and selecting long-term investment opportunities in the Australian share market. The diverse investment portfolio is generally performing well with many stocks recording solid profit growth resulting in the receipt of increased distributions. 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 now require realised gains on the sale of long-term investments to be included in the reported profit of the Company. We do not consider these gains are part of the Company's ordinary activities and they have been identified separately from its operating profit. Realised gains on the sale of long-term investments after tax amounted to $23,682,436 (last year $21,159,945).

Profit for the year including realised gains on the sale of long-term investments amounted to $171,537,110 compared with $144,283,570 last year. The net realised gains on the sale of long-term investments for the year ended 30 June, 2007 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 14.7% as measured by the movement in net asset backing per share plus dividends reinvested, compared with 13.1% from the S&P ASX All Ordinaries Accumulation Index. This includes a total return of 28.4% from the Company's investment portfolio in the last year.

Operating earnings per share which does not include realised gains on the sale of long-term investments rose 13.8% to 28.9 cents, compared with 25.4 cents in the previous year after adjusting for the March 2007 rights issue.

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 12 cents per share was paid on 9 March, 2007.

On 6 August, 2007, the Directors declared the following fully franked dividends totalling 15 cents per share payable on 5 September, 2007 on the capital enlarged by the March 2007 rights issue:

~ a final dividend of 13 cents per share;

~ a 2 cents per share Listed Investment Company (LIC) capital gain dividend. This dividend will give rise to an attributable part of 2.86 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2007-2008 income tax returns.

Total fully franked dividends for the year amount to a record 27 cents per share, including an LIC capital gain dividend of 2 cents per share. This compares with 24 cents per share last year, which included an LIC capital gain dividend of 1 cent per share.

The dividends total $141,767,582 and compare with $115,088,347 in the previous year, an increase of 23.2%.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised $24,340,472 of new capital for investment during the year.

The DRP will operate for the dividend payments totalling 15 cents per share payable on 5 September, 2007 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 $35,478,408 of new capital was raised for investment.

The SPP is again being offered to eligible shareholders in September 2007 at a discount of 2.5%, as defined by the SPP.

Asset Backing
The net tangible asset backing per Argo share before providing for deferred capital gains tax on unrealised gains within the investment portfolio rose to $8.28 as at 30 June, 2007, compared with $6.85 as at 30 June, 2006 after adjusting for the 1 for 8 rights issue at $7.20 per share in March 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 Chairman of EvoGenix Limited in 2004 and a non-executive Director of Adelaide Brighton Ltd in 1995. He was also appointed a non-executive Director of McGuigan Simeon Wines Limited in 2002, after being a non-executive Director of Simeon Wines Limited from 1994 to 2002.

   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, MAICD
   Non-executive Deputy Chairman – Non-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 38 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.

Mrs. Darling holds a Board position on another listed company, having been appointed a non-executive Director of Southern Cross Broadcasting (Australia) Limited in 1999.

She 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	108,331	–	–
R.T. Rich	14,378,771	2,741,290	–
R.J. Patterson	819,838*	–	127,800
M.S. Darling	18,467	–	–
I.R. Johnson	12,024	–	–
G.I. Martin	98,915	–	–

*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 13 Directors' meetings, 5 Audit Committee meetings, 6 Nomination and Remuneration Committee meetings and 3 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	13	13	–	2*	6	6	3	2
R.T. Rich	13	13	5	5	6	6	3	3
R.J. Patterson	13	12	–	–	–	2*	–	–
M.S. Darling	13	12	–	–	–	–	3	3
I.R. Johnson	13	12	5	5	–	–	–	–
G.I. Martin	13	12	5	5	6	6	–	–

*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 dividends paid by the Company for the financial year ended 30 June, 2006 of $62,779,472 (including an LIC capital gain dividend of $4,829,190) and referred to in the Directors' Report dated 25 August, 2006 were paid on 8 September, 2006.

5. The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that 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 prohibits 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 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 senior executives. A comprehensive review was carried out during the year which resulted in changes to the existing remuneration structure and where applicable, details of the changes are provided below. The Nomination and Remuneration Committee received independent advice from Mercer Human Resource Consulting Pty. Ltd. (Mercer) when considering the review of the Company's remuneration framework.

Non-executive Directors' remuneration
Non-executive Directors are remunerated by fees within the aggregate limit approved by shareholders from time to time. 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 Board receives advice from independent remuneration consultants to ensure non-executive Directors' fees are appropriate and in line with the external market.

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 current fee structure for non-executive Directors is $72,500 per Director, per year, other than the Chairman who receives remuneration of $150,000 per year (inclusive of any Committee fees). An additional fee of $2,500 is 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 senior executives' remuneration
The remuneration framework to reward the Managing Director and senior 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**
For the year ended 30 June, 2007, the Managing Director and senior executives were entitled to receive an annual short-term performance incentive bonus of up to 20% of their base salaries (inclusive of superannuation and any agreed salary sacrifice arrangements), subject to achieving financial and non-financial performance objectives.

30% of the bonus was earned on the basis of a collective achievement, where Argo's Total Portfolio Return (TPR) (calculated by the movement in gross net tangible asset backing per share plus dividends reinvested) exceeded the twelve month performance of the S&P ASX All Ordinaries Accumulation Index.

30% of the bonus was based on an assessment by the Managing Director of the senior executives' management skills in their key areas of responsibility and the Nomination and Remuneration Committee made the assessment in the case of the Managing Director.

The remaining 40% of the bonus was based on a qualitative assessment by the Managing Director of the senior executives' contribution to the investment and administration processes and the Nomination and Remuneration Committee made the assessment in the case of the Managing Director.

These performance conditions were chosen as their mix were considered appropriate to measure the short-term performance of the Company's senior executives.

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

The assessments by the Managing Director and Nomination and Remuneration Committee, as the case may be, were chosen as it was considered that they were best qualified to provide an objective assessment of an individual's performance.

The independent advice received from Mercer during the year by the Nomination and Remuneration Committee concluded that the short-term performance incentive was low by industry standards and uncompetitive.

From 1 July, 2007, the Board has resolved to amend the current short-term performance incentive arrangement such that the Managing Director and senior executives are entitled to receive an annual short-term performance incentive bonus of up to 50% of their Total Fixed Remuneration (TFR) which is inclusive of superannuation and any agreed salary sacrifice arrangements.

Under these new arrangements, the amount available to the Managing Director and senior executives 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.

A number of key performance indicators are used to assess 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.

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.

The Board considers the amendments to 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 senior 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.

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 increase the motivation of senior management and 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 senior executives to a monetary value of up to 50% of their base salaries (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.

The performance condition required that the Company's TPR, calculated by an independent expert, must outperform the S&P ASX All Ordinaries Accumulation Index (AI) on a stepped scale as follows:-

Portfolio performance above AI	Portion of grant that vests
$<1\%$	nil
$\geq 1\%$ $<2\%$	one third
$\geq 2\%$ $<3\%$	two thirds
$\geq 3\%$	total grant

At the time of determining the performance condition, the Board 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.

A service condition also applied which makes the performance rights subject to the individual executives remaining in service until the rights vest.

Any rights that did not vest at the applicable time of measurement thereupon lapsed.

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 the Company executives.

Further details regarding the performance rights are disclosed on page 21.

The comprehensive review of the Company's remuneration policy, which included the independent advice from Mercer, has resulted in the following changes to the five year performance rights mentioned above and granted on 25 November, 2004:-

(a) the performance condition has been amended so that pro-rata vesting of the performance rights will occur where the Company's TPR outperforms the S&P ASX All Ordinaries Accumulation Index movement over a scale from 0.1% through to 3% for the measurement period;

(b) the introduction of re-testing of the performance condition to provide for re-measurement of tranche 1 rights (expiry date 25 November, 2007) in the fourth and fifth years to the extent that they have not vested and tranche 2 rights (expiry date 25 November, 2008) will similarly be re-measured in the fifth year; and

(c) the introduction of Board discretion to enable performance rights to continue beyond cessation of employment in certain circumstances which could include death, retirement, etc.

The Board believes that these changes significantly improve the Plan by:-

- bringing it more in line with general market remuneration practices;
- eliminating the unevenness of the stepped scale of the performance conditions under the former arrangement where marginal differences in Company performance could produce quite different outcomes for executives' rewards; and
- minimising the impact of short-term share market volatility.

The Company operates in a highly competitive employment industry and the Board considers that these changes to the long-term performance incentive plan are necessary to retain and attract quality executives who are able to improve the Company's performance and create shareholder wealth.

In accordance with the requirements of the ASX Listing Rules, shareholder approval of the above amendments to the performance rights already issued to the Managing Director will be sought at the Company's forthcoming Annual General Meeting (AGM).

The Directors intend to grant further issues of performance rights to the Managing Director and Company executives following the Company's forthcoming AGM. These performance rights will be issued under the Company's Executive Performance Rights Plan which will incorporate the above amendments. These and future performance rights will be granted annually on the basis that they are three year performance rights with the performance condition tested at the end of the third year and re-tested in the fourth and fifth years to the extent that they have not yet vested. Shareholders will be asked to approve the granting of the performance rights to the Managing Director at this year's AGM.

The investment industry provides numerous opportunities for executives to be well remunerated and to accumulate significant equity positions in their employer. In this environment, 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.

Following the independent advice received from Mercer, the Directors intend to issue a total of 195,000 restricted share rights, to be allocated between certain key investment personnel. These share rights will vest in three, four and five years, subject to continued service with the Company. The Board will have the discretion to allow the share rights to vest in certain other circumstances. No restricted share rights will be granted to the Managing Director.

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.

Senior Executives

Besides the non-executive Directors and the Managing Director, the Company has currently only three executives for whom the key management personnel disclosures required by Accounting Standard AASB 124 "Related Party Disclosures" and the Corporations Act 2001 apply being Mr. B.R. Aird (Chief Financial Officer and Company Secretary), Mr. J. Beddow (Investment Executive) and Mr. C.C. Hall (Investment Executive).

Remuneration of Key Management Personnel

		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	**2007**	**42,000**	**–**	**–**	**94,250**	**–**	**–**	**136,250**
	2006	99,500	–	–	19,855	–	–	119,355
R.T. Rich	**2007**	**17,500**	**–**	**–**	**58,800**	**–**	**–**	**76,300**
	2006	62,167	–	–	11,953	–	–	74,120
M.S. Darling	**2007**	**70,000**	**–**	**–**	**6,300**	**–**	**–**	**76,300**
	2006	68,000	–	–	6,120	–	–	74,120
I.R. Johnson	**2007**	**11,667**	**–**	**–**	**64,633**	**–**	**–**	**76,300**
	2006	20,521	–	–	1,847	–	–	22,368
G.I. Martin	**2007**	**23,333**	**–**	**–**	**52,967**	**–**	**–**	**76,300**
	2006	68,000	–	–	6,120	–	–	74,120
Executive Director								
R.J. Patterson	**2007**	**449,200**[a]	**70,000**[c]	**100,085**	**44,100**	**–**	**34,388**	**697,773**
	2006	384,011[a]	60,900[c]	91,113	60,000	–	34,388	630,412
Other Key Management Personnel								
B.R. Aird	**2007**	**200,039**[a]	**35,000**[d]	**64,542**	**65,000**	**–**	**20,689**	**385,270**
	2006	198,078[a]	30,800[d]	58,796	50,000	–	20,689	358,363
J. Beddow	**2007**	**244,646**[b]	**38,500**[e]	**6,234**	**24,750**	**6,850**[g]	**14,146**	**335,126**
	2006	197,516[b]	28,000[e]	5,497	18,450	7,868[g]	14,146	271,477
C.C. Hall	**2007**	**227,665**[b]	**36,400**[f]	**3,792**	**26,400**	**7,184**[h]	**17,322**	**318,763**
	2006	213,692[b]	33,600[f]	3,717	24,450	6,684[h]	17,322	299,465
Total	**2007**	**1,286,050**	**179,900**	**174,653**	**437,200**	**14,034**	**86,545**	**2,178,382**
	2006	1,311,485	153,300	159,123	198,795	14,552	86,545	1,923,800

(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) Mr. R.J. Patterson received 70% of the amount payable pursuant to the short-term performance incentive bonus scheme and it was paid as an additional superannuation contribution. In 2006, 70% was received and paid as an additional superannuation contribution.

(d) Mr. B.R. Aird received 70% of the amount payable pursuant to the short-term performance incentive bonus scheme and it was paid as an additional superannuation contribution. In 2006, 70% was received and paid as an additional superannuation contribution.

(e) Mr. J. Beddow received 70% of the amount payable pursuant to the short-term performance incentive bonus scheme and $35,035 was paid in cash and $3,465 paid as an additional superannuation contribution. In 2006, 70% was received and $25,480 was paid in cash and $2,520 paid as an additional superannuation contribution.

(f) Mr. C.C. Hall received 70% of the amount payable pursuant to the short-term performance incentive bonus scheme and $32,760 was paid in cash and $3,640 paid as an additional superannuation contribution. In 2006, 70% was received and $30,240 was paid in cash and $3,360 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 Monte Carlo methodology 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 remuneration performance related	Value of performance rights as proportion of remuneration
R.J. Patterson	**2007**	**15.0%**	**4.9%**
	2006	15.1%	5.5%
B.R. Aird	**2007**	**14.5%**	**5.4%**
	2006	14.4%	5.8%
J. Beddow	**2007**	**15.7%**	**4.2%**
	2006	15.5%	5.2%
C.C. Hall	**2007**	**16.9%**	**5.4%**
	2006	17.0%	5.8%

Service Agreements

Mr. R.J. Patterson (Managing Director) and Mr. B.R. Aird (Chief Financial Officer and Company Secretary) have service agreements with the Company. Each agreement commenced on 1 July, 2005 for a twelve month 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 by either party giving to the other party not less than twelve calendar months' written notice of termination, or written notice of such other duration as is agreed in writing between the parties.

The Company is entitled at any time to terminate the abovementioned executives' employment by paying each respective party a lump sum equivalent to twelve calendar months' remuneration in lieu of notice.

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 fails to maintain the salary or other benefits, commits a serious or persistent breach of any of the provisions of the agreement, relocates the place of employment outside Adelaide or has a receiver and manager or a liquidator 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.

Performance Rights

Performance	Rights[(1)]	Grant Date	Earliest Vesting Date	Value yet to Vest Min.[(2)] $	Max.[(3)] $
R.J. Patterson	42,600	25/11/2004	25/11/2007	nil	7,836
	42,600	25/11/2004	25/11/2008	nil	13,371
	42,600	25/11/2004	25/11/2009	nil	12,972
	127,800			nil	34,179
B.R. Aird	20,800	25/11/2004	25/11/2007	nil	3,826
	20,800	25/11/2004	25/11/2008	nil	9,039
	20,800	25/11/2004	25/11/2009	nil	11,400
	62,400			nil	24,265
J. Beddow	18,700	25/11/2004	25/11/2007	nil	3,057
	18,700	25/11/2004	25/11/2008	nil	5,869
	18,700	25/11/2004	25/11/2009	nil	5,694
	56,100			nil	14,620
C.C. Hall	22,900	25/11/2004	25/11/2007	nil	3,744
	22,900	25/11/2004	25/11/2008	nil	7,188
	22,900	25/11/2004	25/11/2009	nil	6,972
	68,700			nil	17,904
Total	**315,000**			**nil**	**90,968**

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

(3) 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.

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

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:-

	2007	2006	2005	2004	2003
Change in share price between years (adjusted for new issues)	$0.94	$1.39	$0.66	$0.13	$0.20

	2007	2006	2005	2004	2003
	$'000	$'000	$'000	$'000	$'000
Operating profit before net gains on sale of long-term investments	147,855	123,124	105,053	78,593	74,583
Dividends paid	141,768	115,088	97,417	77,636	71,216
Total assets	4,616,454	3,306,938	2,789,516	2,211,381	1,725,389

Total Shareholder Return based on the Company's share price performance and dividends paid for the 5 years ended 30 June, 2007 was 17.5% compounded per annum.

2005, 2006 and 2007 profit and asset figures have been prepared under Australian equivalents to International Financial Reporting Standards (AIFRS) and 2003 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, on all accounts from the above data, 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**

Professional fees for non-audit services paid to PricewaterhouseCoopers were $14,828 for tax compliance services and $3,850 for Prospectus due diligence. These fees total $18,678 and the Directors, having received written advice provided by resolution of the Audit Committee, are satisfied that the provision of these non-audit services were compatible with the general standard of independence of the Auditor, as imposed by the Corporations Act 2001. It was considered that these matters were of a technical compliance nature and it was appropriate that the services be provided by a professional who had intimate knowledge of the Company's affairs and structure. 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
24 August, 2007

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 2007, 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 during the period.

DR Clark
Partner
PricewaterhouseCoopers

Adelaide
24 August 2007

Corporate governance

Our experienced Board of Directors and senior executives are committed to responsible financial and business practices to protect and advance shareholders' interests. Consistent with this aim, the Company has followed the principles and best practice recommendations established by the ASX Corporate Governance Council.

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.

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 internet site at **www.argoinvestments.com.au**

The Board's primary role is to ensure the long-term health and 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 the Managing Director and reviewing his performance.

~ setting appropriate business standards and code for ethical behaviour.

The Board currently comprises the Managing Director and five non-executive Directors of whom four are independent as defined by the ASX Corporate Governance Council's principles. 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 Council's principles, 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 is provided with and completes an evaluation form in relation to the performance of the Board. The evaluation form 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 non-executive Directors of whom two are independent as defined by the ASX Corporate Governance Council's principles, 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 2007 financial year.

Nomination and Remuneration Committee
The Nomination and Remuneration Committee comprises three 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 for the non-executive Directors, the Managing Director and the senior 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 the Managing Director's and senior executives' remuneration to the Company's financial and operational performance. The Company's remuneration policy, its relationship with Company performance and the details of the remuneration of each Director and senior executive can be found in the Remuneration Report which forms part of the Directors' Report, commencing on page 12. There are only three current senior executives for which this disclosure is required.

Directors' Shareholdings

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 on page 11.

The Board has adopted a policy for dealings in the Company's shares by Directors, officers and designated employees 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 prior consent of the Board.

Officers and designated employees 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 a Director, officer or designated employee or an entity controlled by them from taking up or renouncing an entitlement to the Company's shares or participating in the Company's Share Purchase Plan or Dividend Reinvestment Plan.

Conflict of Interest

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

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.

Shareholder Communication
The Company has an obligation under the ASX Listing Rules and aims to keep shareholders informed of the Company's performance and all major developments on an ongoing basis. Information is communicated to shareholders through:-

~ the Annual Report which is distributed to all shareholders (unless specifically requested otherwise);

~ a letter providing details of the half-yearly result;

~ the Owner's Manual and website; and

~ other correspondence regarding matters impacting on shareholders as required.

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

Shareholders are also encouraged to participate in the Annual General Meeting 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.

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

The Board believes the Company engages in sound corporate governance practices which have regard to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice 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.

Income Statement

for the year ended 30 June, 2007

	Note	2007 $'000	2006 $'000
Dividends and distributions		145,024	122,439
Interest		15,922	11,843
Other revenue		731	341
Total revenue		161,677	134,623
Net gains/(losses) on trading investments		377	(197)
Income from operating activities before realised gains on sale of long-term investments		162,054	134,426
Administrative expenses	2	(4,740)	(4,202)
Operating profit before income tax expense and realised gains on sale of long-term investments		157,314	130,224
Income tax expense thereon*	3	(9,459)	(7,100)
Net operating profit before realised gains on sale of long-term investments		147,855	123,124
Realised gains on sale of long-term investments		33,906	30,473
Income tax expense thereon*	3	(10,224)	(9,313)
Net realised gains on sale of long-term investments		23,682	21,160
Profit for the year		171,537	144,284
*Total income tax expense		19,683	16,413

	Note	2007 cents	2006 cents
Basic and diluted earnings per share including realised gains on sale of long-term investments	4	33.5	29.8

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, 2007

	Note	2007 $'000	2006 $'000
CURRENT ASSETS			
Cash and cash equivalents	5(a)	424,225	168,466
Receivables	6	27,212	23,853
Current tax assets		–	2,737
Total Current Assets		451,437	195,056
NON-CURRENT ASSETS			
Receivables	6	3,003	2,158
Investments	7	4,161,583	3,109,285
Plant and equipment	8	431	439
Total Non-Current Assets		4,165,017	3,111,882
TOTAL ASSETS		4,616,454	3,306,938
CURRENT LIABILITIES			
Payables	9	14,803	4,700
Derivative financial instruments	10	220	174
Current tax liabilities		15,439	–
Provisions	11	495	471
Total Current Liabilities		30,957	5,345
NON-CURRENT LIABILITIES			
Payables	9	501	501
Deferred tax liabilities	12	726,097	514,769
Provisions	11	138	89
Total Non-Current Liabilities		726,736	515,359
TOTAL LIABILITIES		757,693	520,704
NET ASSETS		3,858,761	2,786,234
SHAREHOLDERS' EQUITY			
Contributed equity	13(a)	1,725,212	1,219,990
Reserves	14	1,966,728	1,430,545
Retained profits	15	166,821	135,699
TOTAL SHAREHOLDERS' EQUITY		3,858,761	2,786,234

(To be read in conjunction with the accompanying notes)

Statement of Changes in Equity
for the year ended 30 June, 2007

	Note	2007 $'000	2006 $'000
Total equity at the beginning of the year		2,786,234	2,383,272
Direct equity adjustments:-			
Executive performance rights reserve	14	123	123
Revaluation of long-term investments	14	737,370	377,308
Provision for tax on unrealised gains on long-term investments	14	(220,163)	(114,233)
Total direct equity adjustments		517,330	263,198
Profit for the year		171,537	144,284
Total direct equity adjustments and profit for the year		688,867	407,482
Transactions with shareholders:-			
Dividend Reinvestment Plan	13(a)	24,341	21,128
Share Purchase Plan	13(a)	35,478	78,024
Rights Issue 1:8	13(a)	445,403	–
Dividends paid from retained profits	16(a)	(116,733)	(99,003)
Dividend paid from capital profits reserve	16(a)	(4,829)	(4,669)
		383,660	(4,520)
Total equity at the end of the year		3,858,761	2,786,234

(To be read in conjunction with the accompanying notes)

Cash Flow Statement

for the year ended 30 June, 2007

	Note	2007 $'000	2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		141,158	120,052
Interest received		15,153	12,028
Other receipts		1,037	(2,834)
Payments for trading investments		(1,199)	(1,451)
Proceeds from trading investments		1,324	1,949
Other payments		(4,394)	(4,217)
Income tax paid		(10,189)	(18,740)
Net operating cash flows	5(b)	142,890	106,787
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		73,754	51,453
Acquisitions of long-term investments		(344,034)	(193,154)
Executive share scheme repayments		228	320
Proceeds from sale of fixed assets		14	–
Payments for fixed assets		(63)	(29)
Net investing cash flows		(270,101)	(141,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		480,198	78,163
Share issues transaction costs		(557)	(198)
Dividends paid – net of reinvestment		(97,221)	(82,544)
Net financing cash flows		382,420	(4,579)
Net increase/(decrease) in cash held		255,209	(39,202)
Cash at the beginning of the year		168,203	207,405
Cash at the end of the year	5(a)	423,412	168,203

(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 to all the years presented, 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(b)(2) and exchange traded options in note 1(c).

Where necessary, the comparative figures have been adjusted to conform with the current year.

(b) **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 of Investments**

Trading securities and long-term securities are continuously carried at fair value.

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 on Investments**

Current Assets

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

Realised gains and losses from the sale of trading investments 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 investments 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 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.

(c) **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 market price and unrealised gains and losses are included in the Income Statement.

(d) **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.

(e) **Revenue**

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

(f) **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 deprecation at rates ranging from 7.5% to 33.3%.

(g) **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.

(h) **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.

(i) **Argo Executive Performance Rights Plan**
The share based performance 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 is calculated using the Monte-Carlo model.

(j) **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.

(k) **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.

(l) **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.

(m) **Operating Leases**
Payments made under operating leases are accounted for on a straight-line basis over the period of the lease.

(n) **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.

(o) **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.

(p) **Contributed Equity**

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

(q) **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.

(r) **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.

(s) **New Accounting Standards**

Certain new Accounting Standards and UIG interpretations have been published that are not mandatory for the 30 June, 2007 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

Accounting Standard AASB 7 "Financial Instruments: Disclosures" will apply for annual reporting periods beginning on or after 1 January, 2007 and the Company has not adopted this standard early. Application of the standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

All other 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.

(t) **Critical Accounting Estimates and Judgements**

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

2. ADMINISTRATION EXPENSES

	2007 $'000	2006 $'000
Employment benefits	3,093	2,718
Depreciation	50	62
Other administration	1,597	1,422
	4,740	**4,202**

3. INCOME TAX EXPENSE

	2007 $'000	2006 $'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	157,314	130,224
Prima facie tax payable calculated at 30% (2006: 30%)	47,194	39,067
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Imputation gross-up on dividends received	14,587	12,760
Franking credits on dividends received	(48,622)	(42,532)
Other	(3,788)	(2,085)
Under/(Over) provision previous year	88	(110)
Income tax expense on operating profit before realised gains on sale of long-term investments	9,459	7,100
Realised gains on sale of long-term investments	33,906	30,473
Prima facie tax payable calculated at 30% (2006: 30%)	10,172	9,142
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Difference between accounting and tax cost base for capital gains purposes	52	171
Income tax expense on realised gains on sale of long-term investments	10,224	9,313
Total income tax expense	**19,683**	**16,413**

	2007 $'000	2006 $'000
(b) Income tax expense composition		
Charge for tax payable relating to current year	19,979	13,668
Increase/(Decrease) in deferred tax liabilities	(384)	2,855
Under/(Over) provision previous year	88	(110)
	19,683	**16,413**
(c) Amounts recognised directly in equity		
Increase in deferred tax liabilities	**220,163**	**114,233**

4. EARNINGS PER SHARE

	2007 number '000	2006 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	511,904	474,739
	$'000	$'000
Basic and diluted earnings per share		
Profit for the year	171,537	144,284
	cents	cents
Basic and diluted earnings per share including realised gains on sale of long-term investments	33.5	29.8*
	$'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	147,855	123,124
	cents	cents
Basic and diluted operating earnings per share excluding realised gains on sale of long-term investments	28.9	25.4*

*adjusted for 1:8 rights issue allotted in March 2007

5. CASH AND CASH EQUIVALENTS

(a) Cash includes cash on deposit (6.20% floating interest rate 30 June, 2007; 5.70% floating interest rate as at 30 June, 2006) with banks, fixed term deposits (fixed interest rates between 6.32% and 6.39% as at 30 June, 2007; 5.85% and 5.98% as at 30 June, 2006) with banks, negotiable bank bills of exchange (fixed interest rates to maturity between 6.32% and 6.37% as at 30 June, 2007; 5.82% and 5.93% as at 30 June, 2006) and investment grade negotiable promissory notes (fixed interest rates between 6.37% and 6.49% as at 30 June, 2007; 5.87% and 6.03% as at 30 June, 2006), all maturing within three months from date of acquisition.

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

	2007	**2006**
	$'000	$'000
Bank deposits	145,393	51,284
Bank accepted bills (face value $204,500,000; 2006 $49,000,000)	203,940	48,874
Bank negotiable certificates of deposits (face value $37,078,413; 2006 $41,494,614)	37,006	41,356
Promissory notes (face value $38,000,000; 2006 $27,000,000)	37,886	26,952
	424,225	168,466
Amortised interest	(813)	(263)
	423,412	**168,203**

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

	2007	**2006**
Profit for the year	171,537	144,284
Net realised (gain)/loss on sale of long-term investments	(23,682)	(21,160)
Net loss/(gain) on fixed assets	7	–
Depreciation	50	62
Charges to provisions	289	63
Increase/(Decrease) in provision for income tax	18,177	(12,011)
Transfer (to)/from provision for deferred income tax	(18,881)	314
(Increase)/Decrease in deferred tax assets	(105)	(18)
Changes in assets and liabilities		
(Increase)/Decrease in other debtors	(4,658)	(2,157)
Increase/(Decrease) in other creditors	156	(2,590)
Net cash provided by operating activities	**142,890**	**106,787**

	2007 $'000	2006 $'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 annual review.

(d) Non-cash Investing Activities

Interest free loans totalling $1,073,110 were made during the year (last year nil) to executives pursuant to the Argo Investments Executive Share Plan and equalled the issue price of Company shares arising from the 1 for 8 renounceable rights issue at $7.20 per share to which the executives were entitled under the terms of the Plan.

(e) Non-cash Financing Activities

Dividends paid totalling $24,340,472 were reinvested in shares under the Company's dividend reinvestment plan (last year $21,128,261).

6. RECEIVABLES

	2007 $'000	2006 $'000
Current		
Dividends and distributions receivable	26,529	22,665
Interest receivable	652	394
Outstanding settlements	–	748
Other	31	46
	27,212	**23,853**

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

	2007 $'000	2006 $'000
Non-Current		
Executive share plan loans		
- Director	1,613	1,112
- Others	1,390	1,046
	3,003	**2,158**

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

7. INVESTMENTS

	2007 $'000	2006 $'000
Non-Current		
Listed securities at market value	4,156,583	3,107,285
Unlisted securities at market value	5,000	2,000
	4,161,583	**3,109,285**

The total number of investment transactions that occurred in securities during the financial year was 168. The total brokerage paid on these transactions was $1,168,600.

At 30 June, 2007, investments with a market value of $33,980,700 (last year $15,030,990) were on loan as a result of securities lending. Cash totalling $35,966,385 (last year $15,782,540) was held in a trust account as collateral. Also, investments with a market value of $10,924,200 (last year $11,518,400) were lodged with the Australian Clearing House (ACH) as collateral for option positions written by the Company in the Exchange Traded Option Market. In both instances, the market values of the investments are included as part of the total of the Company's listed securities.

8. PLANT AND EQUIPMENT

	2007 $'000	2006 $'000
Plant, equipment and vehicles at cost	701	680
Accumulated depreciation	(270)	(241)
	431	**439**
Reconciliation of Plant and Equipment		
Carrying amount at beginning of year	439	472
Additions	63	29
Disposals	(21)	–
Depreciation	(50)	(62)
Carrying amount at end of year	**431**	**439**

9. PAYABLES

	2007	2006
	$'000	$'000
Current		
Outstanding settlements	14,316	4,322
Other	487	378
	14,803	**4,700**
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

	2007	2006
	$'000	$'000
Exchange traded options at market value	**220**	**174**

11. PROVISIONS

	2007	2006
	$'000	$'000
Current		
Provision for employee entitlements	**495**	**471**
Non-Current		
Provision for employee entitlements	**138**	**89**
Aggregate of provision for employee entitlements	**633**	**560**

12. DEFERRED TAX LIABILITIES

	2007 $'000	2006 $'000
Non-Current		
Amounts recognised in profit for the year:-		
Deferred tax liability on realised gains on sale of long-term investments	–	2,519
Income receivable which is not assessable for tax until receipt	916	983
Tax on unrealised income on options sold	(50)	162
	866	3,664
Offset by deferred tax assets:-		
Provisions and payables	(482)	(377)
	384	3,287
Amounts recognised directly in equity:-		
Deferred tax liability on unrealised gains on long-term investments	725,934	511,631
Offset by deferred tax assets:-		
Share issues transaction costs	(221)	(149)
	725,713	511,482
Aggregate of deferred tax liabilities	**726,097**	**514,769**
Movements:-		
Balance at beginning of year	514,769	390,911
(Credited)/Charged to the Income Statement	(384)	2,855
Charged to equity	220,163	114,233
Tax effect on revaluation of long-term investments not recognised in equity	(8,451)	6,770
Balance at end of year	**726,097**	**514,769**

13. CONTRIBUTED EQUITY

	30.6.07 No. of shares	30.6.06 No. of shares	30.6.07 $'000	30.6.06 $'000
(a) Issued and fully paid ordinary shares				
Opening balance	482,919,018	466,943,431	1,219,990	1,120,838
Dividend reinvestment plan	3,295,844	3,390,167	24,341	21,128
Share purchase plan	5,115,695	12,585,420	35,478	78,024
Rights issue 1:8	61,905,184	–	445,403	–
Closing balance	**553,235,741**	**482,919,018**	**1,725,212**	**1,219,990**

(b) On 8 September, 2006, 1,817,126 shares were allotted at $6.95 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2006.

On 9 March, 2007, 1,478,718 shares were allotted at $7.92 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2007.

(c) On 17 October, 2006, 5,115,695 shares were allotted at $6.95 per share resulting from the Share Purchase Plan offered to eligible shareholders and transaction costs after tax of $75,672 were offset against the proceeds of the issue.

(d) On 27 March, 2007, 61,905,184 shares were allotted at $7.20 per share resulting from the new share issue offered to eligible shareholders on the basis of 1 share for every 8 held on 16 February, 2007. Transaction costs after tax of $314,473 were offset against the proceeds of the issue.

(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

	2007 $'000	2006 $'000
Capital Profits Reserve		
Balance at beginning of year	191,563	175,072
Transfer to provision for dividend	(4,829)	(4,669)
Transfer from retained profits	23,682	21,160
Balance at end of year	**210,416**	**191,563**
Investment Revaluation Reserve		
Balance at beginning of year	1,238,786	975,711
Revaluation of long-term investments	737,370	377,308
Provision for tax on unrealised gains on long-term investments	(220,163)	(114,233)
Balance at end of year	**1,755,993**	**1,238,786**
Executive Performance Rights Reserve		
Balance at beginning of year	196	73
Accrued entitlement for unvested executive performance rights	123	123
Balance at end of year	**319**	**196**
Total Reserves	**1,966,728**	**1,430,545**

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 rights issued to executives, 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

	2007	**2006**
	$'000	$'000
Balance at beginning of year	135,699	111,578
Profit for the year	171,537	144,284
Transfer to capital profits reserve	(23,682)	(21,160)
Dividends paid	(116,733)	(99,003)
Balance at end of year	**166,821**	**135,699**

16. DIVIDENDS

	2007	**2006**
	$'000	$'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June, 2006 of 12 cents fully franked at 30% tax rate paid 8 September, 2006 (last year 9 cents fully franked at 30% tax rate)	57,950	42,026
Special dividend for the year ended 30 June, 2006 - nil (last year 1 cent fully franked at 30% tax rate)	–	4,669
Interim dividend for the year ended 30 June, 2007 of 12 cents fully franked at 30% tax rate paid 9 March, 2007 (last year 11 cents fully franked at 30% tax rate)	58,783	52,308
Dividends paid from retained profits	116,733	99,003
LIC capital gain dividend for the year ended 30 June, 2006 of 1 cent fully franked at 30% tax rate paid 8 September, 2006 from capital profits reserve (last year 1 cent fully franked at 30% tax rate)	4,829	4,669
Total dividends paid	**121,562**	**103,672**

	2007 $'000	2006 $'000
(b) **Dividends declared after balance date**		
Since the end of the financial year, the Directors have declared the following dividends which have not been recognised as a liability at the end of the financial year:-		
Final dividend for the year ended 30 June, 2007 of 13 cents fully franked at 30% tax rate payable 5 September, 2007 from retained profits (last year 12 cents fully franked at 30% tax rate)	71,920	57,950
LIC capital gain dividend for the year ended 30 June, 2007 of 2 cents fully franked at 30% tax rate payable 5 September, 2007 from capital profits reserve (last year 1 cent fully franked at 30% tax rate)	11,065	4,829
Total dividends declared after balance date	**82,985**	**62,779**

17. FRANKING ACCOUNT

	2007 $'000	2006 $'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	67,248	40,772
Impact on the franking account of the dividends declared but not recognised as liabilities at the end of the financial year	(35,565)	(26,905)
	31,683	**13,687**
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	**73,928**	**32,356**

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.

18. LISTED INVESTMENT COMPANY CAPITAL GAIN ACCOUNT

	2007 $'000	2006 $'000
Balance of the Listed Investment Company (LIC) capital gain account	17,346	13,097
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(11,065)	(4,829)
	6,281	**8,268**
This equates to an attributable amount of	**8,973**	**11,811**

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.

19. FINANCIAL REPORTING BY SEGMENTS

The Company operates only in the investment industry within Australia.

20. COMMITMENTS

	2007 $'000	2006 $'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	240	233
Later than one year but not later than five years	431	633
Later than five years	–	43
	671	**909**
Future lease receipts in relation to sub-leases of operating leases not provided for in the financial statements	**86**	**133**

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.

21. 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. B.R. Aird (Company Secretary and Chief Financial Officer), Mr. J. Beddow (Investment Executive) and Mr. C.C. Hall (Investment Executive).

Shareholdings, performance rights and transactions

The number of ordinary shares and performance 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	**2007**	**85,413**	**22,918**	**108,331**
	2006	76,077	9,336	85,413
R.T. Rich	**2007**	**16,092,751**	**1,479,555**	**17,572,306**
	2006	15,906,568	186,183	16,092,751
M.S. Darling	**2007**	**15,900**	**2,567**	**18,467**
	2006	14,570	1,330	15,900
I.R. Johnson	**2007**	**10,000**	**2,024**	**12,024**
	2006	–	10,000	10,000
G.I. Martin	**2007**	**50,372**	**48,543**	**98,915**
	2006	25,000	25,372	50,372
Executive Director				
R.J. Patterson	**2007**	**805,615**	**99,765**	**905,380**
	2006	803,181	2,434	805,615
Other Key Management Personnel				
B.R. Aird	**2007**	**417,181**	**54,528**	**471,709**
	2006	414,541	2,640	417,181
J. Beddow	**2007**	**31,375**	**4,080**	**35,455**
	2006	31,202	173	31,375
C.C. Hall	**2007**	**25,742**	**5,792**	**31,534**
	2006	24,001	1,741	25,742

(b) **Performance rights holdings**

		Opening balance	Granted as remuneration	Closing balance
Executive Director				
R.J. Patterson	**2007**	**127,800**	**–**	**127,800**
	2006	127,800	–	127,800
Other Key Management Personnel				
B.R. Aird	**2007**	**62,400**	**–**	**62,400**
	2006	62,400	–	62,400
J. Beddow	**2007**	**56,100**	**–**	**56,100**
	2006	56,100	–	56,100
C.C. Hall	**2007**	**68,700**	**–**	**68,700**
	2006	68,700	–	68,700

No performance rights were exercised or vested during the financial year.

Key Management Personnel Compensation

	2007 $	2006 $
Short-term	1,640,603	1,623,908
Post-employment	437,200	198,795
Other long-term	14,034	14,552
Share based	86,545	86,545
	2,178,382	**1,923,800**

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	**2007**	**1,112,166**	**–**	**74,518**	**1,612,925**	**1,612,925**
	2006	1,226,496	–	64,307	1,112,166	1,226,496

		Opening balance $	Interest charged $	Interest not charged $	Closing balance $	Highest balance in period $
Other Key Management Personnel						
B.R. Aird	**2007**	**710,113**	**–**	**46,809**	**973,149**	**973,149**
	2006	770,167	–	40,691	710,113	770,167
J. Beddow	**2007**	**97,602**	**–**	**6,234**	**119,045**	**119,045**
	2006	102,498	–	5,497	97,602	102,498

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 in 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 $17,600 (2006: $16,500).

22. EMPLOYEE ENTITLEMENTS

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, 1,692 (2006: 2,076) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $12,011 (2006: $12,003). These shares had a market value of $13,654 (2006: $14,781) at $8.07 per share (2006: $7.12 per share) as at 30 June, 2007.

23. REMUNERATION OF AUDITORS

	2007 $'000	**2006** $'000
During the year the auditor earned the following remuneration:		
- auditing the financial statements	62	55
- tax compliance services	15	–
- Prospectus due diligence for 1:8 rights issue	4	–
	81	**55**

24. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

The Company's activities expose it to financial risks involving the Company's investments, receivables and payables.

Credit Risk

In relation to cash and deposits, the credit risk exposure is the carrying amount and any interest accrued. In relation to negotiable bank bills of exchange and promissory notes, 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 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 issuer. No maturity is greater than three months.

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 companies.

Liquidity Risk

The Company has no borrowings and monitors its cash flow requirements daily.

The assets of the Company are largely in the form of tradable securities which, if necessary, could be sold on-market.

Market Risk

The Company is a listed investment company that invests in tradable 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.

The Company seeks to reduce the market risk of the 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 is not exposed to interest rate risk on its cash investments as they mature in the short-term and have a fixed interest rate. The interest rate risk on the Company's convertible notes and other interest bearing securities is reflected in their market value.

Directors' Declaration

In the opinion of the Directors of Argo Investments Limited:

a) the financial statements and notes set out on pages 28 to 51 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 financial position of the Company as at 30 June, 2007 and of its performance for the financial year ended on that date; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) the audited remuneration disclosures set out on pages 12 to 20 of the Directors' Report comply with Accounting Standard AASB 124 "Related Party Disclosures" and the Corporations Regulations 2001.

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, 2007.

Dated at Adelaide this 24th day of August, 2007

Signed in accordance with a resolution of the Directors

C.L. Harris
Chairman

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of Argo Investments Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the Directors' report

We have audited the accompanying financial report of Argo Investment Limited (the company), which comprises the balance sheet as at 30 June 2007, 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.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 12 to 20 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remuneration disclosures contained in the directors' 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 control 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.

PRICEWATERHOUSECOOPERS

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 on the financial report

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 2007 and of its 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.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 12 to 20 of the directors' report comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

PricewaterhouseCoopers

DR Clark

DR Clark
Partner

Adelaide
24 August 2007

Shareholding details
as at 20 August, 2007

	Ordinary shareholders
Total number of shareholders (entitled to one vote per share)	**59,440**
Number of shareholders holding:-	
1 - 1,000 shares	12,716
1,001 - 5,000 shares	22,820
5,001 - 10,000 shares	11,124
10,001 - 100,000 shares	12,313
100,001 or more shares	467
	59,440
Number of shareholders holding less than a marketable parcel	798

20 largest shareholders of ordinary shares

Name	No. of shares	% of issued capital
RCY Pty. Limited	6,233,220	1.13
JIT Pty. Limited	4,899,972	0.88
Bougainville Copper Limited	2,977,055	0.54
TRIGT Pty. Limited	2,957,478	0.53
Questor Financial Services Limited (TPS RF a/c)	2,354,662	0.43
McLennan Holdings Pty. Ltd.	2,273,837	0.41
RBC Dexia Investor Services Australia Nominees Pty. Limited (MLCI a/c)	1,884,000	0.34
Donald Cant Pty. Ltd.	1,661,410	0.30
Kalymna Pty. Ltd.	1,620,036	0.29
Jacaranda Pastoral Pty. Ltd.	1,326,929	0.24
Poplar Pty. Limited	1,257,464	0.23
Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c)	1,170,177	0.21
Pont Pty.	1,131,736	0.20
Pards Pty. Limited	1,045,129	0.19
Ling Nominees Pty. Ltd.	1,013,224	0.18
JIN Pty. Limited	969,275	0.18
Palmerston Pty. Ltd.	945,443	0.17
Bersal Pty. Ltd.	933,488	0.17
Mr. George Edward Carrington	922,500	0.17
L.P. Lewis Pty. Ltd.	918,409	0.17
	38,495,444	**6.96**

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

Investments
as at 30 June, 2007

	No. of shares or units	Market value $m
ABB Grain Ltd	357,699	3.3
A.B.C. Learning Centres Ltd.	1,273,331	8.8
Aberdeen Leaders Ltd.	11,633,432	22.7
Adelaide Bank Ltd.	1,297,501	19.8
Adelaide Bank Ltd. reset preference	17,000	1.7
Adelaide Brighton Ltd	3,445,062	12.6
Aevum Ltd.	312,500	1.1
AGL Energy Ltd.	2,365,979	35.9
ALE Property Group	610,000	2.7
Alesco Corporation Ltd.	2,047,350	28.4
Alinta Ltd.	2,070,010	31.5
Allco Equity Partners Ltd.	830,000	3.6
Allco Finance Group Ltd.	415,000	4.4
Allco Hybrid Investment Trust	10,000	1.0
Alumina Ltd.	3,287,023	25.6
Amalgamated Holdings Ltd.	752,392	4.9
Amcor Ltd.	5,051,511	37.7
AMP Ltd.	6,225,099	63.0
Ansell Ltd.	665,685	8.1
APA Group	1,346,298	5.7
A.P. Eagers Ltd.	811,799	12.2
APN News & Media Ltd.	3,361,844	19.7
Aristocrat Leisure Ltd.	1,765,775	25.4
Asciano Ltd.	1,072,169	10.9
ASX Ltd.	44,015	2.1
Austal Ltd.	1,200,000	4.5
Austar United Communications Ltd.	2,400,000	4.0
Australand Property Group	1,584,831	3.4
Australia and New Zealand Banking Group Ltd.	4,293,230	124.5
Australian Foundation Investment Company Ltd.	151,406	0.9
Australian Infrastructure Fund	2,123,823	7.0
Australian United Investment Company Ltd.	14,823,881	130.7
Australian Wealth Management Ltd.	300,000	0.8
Automotive Holdings Group Ltd.	1,570,000	6.8
AXA Asia Pacific Holdings Ltd.	4,201,109	31.2

Investments

as at 30 June, 2007

	No. of shares or units	Market value $m
Babcock & Brown Ltd.	150,000	4.8
Babcock & Brown Infrastructure Group	3,319,355	5.7
Babcock & Brown Power	400,000	1.4
Bank of Queensland Ltd.	460,147	8.0
Bank of Queensland Ltd. reset preference	7,500	0.8
Bank of Queensland Ltd. reset preference series 1	5,000	0.5
Bendigo Bank Ltd.	591,940	9.0
BHP Billiton Ltd.	6,422,411	225.0
Billabong International Ltd.	630,507	11.3
Boart Longyear Ltd.	2,000,000	4.5
Boom Logistics Ltd.	2,250,000	7.6
Boral Ltd.	2,866,907	25.1
Brambles Ltd.	2,991,247	36.4
Brickworks Ltd.	554,960	7.9
Brickworks Ltd. reset conv. preference	6,000	0.6
Brickworks Investment Company Limited	4,613,034	7.0
Bunnings Warehouse Property Trust	1,000,000	2.3
Cadbury Schweppes Plc	385,608	6.2
Campbell Brothers Ltd.	569,837	16.5
CEC Group Ltd.	1,690,168	4.2
Centennial Coal Company Ltd.	1,498,624	4.5
Centro Properties Group	1,642,846	14.0
Choiseul Investments Ltd.	824,655	5.1
Coates Hire Ltd.	2,760,000	16.0
Coca-Cola Amatil Ltd.	1,101,982	10.5
Cochlear Ltd.	128,000	7.8
Codan Ltd.	800,000	0.8
Coffey International Ltd.	3,664,361	15.7
Coles Group Ltd.	2,600,000	41.9
Colorpak Ltd.	4,000,000	2.2
Commonwealth Bank of Australia	1,758,306	97.1
Commonwealth Property Office Fund	2,344,066	3.9
Computershare Ltd.	4,011,166	45.3
ConnectEast Group	3,972,534	6.3
Consolidated Minerals Ltd.	3,750,000	11.8
Corporate Express Australia Ltd.	361,000	2.5

Investments
as at 30 June, 2007

	No. of shares or units	Market value $m
Coventry Group Ltd.	740,703	3.3
Crane Group Ltd.	520,364	8.8
CSL Ltd.	236,584	20.8
CSR Ltd.	3,095,512	10.8
David Jones Ltd.	4,143,829	23.1
DB Rreef Trust	1,777,428	3.5
Dexion Ltd.	2,184,099	5.8
Diversified United Investment Ltd.	10,906,805	43.7
Downer EDI Ltd.	745,000	5.5
DUET Group	2,400,000	9.2
Dyno Nobel Ltd.	2,484,477	5.9
Envestra Ltd.	2,928,139	3.4
Evans & Tate Ltd. 8.25% red. conv. notes	975,638	0.4
Evans & Tate Ltd. reset conv. preference	1,000,000	0.2
Fairfax Media Ltd.	4,241,341	19.9
FKP Property Group	1,804,287	13.2
Fleetwood Corporation Ltd.	1,439,497	12.5
Foster's Group Ltd.	7,449,721	47.5
Futuris Corporation Ltd.	2,000,000	5.6
Futuris Corporation Ltd. 7% conv. notes	1,000,000	2.8
Gazal Corporation Ltd.	2,900,000	6.7
Global Mining Investments Ltd.	1,297,879	2.5
Goodman Fielder Ltd.	2,600,000	6.3
Goodman Group	858,473	5.8
GPT Group	1,345,000	6.3
GrainCorp Ltd.	91,565	1.3
Great Southern Ltd.	1,237,806	3.7
Great Southern Ltd. reset conv. notes	10,000	1.0
G.U.D. Holdings Ltd.	1,320,000	12.1
GWA International Ltd.	1,043,094	4.6
Harvey Norman Holdings Ltd.	3,950,000	20.9
Hastings Diversified Utilities Fund	700,000	2.5
Hills Industries Ltd.	4,298,470	22.9
Huntley Investment Company Ltd.	3,014,934	2.9

Investments
as at 30 June, 2007

	No. of shares or units	Market value $m
IAG Finance (New Zealand) Ltd. reset exch. notes	25,000	2.5
IBT Education Ltd.	2,224,817	4.2
Iluka Resources Ltd.	1,156,290	7.1
Incitec Pivot Ltd.	110,000	8.8
ING Industrial Fund	1,263,717	3.0
Insurance Australia Group Ltd.	5,783,333	33.0
Insurance Australia Group Ltd. reset conv. preference	30,800	3.1
InvoCare Ltd.	943,761	5.9
IRESS Market Technology Ltd.	790,000	7.3
Jabiru Metals Ltd.	3,025,180	4.3
James Hardie Industries N.V.	2,469,000	21.5
Legend Corporation Ltd.	3,975,751	1.8
Leighton Holdings Ltd.	484,000	20.0
Lend Lease Corporation Ltd.	1,496,750	27.7
Lex Property Fund	3,000,000	3.0
Lex Retail Property Trust	2,000,000	2.0
Macquarie Airports	7,614,743	30.8
Macquarie Airports Reset Exchange Securities Trust reset conv. preference	23,194	2.3
Macquarie Bank Ltd.	3,780,360	321.3
Macquarie Bank Ltd. income securities	15,000	1.6
Macquarie Communications Infrastructure Group	2,959,231	18.7
Macquarie CountryWide Trust	2,543,679	5.1
Macquarie Infrastructure Group	7,122,491	25.6
Macquarie Media Group	1,040,000	5.0
Macquarie Office Trust	887,358	1.5
Macquarie Private Capital Group	1,816,490	1.6
MAC Services Group Ltd. (The)	500,000	1.2
McGuigan Simeon Wines Ltd.	1,098,906	2.4
Mermaid Marine Australia Ltd.	5,000,000	9.5
Metcash Ltd.	1,125,962	5.1
Milton Corporation Ltd.	7,782,127	174.7
Minara Resources Ltd.	1,400,000	10.2
Mirvac Group	684,987	3.9
Mount Gibson Iron Ltd.	4,250,000	5.7
MYOB Ltd.	2,050,000	2.7

Investments
as at 30 June, 2007

	No. of shares or units	Market value $m
National Australia Bank Ltd.	3,805,367	156.1
National Australia Bank Ltd. income securities	25,770	2.6
News Corporation class A	879,655	22.1
News Corporation class B	480,067	13.0
Nomad Building Solutions Ltd.	778,478	2.1
Oakton Ltd.	978,039	5.5
OneSteel Ltd.	3,150,000	20.3
Orica Ltd.	1,652,658	49.2
Origin Energy Ltd.	4,629,859	46.0
Oxiana Ltd.	1,575,976	5.6
Paladio Group Ltd.	1,333,334	1.1
PaperlinX Ltd.	2,203,100	8.2
Peet Ltd.	1,390,435	5.7
Perpetual Ltd.	350,880	27.6
Powers Trust reset preference	13,000	1.4
Primary Health Care Ltd.	218,585	2.8
Primelife Corporation Ltd.	1,880,582	2.2
Programmed Maintenance Services Ltd.	1,278,880	7.9
Publishing and Broadcasting Ltd.	1,548,203	30.3
Qantas Airways Ltd.	2,899,302	16.2
QBE Insurance Group Ltd.	1,555,984	48.5
QRxPharma Ltd.	500,000	0.9
Ramsay Health Care Ltd.	823,703	9.2
Ramsay Health Care Ltd. reset conv. preference	25,000	2.6
Reece Australia Ltd.	500,000	14.0
Rinker Group Ltd.	3,217,744	60.6
Rio Tinto Ltd.	1,338,920	132.3
Salmat Ltd.	1,292,048	5.6
Santos Ltd.	2,650,000	36.9
Santos Ltd. reset conv. preference	20,000	2.1
Schaffer Corporation Ltd.	184,204	1.6
Sigma Pharmaceuticals Ltd.	6,350,000	13.5
Sims Group Ltd.	415,757	11.0
Sonic Healthcare Ltd.	1,170,000	17.6

Investments
as at 30 June, 2007

	No. of shares or units	Market value $m
Soul, (Washington H.) Pattinson & Company Ltd.	1,532,507	15.5
Southern Cross Broadcasting (Australia) Ltd.	743,475	11.9
St. George Bank Ltd.	2,431,137	86.1
St. George Bank Ltd. reset conv. preference (SAINTS)	12,000	1.2
St. George Bank Ltd. reset conv. preference	15,000	1.5
Stockland	1,266,934	10.3
Straits Resources Ltd.	2,500,130	11.5
Structural Systems Ltd.	1,669,916	4.7
Suncorp-Metway Ltd.	1,584,667	32.0
Suncorp-Metway Ltd. reset conv. preference	32,000	3.3
Symbion Health Ltd.	3,471,070	14.2
Tabcorp Holdings Ltd.	1,784,810	30.6
Talent 2 International Ltd.	1,126,374	3.2
TAPS Trust reset preferred	5,000	0.5
Tattersall's Ltd.	1,299,000	6.1
Technology One Ltd.	3,290,564	4.0
Telstra Corporation Ltd.	19,704,800	90.4
Telstra Corporation Ltd. instalment receipts	10,000,000	31.1
Ten Network Holdings Ltd.	2,051,523	5.6
Thakral Holdings Group	3,432,000	3.8
ThinkSmart Limited	720,000	1.6
Timbercorp Ltd.	1,600,000	3.4
Timbercorp Ltd. reset conv. notes	4,450	0.4
Timbercorp Ltd. reset preference	1,000,000	2.1
Toll Holdings Ltd.	1,072,169	15.5
Toll Holdings Ltd. reset conv. preference	5,000	1.0
Transfield Services Ltd.	746,490	8.3
Transfield Services Infrastructure Fund	350,000	0.8
Transurban Group	2,540,319	20.3
United Group Ltd.	1,194,681	19.9
Walter Diversified Services Ltd.	1,150,000	2.9
Wattyl Ltd.	497,421	1.6
Wesfarmers Ltd.	2,535,000	115.9
West Australian Newspapers Holdings Ltd.	911,871	12.5
Westfield Group	2,278,068	45.5

Investments
as at 30 June, 2007

	No. of shares or units	Market value $m
Westfield Group new	228,092	4.5
Westpac Banking Corporation	3,869,592	99.3
Westpac Office Trust instalment receipts	6,722,374	4.0
Whitehaven Coal Ltd.	700,000	1.5
Woodside Petroleum Ltd.	1,229,493	56.2
Woolworths Ltd.	3,271,080	88.3

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
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

Securities Issued
since 19 September, 1985

Date	Details
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