Argo

Investing in Australia

# 2009 Annual Report

# Directory

Argo Investments Limited
ABN 35 007 519 520

**Directors**

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

**Associate Directors**

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

**Chief Financial Officer and Company Secretary**

Brenton R. Aird

**Auditors**

PricewaterhouseCoopers

**Registered Office and Share Registry**

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South Australia 5000
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Telephone: (08) 8212 2055
Facsimile: (08) 8212 1658
Email: invest@argoinvestments.com.au
Internet: www.argoinvestments.com.au

**Sydney Office**

Level 25, 259 George Street, Sydney,
New South Wales 2000
GPO Box 4313, Sydney, New South Wales 2001
Telephone: (02) 8274 4700
Facsimile: (02) 8274 4777

# Calendar

Annual general meeting:-

Adelaide Convention Centre,
North Terrace,
Adelaide at 10.00 a.m. **26 October, 2009**

Information meetings:-

Melbourne
PricewaterhouseCoopers,
Level 19,
2 Southbank Boulevard,
Southbank at 10.00 a.m. **27 October, 2009**

Sydney
PricewaterhouseCoopers,
Darling Park Cockle Bay,
Tower 2,
201 Sussex Street,
Sydney at 10.00 a.m. **28 October, 2009**

Half yearly result announced **1 February, 2010**

## Objective

"Argo's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio."

# Contents



# 2009 Summary

~ Net operating profit, before realised gains/(losses) and unrealised impairment revaluation charge on long-term investments, of $163.4 million, compared with $182.3 million last year.

~ Operating earnings per share of 28.2 cents per share, compared with 32.2 cents last year.

~ AIFRS accounting result, including realised gains/(losses) and unrealised impairment revaluation charge on long-term investments, a loss of $64.4 million, compared with a profit of $294.1 million last year.

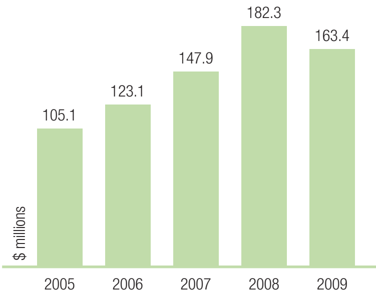
~ Dividends of 27 cents per share, fully franked (including LIC capital gain component of 2 cents per share), compared with 30 cents per share last year.

~ Management expense ratio of 0.19% of average assets at market value.

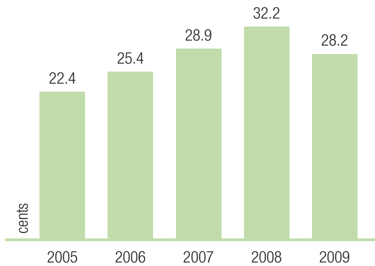
~ Capital raisings of $44.9 million from the Share Purchase Plan and $34.3 million from the Dividend Reinvestment Plan.

# Five year summary

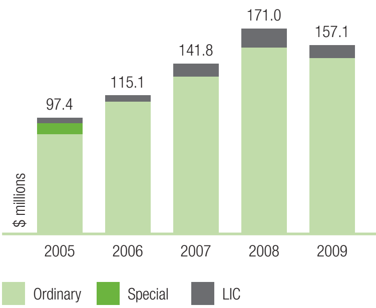
## Operating profit



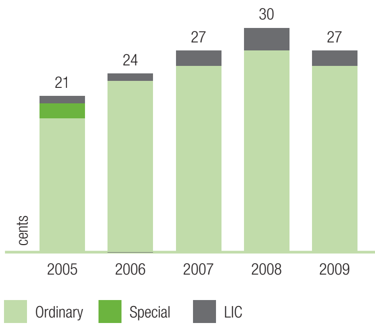

## Operating earnings per share




## Total dividends

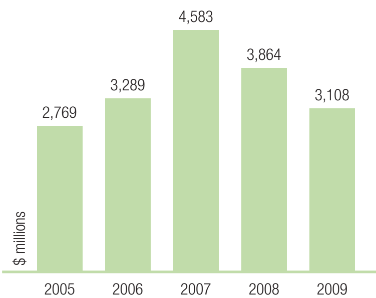



## Dividends per share




## Shareholders' equity

before provision for deferred income tax

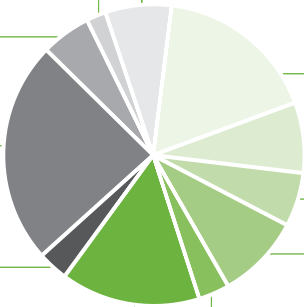



## Net tangible assets

per share

# Portfolio allocation

*as at 30 June, 2009*




# 20 largest investments

*as at 30 June, 2009*

| | $m | % of total assets |
|---|---|---|
| BHP Billiton Ltd. | 245.4 | 7.8 |
| Westpac Banking Corporation | 175.1 | 5.6 |
| Macquarie Group Ltd. | 147.7 | 4.7 |
| Rio Tinto Ltd. | 124.9 | 4.1 |
| Milton Corporation Ltd. | 112.7 | 3.6 |
| National Australia Bank Ltd. | 106.8 | 3.4 |
| Telstra Corporation Ltd. | 106.1 | 3.4 |
| Wesfarmers Ltd. | 104.7 | 3.3 |
| Australian United Investment Company Ltd. | 104.0 | 3.3 |
| Woolworths Ltd. | 101.2 | 3.2 |
| Commonwealth Bank of Australia | 85.7 | 2.8 |
| Australia and New Zealand Banking Group Ltd. | 81.5 | 2.6 |
| Origin Energy Ltd. | 79.1 | 2.5 |
| QBE Insurance Group Ltd. | 61.4 | 2.0 |
| Woodside Petroleum Ltd. | 60.8 | 2.0 |
| Santos Ltd. | 51.0 | 1.6 |
| Westfield Group | 46.3 | 1.5 |
| Orica Ltd. | 44.8 | 1.4 |
| Computershare Ltd. | 39.7 | 1.3 |
| Diversified United Investment Ltd. | 38.6 | 1.2 |
| | **1,917.5** | **61.3** |
| Cash and cash equivalents | **90.0** | **2.9** |

# 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, 2009 of $3.4 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, 2009 Argo had 584.4 million shares on issue.

Argo has 66,000 shareholders who are seeking capital growth and a regular income.

Argo's assets were $3.1 billion as at 30 June, 2009 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange.

Argo has an experienced, knowledgeable and long-serving Board of Directors and management team which are essential pre-requisites 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 63 years of operation, Argo has only had two Chief Executives.

The investment policy followed by Argo is simple. Rather than attempt to gain spectacular rewards in the short term from high-risk situations, the management aim to provide steady and satisfactory returns, secured by a spread of investments over a wide range of the Australian economy. The portfolio contains investments in about 140 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is good quality management and prospects for sound earnings growth.

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

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

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

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

# Shareholder benefits

**Low Management Costs**
Argo's management costs are extremely low when compared with many other managed investment products. For the year ended 30 June, 2009, total operating costs were 0.19% of average assets at market value.

**Franked Dividends**
Argo has paid dividends every year since its inception.

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

**Share Purchase Plan**
Argo has a Share Purchase Plan (SPP) which allows eligible shareholders the opportunity to acquire additional small parcels of shares usually at a discount from the market price as defined by the SPP. No brokerage or other transaction costs are payable. The maximum amount that a shareholder can invest in any 12 month period pursuant to a SPP is $15,000. The Directors decide when the SPP will operate.

**Dividend Reinvestment Plan**
Argo has a Dividend Reinvestment Plan (DRP) which allows eligible shareholders the opportunity to reinvest their dividends, usually at a 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, 2009** |
|---|---|
| $1,000 invested in Argo shares | $2,633 |
| Compound annual growth rate | |
| Argo shares | 10.2% p.a. |
| S&P ASX All Ordinaries Accumulation Index | 7.3% p.a. |
| Consumer Price Index | 3.1% p.a. |

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

# Directors' Report

**The Directors present their Sixty Third Annual Report together with the financial report of Argo Investments Limited ("the Company") for the financial year ended 30 June, 2009 including the independent Audit Report thereon.**

## Operating and Financial Review

The Company's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved through building a portfolio of long-term investments, currently about 140 stocks, representing a cross section of Australia's enterprises, where there is good quality management and prospects for sound earnings and dividend growth. 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.

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 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 net realised gains or losses and unrealised impairment revaluation charge on long-term investments, fell 10.4% to $163,352,743 compared with $182,291,862 in the previous financial year.

The Company's operating profit relies upon the income received from its diverse Australian investment portfolio and is influenced by the profitability and dividend paying capacity of the investments held. Due to the Company's long-term investment philosophy, the Directors believe that this is the best measure of profitability.

Income from dividends fell in the second half of the year as some companies reduced or cancelled their dividends due to either lower earnings or to preserve cash to see them through the extremely difficult credit environment and the challenging economic situation. Interest income also fell significantly due to lower interest rates earned on our cash during the year and through having reduced cash as we selectively supported a number of the multitude of capital raisings by companies in our extensive investment portfolio.

The still very competitive management expense ratio (MER) for the year of 0.19% of average assets at market value was adversely affected by the decline in the value of the investment portfolio.

Operating earnings per share, excluding net realised gains or losses and the unrealised impairment revaluation charge on long-term investments, was 28.2 cents, compared with 32.2 cents in the previous year.

The AIFRS accounting result for the year was a loss of $64.4 million. This outcome does not reflect the Company's long-term investment philosophy and includes net losses on the sale of long-term investments after tax of $22.2 million and an unrealised impairment revaluation charge after tax of $205.6 million. We do not consider these items are part of the Company's ordinary activities and they have been identified separately from its operating profit. The net realised losses on long-term investments have been transferred to Capital Profits Reserve and the unrealised impairment revaluation charge has been transferred to Impairment Revaluation Charge Reserve.

The unrealised impairment revaluation charge has arisen due to the requirement in Accounting Standard AASB 139 to impair equity investments where there has been a significant or prolonged decline in the market value below cost, and the Auditor's quantitative interpretation of that accounting standard.

The Company's diversified investment portfolio did not fully insulate it from the significant negative impact of the global financial crisis on the Australian and international sharemarkets.

The unrealised impairment revaluation charge has no impact on the Company's underlying profit from operations, nor on the value of our investments or asset backing. The Company's investments are revalued daily to market value, and all movements in market values are fully reflected in the Company's investment returns, balance sheet and the Company's asset backing which is reported to the market at each month end.

Our Auditor has acknowledged that Accounting Standard AASB 139 makes no allowance for long-term investing in equity securities and it is very likely that there will be changes to this accounting standard for the next reporting period.

For the last 10 years, the Company's investment portfolio has produced a compound annual return of 8.8% as measured by the movement in net asset backing per share plus dividends paid. This return is after payment of all administration costs and tax and compares with a return of 7.3% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items. As a result of the recent significant decline in investment values generally, the total return from the Company's portfolio in the 2009 financial year was negative 16.8%. The S&P ASX All Ordinaries Accumulation Index fell 22.1% over the same period.

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

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

**Dividends**

A fully franked interim dividend of 14 cents per share was paid on 4 March, 2009.

On 3 August, 2009, the Directors declared a fully franked dividend of 13 cents per share which includes a 2 cents per share Listed Investment Company (LIC) capital gain dividend. The LIC component of the 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 2009-2010 income tax returns.

Total fully franked dividends for the year amount to 27 cents per share, including a 2 cents per share LIC capital gain component. This compares with 30 cents per share last year, which included a 3 cents per share LIC capital gain component. After four consecutive years of strong dividend growth, the Directors prefer to adopt a more cautious approach in the current environment.

**Dividend Reinvestment Plan**

The Dividend Reinvestment Plan (DRP) raised $34,271,504 of new capital for investment during the year.

The DRP will operate for the 13 cents per share dividend payment payable on 4 September, 2009 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 $44,857,232 of new capital was raised for investment.

**Asset Backing**

Reflecting the significant downturn in equity markets over the reporting period, the net tangible asset backing per Argo share before providing for deferred capital gains tax on unrealised gains within the investment portfolio was $5.32 as at 30 June, 2009, compared with $6.76 as at 30 June, 2008.

**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 a member of the Nomination and Remuneration Committee (Chairman until 1 July, 2009) and is a member of the Corporate Governance Committee.

Mr. Harris is also a non-executive Director of Adelaide Brighton Ltd, having been appointed in 1995.

He was previously a non-executive Director of Simeon Wines Limited from 1994 to 2002 when it merged with McGuigan Simeon Wines Limited which changed its name to Australian Vintage Limited in 2008 and Chairman of EvoGenix Limited from 2004 to 2007 when it merged with Peptech Limited which changed its name to Arana Therapeutics Limited in 2007. Mr. Harris resigned from the Boards of both these companies in 2009.

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

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

Mr. Rich joined the Board of Argo Investments Limited in 1992, was an executive Director until 1998 when he became a non-executive Director and was appointed Deputy Chairman. He is currently a member of the Corporate Governance Committee (Chairman until 1 July, 2009), a member of the Audit Committee (appointed Chairman 1 July, 2009) and until 1 July, 2009, was a member of the Nomination and Remuneration 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 almost 40 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 (appointed Chairperson 1 July, 2009).

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

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

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

Mr. Johnson joined the Board of Argo Investments Limited in 2006, is currently a member of the Audit Committee and on 1 July, 2009 was appointed a member of the Nomination and Remuneration 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 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 a member of the Audit Committee (Chairman until 1 July, 2009) and a member of the Nomination and Remuneration Committee (appointed Chairman 1 July, 2009).

Mr. Martin is also a non-executive Director of GPT Group having been appointed in 2005.

From 2004 to 2009, he was a non-executive Director of Babcock & Brown Limited.

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 | 121,033 | – | – |
| R.T. Rich | 14,233,438 | 1,724,986 | – |
| R.J. Patterson | 820,166* | – | 219,300 |
| M.S. Darling | 53,319 | – | – |
| I.R. Johnson | 13,876 | – | – |
| G.I. Martin | 171,173 | – | – |

*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, 4 Nomination and Remuneration Committee meetings and 2 Corporate Governance Committee meetings held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were:-

| | **Board** | | **Audit Committee** | | **Nomination & Remuneration Committee** | | **Corporate Governance Committee** | |
|---|---|---|---|---|---|---|---|---|
| | No. of meetings held while a Director | No. of meetings attended | No. of meetings held while a member | No. of meetings attended | No. of meetings held while a member | No. of meetings attended | No. of meetings held while a member | No. of meetings attended |
| C.L. Harris | 13 | 13 | – | 5* | 4 | 4 | 2 | 2 |
| R.T. Rich | 13 | 13 | 5 | 5 | 4 | 4 | 2 | 2 |
| R.J. Patterson | 13 | 13 | – | 2* | – | 3* | – | 1* |
| M.S. Darling | 13 | 12 | – | 1* | – | – | 2 | 2 |
| I.R. Johnson | 13 | 13 | 5 | 5 | – | 1* | – | 1* |
| G.I. Martin | 13 | 13 | 5 | 5 | 4 | 4 | – | 1* |

*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 final dividend paid by the Company for the financial year ended 30 June, 2008 of $91,418,829 (including an LIC capital gain component of $17,141,030) and referred to in the Directors' Report dated 21 August, 2008 was paid on 5 September, 2008.

5. The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year and has significantly affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years except as stated elsewhere in this report.

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

7. The Company has paid a premium in respect of a Directors' and Officers' insurance policy covering the liability of past, present or future Directors and Officers, including executive officers of the Company. The terms of the policy prohibit disclosure of the details of the amount of insurance cover and the premium paid.

8. The shareholders in general meeting in November 1999 approved that the Company indemnify its current and future Directors against liabilities arising out of the Directors' position as a Director of the Company, except where the liability arises out of conduct involving a lack of good faith. The deed stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

9. **Remuneration Report**

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

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

**Non-executive Directors' remuneration**
Non-executive Directors are remunerated by fees within the aggregate limit approved by shareholders from time to time. At the Annual General Meeting held in October 2008, shareholders approved $800,000 as the maximum aggregate amount of remuneration available per annum for distribution to non-executive Directors. The Board, after taking into account the recommendations of the Nomination and Remuneration Committee, determines the nature and amount of emoluments of non-executive Directors within the limit approved by shareholders.

The Chairman currently receives remuneration of $157,500 per year with an additional fee of $2,500 paid for each Committee appointment. The current fee structure for each of the other non-executive Directors is $76,125 per year, with an additional fee of $2,500 paid for each Committee appointment, except that the Chairman of each 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.

A performance evaluation process for non-executive Directors is undertaken each year and is described in the Company's Corporate Governance Statement.

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

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

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

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

(b) **short-term performance incentive**
The Managing Director and executives are entitled to receive an annual short-term performance incentive bonus of up to 50% of their Total Fixed Remuneration which is inclusive of superannuation and any agreed salary sacrifice arrangements.

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

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

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

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

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

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

***Argo Investments Limited Executive Performance Rights Plan***
The Argo Investments Limited Executive Performance Rights Plan was introduced in 2004 to create a stronger link between

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

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

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

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

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

Three year performance rights (structured as zero exercise price options) were granted by the Company on 29 November, 2007 and 19 November, 2008 as remuneration pursuant to the Plan to the Managing Director and Company executives with the same performance and service conditions as described above with vesting opportunities at the end of the third year and re-measuring in the fourth and fifth years to the extent that the rights have not yet vested.

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

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

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

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

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

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

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

**Directors**

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

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

**Executives**

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

**Remuneration of Directors and Executives**

| | | Short-term | | | Post-employ-ment | Other long-term | Share based | |
|---|---|---|---|---|---|---|---|---|
| | | Fees & salaries | Bonus | Non-monetary benefits | Super-annuation | | Rights[i] | Total |
| | | $ | $ | $ | $ | $ | $ | $ |
| **Non-executive Directors** | | | | | | | | |
| C.L. Harris | **2009** | **83,010** | **–** | **–** | **88,665** | **–** | **–** | **171,675** |
| | 2008 | 78,000 | – | – | 85,500 | – | – | 163,500 |
| R.T. Rich | **2009** | **–** | **–** | **–** | **91,151** | **–** | **–** | **91,151** |
| | 2008 | – | – | – | 87,200 | – | – | 87,200 |
| M.S. Darling | **2009** | **48,625** | **–** | **–** | **37,076** | **–** | **–** | **85,701** |
| | 2008 | 50,000 | – | – | 31,750 | – | – | 81,750 |
| I.R. Johnson | **2009** | **78,625** | **–** | **–** | **7,076** | **–** | **–** | **85,701** |
| | 2008 | – | – | – | 81,750 | – | – | 81,750 |
| G.I. Martin | **2009** | **41,625** | **–** | **–** | **49,526** | **–** | **–** | **91,151** |
| | 2008 | 40,000 | – | – | 47,200 | – | – | 87,200 |
| **Executive Director** | | | | | | | | |
| R.J. Patterson | **2009** | **491,309**[a] | **165,000**[d] | **89,748** | **1,833** | **–** | **72,161** | **820,051** |
| | 2008 | 504,674[a] | 208,025[d] | 132,114 | 30,000 | – | 39,191 | 914,004 |
| **Other Executives** | | | | | | | | |
| J. Beddow | **2009** | **291,538**[b] | **80,850**[e] | **5,120** | **30,000** | **–** | **150,455** | **557,963** |
| | 2008 | 269,740[b] | 97,285[e] | 7,771 | 25,875 | – | 86,286 | 486,957 |
| C.C. Hall | **2009** | **271,146**[c] | **75,608**[f] | **4,841** | **26,520** | **7,288**[h] | **128,074** | **513,477** |
| | 2008 | 245,660[c] | 91,685[f] | 4,037 | 27,000 | 10,248[h] | 75,433 | 454,063 |
| B.R. Aird | **2009** | **223,312**[a] | **76,050**[g] | **61,298** | **50,829** | **–** | **37,618** | **449,107** |
| | 2008 | 210,166[a] | 92,386[g] | 84,847 | 65,000 | – | 23,227 | 475,626 |
| Total | **2009** | **1,529,190** | **397,508** | **161,007** | **382,676** | **7,288** | **388,308** | **2,865,977** |
| | 2008 | 1,398,240 | 489,381 | 228,769 | 481,275 | 10,248 | 224,137 | 2,832,050 |

(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 and long service leave (where qualification for long service leave has been met on a pro-rata basis).

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

(d) Of the short-term performance incentive awarded to Mr. R.J. Patterson, $115,000 was paid in cash and $50,000 was paid as an additional superannuation contribution. In 2008, $97,358 was paid in cash and $110,667 was paid as an additional superannuation contribution.

(e) Of the short-term performance incentive awarded to Mr. J. Beddow, $74,170 was paid in cash and $6,680 was paid as an additional superannuation contribution. In 2008, $88,481 was paid in cash and $8,804 was paid as an additional superannuation contribution.

(f) Of the short-term performance incentive awarded to Mr. C.C. Hall, $68,728 was paid in cash and $6,880 was paid as an additional superannuation contribution. In 2008, $82,978 was paid in cash and $8,707 was paid as an additional superannuation contribution.

(g) Of the short-term performance incentive awarded to Mr. B.R. Aird, $26,050 was paid in cash and $50,000 was paid as an additional superannuation contribution. In 2008, $16,132 was paid in cash and $76,254 was paid as an additional superannuation contribution.

(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 performance rights was calculated at the grant date using the Binomial method and Monte Carlo simulation and the expense 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 performance rights allocated as an accounting charge to this reporting period. If the performance rights lapse in the future due to the performance or service conditions not being met, the expense will be reversed in the remuneration disclosures and the Managing Director and executives will ultimately receive no benefit.

(j) The Directors' and Officers' liability insurance contract does not specify premiums in respect of individual Directors and Officers and the policy also prohibits disclosure of the premium paid.

### Remuneration Performance Percentages

| | | Proportion of performance related remuneration | Value of performance rights and restricted share rights as proportion of remuneration |
|---|---|---|---|
| R.J. Patterson | **2009** | **28.9%** | **8.8%** |
| | 2008 | 27.0% | 4.3% |
| J. Beddow | **2009** | **41.5%** | **27.0%** |
| | 2008 | 37.7% | 17.7% |
| C.C. Hall | **2009** | **39.7%** | **24.9%** |
| | 2008 | 36.8% | 16.6% |
| B.R. Aird | **2009** | **25.3%** | **8.4%** |
| | 2008 | 24.3% | 4.9% |

### Performance Rights

| | Performance rights | Grant date | Fair value per right at grant date | Earliest vesting date | Expiry date | Value yet to vest Min.[3] $ | Max.[4] $ |
|---|---|---|---|---|---|---|---|
| R.J. Patterson | 127,800 [1][2] | 25/11/2004 | $4.50 | 25/11/2009 | 9/12/2009 | nil | 2,174 |
| | 50,000 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2012 | nil | 39,342 |
| | 41,500 | 19/11/2008 | $4.75 | 19/11/2011 | 3/12/2013 | nil | 75,398 |
| | 219,300 | | | | | nil | 116,914 |
| J. Beddow | 56,100 [1][2] | 25/11/2004 | $4.50 | 25/11/2009 | 9/12/2009 | nil | 954 |
| | 17,500 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2012 | nil | 12,257 |
| | 24,000 | 19/11/2008 | $4.75 | 19/11/2011 | 3/12/2013 | nil | 63,113 |
| | 97,600 | | | | | nil | 76,324 |
| C.C. Hall | 68,700 [1][2] | 25/11/2004 | $4.50 | 25/11/2009 | 9/12/2009 | nil | 1,169 |
| | 16,500 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2012 | nil | 11,813 |
| | 21,500 | 19/11/2008 | $4.75 | 19/11/2011 | 3/12/2013 | nil | 58,443 |
| | 106,700 | | | | | nil | 71,425 |
| B.R. Aird | 62,400 [1][2] | 25/11/2004 | $4.50 | 25/11/2009 | 9/12/2009 | nil | 1,911 |
| | 25,000 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2012 | nil | 19,671 |
| | 21,500 | 19/11/2008 | $4.75 | 19/11/2011 | 3/12/2013 | nil | 63,525 |
| | 108,900 | | | | | nil | 85,107 |
| Total | **532,500** | | | | | **nil** | **349,770** |

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

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

(2) Pursuant to the terms of the Executive Performance Rights Plan, as the tranche 1 and tranche 2 performance rights with the earliest vesting date of 25 November, 2007 and 25 November, 2008 respectively did not meet the performance condition, they will be re-tested on 25 November, 2009.

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

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

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

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

**Restricted Share Rights**

| | Restricted share rights | Grant date | Fair value per right at grant date | Earliest vesting date | Expiry date | Value yet to vest Min.(1) | Value yet to vest Max.(2) |
|---|---|---|---|---|---|---|---|
| | | | | | | $ | $ |
| J. Beddow | 25,000 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2010 | nil | 77,124 |
| | 25,000 | 29/11/2007 | $7.12 | 29/11/2011 | 13/12/2011 | nil | 92,267 |
| | 25,000 | 29/11/2007 | $6.88 | 29/11/2012 | 13/12/2012 | nil | 97,390 |
| | 75,000 | | | | | nil | 266,781 |
| C.C. Hall | 20,000 | 29/11/2007 | $7.37 | 29/11/2010 | 13/12/2010 | nil | 63,086 |
| | 20,000 | 29/11/2007 | $7.12 | 29/11/2011 | 13/12/2011 | nil | 75,531 |
| | 20,000 | 29/11/2007 | $6.88 | 29/11/2012 | 13/12/2012 | nil | 80,728 |
| | 60,000 | | | | | nil | 219,345 |
| Total | **135,000** | | | | | **nil** | **486,126** |

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

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

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

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

**Service Agreements**

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

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

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

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

If the Company changes the responsibilities of the abovementioned executives without their consent, they can terminate their agreements by giving not less than three calendar months' prior written notice to the Company.

If the Company commits any serious or persistent breach of any of the provisions of the agreement including failing to materially maintain the salary or other benefits, or where a receiver and manager or a liquidator is appointed, the abovementioned executives may terminate their agreement immediately by giving written notice to the Company.

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

**Remuneration Policy and Company Performance**

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

| | **2009** | **2008** | **2007** | **2006** | **2005** |
|---|---|---|---|---|---|
| Change in share price between years (adjusted for new issues) | -$1.33 | -$0.98 | $0.94 | $1.39 | $0.66 |

| | 2009 $'000 | 2008 $'000 | 2007 $'000 | 2006 $'000 | 2005 $'000 |
|---|---|---|---|---|---|
| Net operating profit before realised gains/losses and unrealised impairment revaluation charge on long-term investments | 163,353 | 182,292 | 147,855 | 123,124 | 105,053 |
| Dividends paid | 157,058 | 170,987 | 141,768 | 115,088 | 97,417 |
| Total assets | 3,127,445 | 3,909,675 | 4,616,454 | 3,306,938 | 2,789,516 |

The negative changes in share prices for the years ended 30 June, 2009 and 30 June, 2008 have outperformed the general market trend. As a long-term investor, the Company has used this period to purchase investments where it is considered there is value. When confidence returns to the market generally, the Company will be well placed to benefit in the next growth phase. Total Shareholder Return based on the Company's share price performance and dividends paid for the 5 years ended 30 June, 2009 was 8.1% compounded per annum. Due to the Company's long-term investment philosophy, the Company considers that its remuneration policy should be judged against this longer term investment time frame.

The Company's structured short-term performance incentive bonus and the long-term performance incentive plan were introduced with effect from 1 July, 2004. 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 not directly affected by environmental regulations.

11. **Rounding of Amounts**

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

12. **Non-audit Services**

There were no professional fees for non-audit services paid to PricewaterhouseCoopers during the year ended 30 June, 2009.

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
20 August, 2009

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 2009, 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
20 August 2009

# Corporate governance statement

**Our experienced Board of Directors and executives are committed to responsible financial and business practices to protect and advance shareholders' interests. Consistent with this aim, Argo Investments Limited ("Company") has followed the 2nd Edition of the ASX Corporate Governance Principles and Recommendations.**

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

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

### Code of Conduct

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

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

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

All Directors, executives and employees are responsible for conducting themselves in accordance with the Code of Conduct. In particular Argo's Directors, executives and employees must behave in a manner consistent with our core values of:

- abiding by the law and complying with any relevant legislation, regulations and accounting practices;
- acting with honesty and integrity;
- dealing fairly and without prejudice with all parties including shareholders, suppliers, colleagues, competitors and the broader community;
- reporting any breach of law or the Code of Conduct; and
- complying with Board and Committee Charters, Codes and Policies.

### The Board

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

- setting objectives, goals and strategic direction for management with a view to maximising shareholder value;
- adopting an annual budget and monitoring financial performance;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring business risks are identified and appropriately managed;

- approving the interim and final financial statements and related reports and other communications to the ASX and shareholders;
- appointing and reviewing the performance of the Managing Director; and
- setting appropriate business standards and a code for ethical behaviour.

The Board currently comprises the Managing Director and five non-executive, independent Directors. The Board regularly assesses whether each non-executive Director is independent. Mr. R.T. Rich is considered independent by the Board notwithstanding the existence of one of the relationships which may affect independence as determined by the ASX Corporate Governance Principles and Recommendations. Mr. Rich joined the Board of the Company in 1992 and was an executive Director until 1998 when he became a non-executive Director, without serving the recommended three year gap between being an executive Director and a non-executive Director. The Board considers that since becoming a non-executive Director, Mr. Rich has consistently exhibited independent judgement and at all times acted in the best interests of shareholders, and as such is deemed an independent Director in accordance with the Company's Board Charter.

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

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

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

Each year, the Chairman meets individually with Directors to review their performance and each Director has the opportunity to raise any particular concerns or issues. In addition, on an annual basis, each Director provides to the Chairman of the Corporate Governance Committee a review of the Chairman's performance. During these reviews, the Chairman and Directors also have the opportunity to evaluate the performance of the Board as a whole. The process addresses all key aspects of the Board's operations. Once completed, the Board Chairman and the Chairman of the Corporate Governance Committee report the findings of the reviews to the Board. Recommendations for changes to the Board's operations are then developed and their implementation is overseen by the Chairman.

**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 above delegated levels.

The Board meeting agendas and reports advise the Board of current and forthcoming issues relevant to the Company's operations and performance. In addition to the Board's consideration of the investment portfolio at their regular meetings, 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.

Management has designed and implemented a risk management and internal control system, and the Board has received reports from management as to the effectiveness of this framework in the management of the Company's material business risks.

The procedures involved in the management of material business risks include:

- identification of inherent business risks faced by the Company;
- monitoring of the business environment to identify changes to these risks or identify new risks;
- classification of the possible risk events into either a 'material risk register' or 'secondary risk register' according to potential impact of the events should they occur;
- analysis of the material risk register items as to their likelihood, consequences, existing internal controls and options for further action;
- a management report to the Board at least quarterly regarding the material risk register, the effectiveness of the risk management framework and any relevant events or changes in the internal control or risk environment; and
- an annual review by the Board of the risk management policy and procedures.

In addition, the Managing Director and Chief Financial Officer have provided assurance to the Board that the declaration made in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The risk management policy and procedures can be found in the Corporate Governance section of the Company's website.

**Audit Committee**

The Audit Committee of the Board, comprising three independent, non-executive Directors, works to defined terms of reference in compliance with its Charter and 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 and is chaired by an independent Director who is not Chairman of the Board.

The Committee primarily provides assistance to the Board in fulfilling its responsibilities in relation to the Company's financial reporting, compliance with internal financial controls 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 2009 financial year.

**Nomination and Remuneration Committee**

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

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

To assist in achieving these objectives, the Company's remuneration policy links the nature and amount of executive remuneration to the Company's financial and operational performance. The Company's remuneration policy, performance evaluation process and the details of the remuneration of each Director and executive can be found in the Remuneration Report which forms part of the Directors' Report. There are four current executives, including the Managing Director, for whom this disclosure is required.

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

The Company entered into an agreement with each non-executive Director holding office prior to 31 December, 2003 for payment of a retirement benefit upon termination of office which is not superannuation. The agreements were subsequently varied and the entitlements were determined and frozen as at 31 December, 2003.

**Corporate Governance Committee**

In accordance with its Charter, the Corporate Governance Committee comprises three independent non-executive Directors.

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

**Shareholdings of Directors, Executives and Employees**

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

The Board has adopted a policy for dealings in the Company's shares by Directors, executives and 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 the prior consent of the Chairman (or in the case of intended dealing by the Chairman, the Deputy Chairman).

Executives and employees or entities controlled by them 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 Directors, executives and employees or entities controlled by them from taking up or renouncing an entitlement to the Company's shares, from participating in the Company's Share Purchase Plan or from participating in the Company's Dividend Reinvestment Plan.

**Conflict of Interest**

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

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

No private dealings in a security of another entity may be undertaken by Directors, executives or employees at times when the Company cannot deal, or when it is in the market for that security.

In all conflicting situations, the interests of the Company must take priority over the personal interests of the Directors, executives and employees who must at all times act in accordance with the Company's Code of Conduct.

**Indemnities**

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

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

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

**Disclosure and Shareholder Communication**

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

All staff are required to inform the Company Secretary immediately if they become aware of any potentially price sensitive information relating to the Company. The Company Secretary, in consultation with the Board, will consider whether disclosure to the ASX is required in order to comply with ASX continuous disclosure requirements. The information must then be released to the market through the ASX. Following confirmation of receipt from the ASX, the Company will place all information disclosed on its website.

The Company Secretary is primarily responsible for co-ordinating the disclosure of information to the ASX, regulators and shareholders on behalf of the Company, in consultation with the Board and other executives as required.

In addition to the ASX announcements, information is communicated to shareholders through:

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

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

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

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

# Income Statement

*for the year ended 30 June, 2009*

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| Dividends and distributions | | 163,431 | 173,684 |
| Interest | | 9,568 | 24,754 |
| Other revenue | | 1,067 | 890 |
| Total revenue | | 174,066 | 199,328 |
| Net gains on trading investments | | 6,737 | 2,272 |
| Income from operating activities | | 180,803 | 201,600 |
| Administrative expenses | 2 | (5,958) | (5,501) |
| Operating profit before income tax expense, realised gains/(losses) and unrealised impairment revaluation charge on long-term investments | | 174,845 | 196,099 |
| Income tax expense thereon* | 3 | (11,492) | (13,807) |
| Net operating profit before realised gains/(losses) and unrealised impairment revaluation charge on long-term investments | | 163,353 | 182,292 |
| Realised gains/(losses) on sale of long-term investments before tax (expense)/benefit | | (28,287) | 154,464 |
| Income tax (expense)/benefit thereon* | 3 | 6,124 | (42,640) |
| Net realised gains/(losses) on sale of long-term investments transferred from investment revaluation reserve | | (22,163) | 111,824 |
| Unrealised impairment revaluation charge on long-term investments before income tax benefit | | (293,723) | – |
| Income tax benefit thereon* | 3 | 88,117 | – |
| Net unrealised impairment revaluation charge on long-term investments transferred from investment revaluation reserve | | (205,606) | – |
| Profit/(Loss) for the year | | (64,416) | 294,116 |
| *Total income tax (expense)/benefit | | 82,749 | (56,447) |

| | Note | 2009 cents | 2008 cents |
|---|---|---|---|
| Basic and diluted earnings per share including realised gains/(losses) and unrealised impairment revaluation charge on long-term investments | 4 | (11.1) | 52.0 |

Information on earnings per share, including operating profit before realised gains/(losses) and unrealised impairment revaluation charge on long-term investments, can be found in note 4.

*(To be read in conjunction with the accompanying notes)*

# Balance Sheet

*as at 30 June, 2009*

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | $'000 | $'000 |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 5(a) | 89,961 | 228,281 |
| Receivables | 6 | 36,420 | 33,527 |
| Investments | 7 | 1,621 | 299 |
| **Total Current Assets** | | 128,002 | 262,107 |
| **NON-CURRENT ASSETS** | | | |
| Receivables | 6 | 2,398 | 2,706 |
| Investments | 7 | 2,996,441 | 3,644,349 |
| Plant and equipment | 8 | 604 | 513 |
| **Total Non-Current Assets** | | 2,999,443 | 3,647,568 |
| **TOTAL ASSETS** | | 3,127,445 | 3,909,675 |
| **CURRENT LIABILITIES** | | | |
| Payables | 9 | 2,355 | 5,847 |
| Derivative financial instruments | 10 | – | 623 |
| Current tax liabilities | | 49 | 15,965 |
| Provisions | 11 | 479 | 549 |
| **Total Current Liabilities** | | 2,883 | 22,984 |
| **NON-CURRENT LIABILITIES** | | | |
| Payables | 9 | 501 | 501 |
| Deferred tax liabilities | 12 | 229,361 | 466,844 |
| Provisions | 11 | 145 | 149 |
| **Total Non-Current Liabilities** | | 230,007 | 467,494 |
| **TOTAL LIABILITIES** | | 232,890 | 490,478 |
| **NET ASSETS** | | 2,894,555 | 3,419,197 |
| **SHAREHOLDERS' EQUITY** | | | |
| Contributed equity | 13(a) | 1,943,944 | 1,865,056 |
| Reserves | 14 | 950,611 | 1,554,141 |
| **TOTAL SHAREHOLDERS' EQUITY** | | 2,894,555 | 3,419,197 |

*(To be read in conjunction with the accompanying notes)*

# Statement of Changes in Equity

*for the year ended 30 June, 2009*

| | Note | 2009<br>$'000 | 2008<br>$'000 |
|---|---|---|---|
| Total equity at the beginning of the year | | 3,419,197 | 3,858,761 |
| Revaluation of long-term investments | 14 | (843,326) | (848,342) |
| Provision for tax on unrealised gains on long-term investments | 14 | 248,453 | 248,944 |
| Realised (gains)/losses on sale of long-term investments transferred to Income Statement | 14 | 28,287 | (154,464) |
| Income tax expense/(benefit) thereon transferred to Income Statement | 14 | (6,124) | 42,640 |
| Unrealised impairment revaluation charge on long-term investments transferred to Income Statement | 14 | 293,723 | – |
| Income tax (benefit) thereon transferred to Income Statement | 14 | (88,117) | – |
| Income and expense recognised directly in equity | | (367,104) | (711,222) |
| Profit/(Loss) for the year | | (64,416) | 294,116 |
| Total recognised income (including realised gains/(losses) and unrealised impairment revaluation charge on long-term investments) and expense for the year | | (431,520) | (417,106) |
| Dividend Reinvestment Plan | 13(a) | 34,272 | 33,385 |
| Shares issued as consideration for acquisition of subsidiary | 13(a) | – | 48,129 |
| Share Purchase Plan | 13(a) | 44,857 | 58,638 |
| Cost of share issues net of tax | 13(a) | (241) | (308) |
| Executive performance rights reserve | 14 | 491 | 251 |
| Dividend paid from capital profits reserve | 14 | (17,141) | (11,065) |
| Dividends paid from retained profits | 14 | (155,360) | (151,488) |
| Total transactions with shareholders | | (93,122) | (22,458) |
| Total equity at the end of the year | | 2,894,555 | 3,419,197 |

*(To be read in conjunction with the accompanying notes)*

# Cash Flow Statement

*for the year ended 30 June, 2009*

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | $'000 | $'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Dividends and distributions received | | 176,343 | 169,257 |
| Interest received | | 10,317 | 25,382 |
| Other receipts | | 856 | 899 |
| Payments for trading investments | | (20,289) | (5,195) |
| Proceeds from trading investments | | 25,082 | 7,571 |
| Other payments | | (5,165) | (5,116) |
| Income tax paid | | (21,893) | (23,396) |
| **Net operating cash flows** | 5(b) | 165,251 | 169,402 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of long-term investments | | 56,752 | 185,133 |
| Acquisitions of long-term investments | | (266,518) | (528,843) |
| Cash on acquisition of subsidiary | | – | 62,248 |
| Payments for acquisition of subsidiary | | – | (12,598) |
| Executive share scheme repayments | | 308 | 298 |
| Proceeds from sale of fixed assets | | – | 25 |
| Payments for fixed assets | | (165) | (168) |
| **Net investing cash flows** | | (209,623) | (293,905) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from share issues | | 44,857 | 58,638 |
| Cost of share issues | | (345) | (330) |
| Dividends paid – net of reinvestment | | (138,229) | (129,167) |
| **Net financing cash flows** | | (93,717) | (70,859) |
| Net decrease in cash held | | (138,089) | (195,362) |
| Cash at the beginning of the year | | 228,050 | 423,412 |
| **Cash at the end of the year** | 5(a) | 89,961 | 228,050 |

*(To be read in conjunction with the accompanying notes)*

# Notes to the Financial Statements

*for the year ended 30 June, 2009*

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of Preparation

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

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

For the year ended 30 June, 2008, the financial statements incorporated the results of all subsidiaries. The parent and consolidated disclosures were identical.

The Company did not control any subsidiaries as at 30 June, 2009 and 30 June, 2008.

### (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

Trading securities and long-term securities are continuously carried at fair value using price quotations in an active stock market.

Securities which are not listed on a securities exchange are valued using appropriate valuation techniques as reasonably determined by the Directors.

(3) **Gains and Losses**

**Current Assets**

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

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

**Non-Current Assets**

When long-term investments are sold, the realised gains and losses on the sale of long-term investments are transferred from the investment revaluation reserve and recorded in the Income Statement. Long-term investments are considered to have been sold when contractual rights to the investment expire or contractual rights to receive cash flows have been transferred and substantially all the risk and rewards of ownership have not been retained. The cumulative gain or loss, net of tax, is then transferred from retained profits to the capital profits reserve.

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

The Company reviews its long-term investments at each balance date to determine whether there is any objective evidence of impairment in the fair value of each investment. Long-term investments are considered to be impaired where there has been a decline in the fair value of the investment below the cost for a significant or prolonged period. Where there is objective evidence that the investment is impaired, the unrealised impairment revaluation charge after tax is transferred from the investment revaluation reserve and recorded in the Income Statement. The unrealised impairment revaluation charge, net of tax benefit, is then transferred from retained profits to the impairment revaluation charge reserve.

(4) **Securities Lending**

The Company has the ability to earn 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. In these circumstances, 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.

For most of the year ended 30 June, 2009 and as at 30 June, 2009, there were no investments on loan as a result of securities lending.

(c) **Derivative Financial Instruments**

The Company sells Australian Securities Exchange traded options to earn income. Where the Company sells a call option, it is obligated to deliver securities at an agreed price if the holder exercises the option. Where the Company sells a put option, it is obligated to purchase securities at an agreed price if the holder exercises the option.

The premium received for selling options is not brought to account as revenue but is recognised in the Balance Sheet as a liability. When the option expires, is exercised or is repurchased from the holder, the premium received is brought to account and is included in net gains on trading investments in the Income Statement.

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

(d) **Bills of Exchange**

When bills of exchange and investment grade promissory notes are purchased in the market at a discount to face value, they 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 depreciation 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. Where the Company records an unrealised impairment revaluation charge on long-term securities in the investment portfolio, the tax recognised directly in equity in the investment revaluation reserve is transferred to the Income Statement as income tax benefit.

(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 and restricted share rights are required to be measured at fair value, and recorded as an expense on a straight line basis over the period between grant date and the expected date that the rights will vest. The fair value of the performance rights and restricted share rights are calculated using the Binomial method and Monte-Carlo simulation.

(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 or losses and unrealised impairment revaluation charge on 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 or losses and unrealised impairment revaluation charge on long-term investments, is calculated by dividing operating profit before realised gains or losses and unrealised impairment charge on 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 net of tax.

(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**

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

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

The issue of whether any of the Company's investments are impaired is a matter requiring judgement. Long-term investments are considered to be impaired where there has been a decline in the fair value of the investment below the cost for a significant or prolonged period. In applying that judgement, consideration is given to the percentage decline, or period, the investment has been below its cost. In addition, the investment's underlying businesses, assets and liabilities are also considered. Apart from this, 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

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| Employment benefits | 4,173 | 3,752 |
| Depreciation | 74 | 50 |
| Other administration | 1,711 | 1,699 |
| | **5,958** | **5,501** |

## 3. INCOME TAX EXPENSE

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| (a) Reconciliation of income tax expense to prima facie tax payable | | |
| Operating profit before income tax expense, realised gains/(losses) and unrealised impairment revaluation charge on long-term investments | 174,845 | 196,099 |
| Prima facie tax payable calculated at 30% (2008: 30%) | 52,453 | 58,830 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income:- | | |
| Imputation gross-up on dividends received | 18,078 | 17,310 |
| Franking credits on dividends received | (60,260) | (57,701) |
| Other | 1,017 | (4,207) |
| Under/(Over) provision previous year | 204 | (425) |
| Income tax expense on operating profit before realised gains/(losses) and unrealised impairment revaluation charge on long-term investments | 11,492 | 13,807 |
| Realised gains/(losses) on sale of long-term investments | (28,287) | 154,464 |
| Prima facie tax payable/(benefit) calculated at 30% (2008: 30%) | (8,486) | 46,339 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income:- | | |
| Difference between accounting and tax cost base for capital gains purposes | 2,362 | (3,699) |
| Income tax expense/(benefit) on realised gains/(losses) on sale of long-term investments | (6,124) | 42,640 |

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Unrealised impairment revaluation charge on long-term investments | (293,723) | – |
| Prima facie tax benefit calculated at 30% | (88,117) | – |
| Total income tax expense/(benefit) | **(82,749)** | **56,447** |
| (b) Income tax expense/(benefit) composition | | |
| Charge for tax payable relating to current year | 5,532 | 43,665 |
| Increase/(Decrease) in deferred tax liabilities | (368) | 13,207 |
| Under/(Over) provision previous year | 204 | (425) |
| Income tax benefit on unrealised impairment revaluation charge | (88,117) | – |
| | **(82,749)** | **56,447** |
| (c) Amounts recognised directly in equity | | |
| Decrease in deferred tax liabilities | **(242,329)** | **(291,584)** |

## 4. EARNINGS PER SHARE

| | 2009 number '000 | 2008 number '000 |
|---|---|---|
| Weighted average number of ordinary shares on issue used in the calculation of earnings per share | 578,753 | 565,684 |
| | $'000 | $'000 |
| **Basic and diluted earnings per share** | | |
| Profit/(Loss) for the year | (64,416) | 294,116 |
| | cents | cents |
| Basic and diluted earnings per share including realised gains/(losses) and unrealised impairment revaluation charge on long-term investments | **(11.1)** | **52.0** |
| | $'000 | $'000 |
| **Basic and diluted operating earnings per share excluding realised gains/(losses) and unrealised impairment revaluation charge on long-term investments** | | |
| Net operating profit before realised gains/(losses) and unrealised impairment revaluation charge on long-term investments | 163,353 | 182,292 |

| | 2009 cents | 2008 cents |
|---|---|---|
| Basic and diluted operating earnings per share excluding realised gains/(losses) and unrealised impairment revaluation charge on long-term investments | **28.2** | **32.2** |

## 5. CASH AND CASH EQUIVALENTS

(a) Cash includes cash on deposit (2.95% floating interest rate 30 June, 2009; 2008: 7.20%) with banks, fixed term deposits (fixed interest rates to maturity between 3.30% and 3.63% as at 30 June, 2009; 2008: 7.51% and 7.86%) with banks and negotiable bank bills of exchange (nil as at 30 June, 2009; 2008: fixed interest rates to maturity between 7.59% and 7.72%), all maturing within three months from date of acquisition.

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

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Bank deposits | 89,961 | 192,345 |
| Bank accepted bills (face value nil; 2008: $25,000,000) | – | 24,855 |
| Bank negotiable certificates of deposits (face value nil; 2008: $11,145,625) | – | 11,081 |
| | 89,961 | 228,281 |
| Amortised interest | – | (231) |
| | **89,961** | **228,050** |

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| (b) Reconciliation of net cash provided by operating activities to profit/(loss) for the year:- | | |
| Profit/(Loss) for the year | (64,416) | 294,116 |
| Net realised (gain)/loss on sale of long-term investments | 22,163 | (111,824) |
| Unrealised impairment revaluation charge | 205,606 | – |
| Net loss/(gain) on fixed assets | – | 11 |
| Depreciation | 74 | 50 |
| (Increase)/Decrease in current investments | (1,322) | (299) |
| Charges to provisions | 521 | 429 |
| Increase/(Decrease) in provision for income tax | (15,916) | 526 |
| Transfer (to)/from provision for deferred income tax | 10,982 | (10,128) |
| (Increase)/Decrease in deferred tax assets | (11) | (163) |
| Changes in assets and liabilities | | |
| (Increase)/Decrease in other debtors | 7,904 | (3,729) |
| Increase/(Decrease) in other creditors | (334) | 413 |
| Net cash provided by operating activities | **165,251** | **169,402** |

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| (c) Financing Arrangements | | |
| Total lines of credit available:- | | |
| Bank overdraft | 200 | 200 |
| Amount utilised | – | – |
| Undrawn facility | **200** | **200** |

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

(d) Non-cash Investing Activities

Nil (2008: 5,963,879 shares were issued at a fair value of $48,128,564 as part of the consideration to acquire an unlisted investment company).

(e) Non-cash Financing Activities

Dividends paid totalling $34,271,504 were reinvested in shares under the Company's Dividend Reinvestment Plan (2008: $33,385,461).

## 6. RECEIVABLES

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Current** | | |
| Dividends and distributions receivable | 17,967 | 30,880 |
| Interest receivable | 91 | 608 |
| Outstanding settlements | 12,582 | 2,016 |
| Other | 5,780 | 23 |
| | **36,420** | **33,527** |

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

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| **Non-Current** | | |
| Executive share plan loans: | | |
| - Director | 1,255 | 1,437 |
| - Others | 1,143 | 1,269 |
| | **2,398** | **2,706** |

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

## 7. INVESTMENTS

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| **Current** | | |
| Listed securities at fair value | **1,621** | **299** |
| **Non-Current** | | |
| Listed securities at fair value | 2,991,241 | 3,638,949 |
| Unlisted securities at fair value | 5,200 | 5,400 |
| | **2,996,441** | **3,644,349** |

The total number of investment transactions that occurred in securities during the financial year was 190. The total brokerage paid on these transactions was $601,135.

At 30 June, 2009, there were no investments on loan as a result of securities lending (2008: fair value $33,353,250 with cash totalling $35,020,913 held in a trust account as collateral). Investments with a market value of $20,340,000 (2008: $10,091,200) were lodged with the Australian Clearing House as collateral for any option positions written by the Company in the Exchange Traded Option Market. The fair values of the investments are included as part of the total of the Company's listed securities.

## 8. PLANT AND EQUIPMENT

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| Plant, equipment and vehicles at cost | 957 | 792 |
| Accumulated depreciation | (353) | (279) |
| | **604** | **513** |

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Reconciliation of Plant and Equipment** | | |
| Carrying amount at beginning of year | 513 | 431 |
| Additions | 165 | 168 |
| Disposals | – | (36) |
| Depreciation | (74) | (50) |
| Carrying amount at end of year | **604** | **513** |

## 9. PAYABLES

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Current** | | |
| Outstanding settlements | 1,569 | 5,350 |
| Other | 786 | 497 |
| | **2,355** | **5,847** |
| **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

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Exchange traded options at fair value | **–** | **623** |

## 11. PROVISIONS

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Current** | | |
| Provision for employee entitlements | **479** | **549** |
| **Non-Current** | | |
| Provision for employee entitlements | **145** | **149** |

## 12. DEFERRED TAX LIABILITIES

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Non-Current** | | |
| Amounts recognised in profit/(loss) for the year:- | | |
| Deferred tax liability on realised gains on sale of long-term investments | 10,443 | 12,439 |
| Income receivable which is not assessable for tax until receipt | 414 | 573 |
| Tax on unrealised income on trading investments | 25 | (37) |
| | 10,882 | 12,975 |
| Offset by deferred tax assets:- | | |
| Capital gains losses not utilised | (10,702) | – |
| Provisions and payables | (655) | (645) |
| | (11,357) | (645) |
| | (475) | 12,330 |
| Amounts recognised directly in equity:- | | |
| Deferred tax liability on unrealised gains on long-term investments | 230,077 | 454,754 |
| Offset by deferred tax assets:- | | |
| Cost of share issues | (241) | (240) |
| | 229,836 | 454,514 |
| Aggregate of deferred tax liabilities | **229,361** | **466,844** |
| Movements:- | | |
| Balance at beginning of year | 466,844 | 726,097 |
| Charged/(Credited) to Income Statement | (368) | 13,207 |
| Credited to equity | (242,329) | (291,584) |
| Tax effect on revaluation of long-term investments not recognised in equity | 5,214 | 19,124 |
| Balance at end of year | **229,361** | **466,844** |

## 13. CONTRIBUTED EQUITY

| | 30.6.09 No. of shares | 30.6.08 No. of shares | 30.6.09 $'000 | 30.6.08 $'000 |
|---|---|---|---|---|
| (a) Issued and fully paid ordinary shares:- | | | | |
| Opening balance | 571,367,683 | 553,235,741 | 1,865,056 | 1,725,212 |
| Dividend reinvestment plan | 5,853,847 | 4,448,636 | 34,272 | 33,385 |
| Shares issued as consideration for acquisition of subsidiary | – | 5,963,879 | – | 48,129 |
| Share purchase plan | 7,212,879 | 7,719,427 | 44,857 | 58,638 |
| Cost of share issues net of tax | – | – | (241) | (308) |
| Closing balance | **584,434,409** | **571,367,683** | **1,943,944** | **1,865,056** |

(b) On 5 September, 2008, 2,738,731 shares were allotted at $6.69 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2008.

On 4 March, 2009, 3,115,116 shares were allotted at $5.12 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2009.

(c) On 10 October, 2008, 5,049,230 shares were allotted at $6.69 per share resulting from the Share Purchase Plan offered to eligible shareholders.

On 6 April, 2009, 2,163,649 shares were allotted at $5.12 per share resulting from the Share Purchase Plan offered to eligible shareholders.

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

## 14. RESERVES

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Executive Performance Rights Reserve | 1,061 | 570 |
| Investment Revaluation Reserve | 677,667 | 1,044,771 |
| Impairment Revaluation Charge Reserve | (205,606) | – |
| Capital Profits Reserve | 271,871 | 311,175 |
| Retained Profits | 205,618 | 197,625 |
| | **950,611** | **1,554,141** |

| | 2009<br>$'000 | 2008<br>$'000 |
|---|---|---|
| **Movements in reserves during the year** | | |
| **Executive Performance Rights Reserve** | | |
| Balance at beginning of year | 570 | 319 |
| Accrued entitlement for unvested rights | 491 | 251 |
| Balance at end of year | **1,061** | **570** |
| **Investment Revaluation Reserve** | | |
| Balance at beginning of year | 1,044,771 | 1,755,993 |
| Revaluation of long-term investments | (843,326) | (848,342) |
| Provision for tax on unrealised gains on long-term investments | 248,453 | 248,944 |
| Realised (gains)/losses on sale of long-term investments transferred to Income Statement | 28,287 | (154,464) |
| Income tax expense/(benefit) thereon transferred to Income Statement | (6,124) | 42,640 |
| Unrealised impairment revaluation charge on long-term investments transferred to Income Statement | 293,723 | – |
| Income tax (benefit) thereon transferred to Income Statement | (88,117) | – |
| Balance at end of year | **677,667** | **1,044,771** |
| **Impairment Revaluation Charge Reserve** | | |
| Balance at beginning of year | – | – |
| Transfer from retained profits | (205,606) | – |
| Balance at end of year | **(205,606)** | **–** |
| **Capital Profits Reserve** | | |
| Balance at beginning of year | 311,175 | 210,416 |
| Transfer to provision for dividend | (17,141) | (11,065) |
| Transfer from retained profits | (22,163) | 111,824 |
| Balance at end of year | **271,871** | **311,175** |
| **Retained Profits** | | |
| Balance at beginning of year | 197,625 | 166,821 |
| Dividends paid | (155,360) | (151,488) |
| Profit/(Loss) for the year | (64,416) | 294,116 |
| Transfer to capital profits reserve | 22,163 | (111,824) |
| Transfer to impairment revaluation charge reserve | 205,606 | – |
| Balance at end of year | **205,618** | **197,625** |
| **Total Reserves** | **950,611** | **1,554,141** |

The balance of Retained Profits of $205,618,000 is after transferring the unrealised impairment revaluation charge of $205,606,000 to Impairment Revaluation Charge Reserve. Before this transfer, the amount of the reserve would have been $12,000.

**Nature and Purpose of Reserves**

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

**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.

**Impairment Revaluation Charge Reserve**
Unrealised impairment revaluation charge on long-term investments, net of any tax benefit, is transferred from Retained Profits and recorded in this reserve.

**Capital Profits Reserve**
Gains or losses arising from the sale of long-term investments, net of any tax expense or benefit, are transferred from Retained Profits and recorded in this reserve.

**Retained Profits**
Accumulated profits or losses are recorded in this reserve. Realised gains or losses on long-term investments are transferred to Capital Profits Reserve and unrealised impairment revaluation charges on long-term investments are transferred to Impairment Revaluation Charge Reserve.

## 15. CAPITAL MANAGEMENT

The Company's objective in managing capital is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved by the process of providing shareholders with a steady stream of fully franked dividends and enhancement of capital invested with the goal of paying an increased level of dividends and providing attractive total returns over the long term.

The Company recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, may vary the amount of dividends paid, issue new shares from time to time or buy back its own shares.

The Company's capital consists of its shareholders' equity and the change to this capital is shown in the Statement of Changes in Equity.

## 16. DIVIDENDS

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| (a) **Dividends paid during the year** | | |
| Final dividend for the year ended 30 June, 2008 of 16 cents fully franked at 30% tax rate paid 5 September, 2008 (last year 15 cents fully franked at 30% tax rate) | 91,419 | 82,985 |
| Interim dividend for the year ended 30 June, 2009 of 14 cents fully franked at 30% tax rate paid 4 March, 2009 (last year 14 cents fully franked at 30% tax rate) | 81,082 | 79,568 |
| Total dividends paid | **172,501** | **162,553** |

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

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| (b) **Dividends declared after balance date** | | |
| Since the end of the financial year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the financial year:- | | |
| Final dividend for the year ended 30 June, 2009 of 13 cents fully franked at 30% tax rate payable 4 September, 2009 (last year 16 cents fully franked at 30% tax rate) | **75,976** | **91,419** |

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

## 17. FRANKING ACCOUNT

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Balance of the franking account after allowing for tax receivable and the receipt of franked dividends recognised as receivables | 63,816 | 80,446 |
| Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year | (32,561) | (39,179) |
| | **31,255** | **41,267** |
| The franking account balance would allow the Company to frank additional dividend payments up to an amount of | **72,928** | **96,289** |

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

| | 2009<br>$'000 | 2008<br>$'000 |
|---|---|---|
| Balance of the Listed Investment Company (LIC) capital gain account | 47,172 | 60,307 |
| Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year | (11,689) | (17,141) |
| | **35,483** | **43,166** |
| This equates to an attributable amount of | **50,690** | **61,666** |

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

| | 2009<br>$'000 | 2008<br>$'000 |
|---|---|---|
| **Operating leases** | | |
| Future operating lease rentals not provided for in the financial statements and payable:- | | |
| Not later than one year | 214 | 207 |
| Later than one year but not later than five years | 705 | 224 |
| Later than five years | 259 | – |
| | **1,178** | **431** |
| Future lease receipts in relation to sub-leases of operating leases not provided for in the financial statements | **–** | **25** |

The Company has entered into two property leases, one expiring on 12 December, 2011 and the other expiring on 31 January, 2016. 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. J. Beddow (Associate Director – Chief Investment Officer), Mr. C.C. Hall (Associate Director – Investment and Business Development) and Mr. B.R. Aird (Company Secretary and Chief Financial Officer).

### Shareholdings, performance rights, restricted share rights and transactions

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

(a) **Shareholdings**

| | | Opening balance | Changes during the year | Closing balance |
|---|---|---|---|---|
| **Non-executive Directors** | | | | |
| C.L. Harris | **2009** | **117,001** | **4,032** | **121,033** |
| | 2008 | 108,331 | 8,670 | 117,001 |
| R.T. Rich | **2009** | **17,500,756** | **(1,076,381)** | **16,424,375** |
| | 2008 | 17,572,306 | (71,550) | 17,500,756 |
| M.S. Darling | **2009** | **49,860** | **3,459** | **53,319** |
| | 2008 | 18,467 | 31,393 | 49,860 |
| I.R. Johnson | **2009** | **12,827** | **1,049** | **13,876** |
| | 2008 | 12,024 | 803 | 12,827 |
| G.I. Martin | **2009** | **161,634** | **9,539** | **171,173** |
| | 2008 | 98,915 | 62,719 | 161,634 |
| **Executive Director** | | | | |
| R.J. Patterson | **2009** | **906,393** | **39** | **906,432** |
| | 2008 | 905,380 | 1,013 | 906,393 |

| | | Opening balance | Changes during the year | Closing balance |
|---|---|---|---|---|
| **Other Key Management Personnel** | | | | |
| J. Beddow | **2009** | **35,576** | **–** | **35,576** |
| | 2008 | 35,455 | 121 | 35,576 |
| C.C. Hall | **2009** | **33,623** | **(1,360)** | **32,263** |
| | 2008 | 31,534 | 2,089 | 33,623 |
| B.R. Aird | **2009** | **473,172** | **2,889** | **476,061** |
| | 2008 | 471,709 | 1,463 | 473,172 |

(b) **Performance rights holdings**

| | | Opening balance | Granted as remuneration | Closing balance |
|---|---|---|---|---|
| **Executive Director** | | | | |
| R.J. Patterson | **2009** | **177,800** | **41,500** | **219,300** |
| | 2008 | 127,800 | 50,000 | 177,800 |
| **Other Key Management Personnel** | | | | |
| J. Beddow | **2009** | **73,600** | **24,000** | **97,600** |
| | 2008 | 56,100 | 17,500 | 73,600 |
| C.C. Hall | **2009** | **85,200** | **21,500** | **106,700** |
| | 2008 | 68,700 | 16,500 | 85,200 |
| B.R. Aird | **2009** | **87,400** | **21,500** | **108,900** |
| | 2008 | 62,400 | 25,000 | 87,400 |

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

(c) **Restricted share rights holdings**

| | | Opening balance | Granted as remuneration | Closing balance |
|---|---|---|---|---|
| **Other Key Management Personnel** | | | | |
| J. Beddow | **2009** | **75,000** | **–** | **75,000** |
| | 2008 | – | 75,000 | 75,000 |
| C.C. Hall | **2009** | **60,000** | **–** | **60,000** |
| | 2008 | – | 60,000 | 60,000 |

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

### Key Management Personnel Compensation

| | 2009 | 2008 |
|---|---|---|
| | $ | $ |
| Short-term | 2,087,705 | 2,116,390 |
| Post-employment | 382,676 | 481,275 |
| Other long-term | 7,288 | 10,248 |
| Share based | 388,308 | 224,137 |
| | **2,865,977** | **2,832,050** |

### 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 | **2009** | **1,436,794** | **–** | **64,111** | **1,254,591** | **1,436,794** |
| | 2008 | 1,612,925 | – | 102,319 | 1,436,794 | 1,612,925 |
| **Other Key Management Personnel** | | | | | | |
| J. Beddow | **2009** | **111,502** | **–** | **5,120** | **103,699** | **111,502** |
| | 2008 | 119,045 | – | 7,771 | 111,502 | 119,045 |
| B.R. Aird | **2009** | **880,633** | **–** | **39,660** | **784,927** | **880,633** |
| | 2008 | 973,149 | – | 62,286 | 880,633 | 973,149 |

Interest free loans were issued to the executive Director and key management personnel to assist the purchase of shares pursuant to the Argo Investments Executive Share Plan. The dividends paid on the shares, less an amount equal to the estimated tax payable by the executives on the dividends, are utilised to repay the loan.

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

### Other arrangements with non-executive Director

Mr. R.T. Rich rented office space from the Company at a commercial rate from 1 July, 2008 to 31 January, 2009 and rental income received by the Company during the financial year amounted to $11,550 (2008: $18,700).

## 22. SHARE BASED PAYMENTS

### (a) Employee Share Ownership Plan

The Directors may at such time or times as determined, issue invitations to eligible employees to apply for shares under the Employee Share Ownership Plan (ESOP) as part of the employees' remuneration. Each eligible employee is offered up to $1,000 per year in shares at market value. The costs of acquiring the shares on market are paid for by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or on the date the employee ceases employment. The ESOP was approved by shareholders at the 1997 Annual General Meeting.

During the year, 1,846 (2008: 1,573) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $13,049 (2008: $13,064). These shares had a market value of $10,633 (2008: $11,153) at $5.76 per share (2008: $7.09 per share) as at 30 June, 2009.

### (b) Executive Performance Rights Plan

The establishment of the Argo Investments Limited Executive Performance Rights Plan ("Plan") was approved by shareholders at the 2004 Annual General Meeting and amended at the 2007 Annual General Meeting. The Plan is designed to provide long-term incentives for participants to deliver long-term returns to shareholders. Under the Plan, participants are granted options which only vest if certain performance and service standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

**Performance Rights**

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

**Restricted Share Rights**

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

Both the performance rights and the restricted share rights are granted under the Plan for no consideration, carry no dividend or voting rights and do not have an exercise price.

When exercisable, each performance right and each restricted share right is convertible into an ordinary Company share, subject to certain adjustments allowable under the Plan.

Set out below are summaries of rights granted under the Plan:-

**Performance rights**

| Grant date | Earliest vesting date | Expiry date | Opening balance | Granted | Forfeited | Closing balance |
|---|---|---|---|---|---|---|
| 25/11/2004 | 25/11/2009 | 9/12/2009 | 449,700 | – | (37,800) | 411,900 |
| 29/11/2007 | 29/11/2010 | 13/12/2012 | 135,000 | – | – | 135,000 |
| 19/11/2008 | 19/11/2011 | 3/12/2013 | – | 164,500 (1) | – | 164,500 |
| | | | **584,700** | **164,500** | **(37,800)** | **711,400** |

(1) The fair value at grant date of the performance rights issued during the year was $4.75 (2008: $7.37) and was independently calculated using the Binomial method and Monte Carlo simulation. The following inputs were used to calculate the fair value of the performance rights issued:-

(a) Share price at valuation date 19 November, 2008 – $5.35 (2008: 29 November 2007 – $8.19)

(b) Risk free rate was derived from the yield on Australian Government Bonds – 4.15% (2008: 6.24%)

(c) Dividend yield based on historic and future yield estimates – 3.95% (2008: 3.50%)

(d) Share price volatility was based on the actual volatility of the Company's closing share price over the three years to 19 November, 2008 – 21% (2008: 29 November 2007 – 14%).

(2) Performance rights costs of $226,482 (2008: $95,214) were recognised as an administration expense in the Income Statement.

(3) The weighted average remaining life of the performance rights outstanding at the end of the year was 1.9 years (2008: 2.2 years).

**Restricted share rights**

| Grant date | Earliest vesting date | Expiry date | Opening balance | Granted | Forfeited | Closing balance |
|---|---|---|---|---|---|---|
| 29/11/2007 | 29/11/2010 | 13/12/2010 | 55,000 | – | – | 55,000 |
| 29/11/2007 | 29/11/2011 | 13/12/2011 | 55,000 | – | – | 55,000 |
| 29/11/2007 | 29/11/2012 | 13/12/2012 | 55,000 | – | – | 55,000 |
| | | | **165,000** | **–** | **–** | **165,000** |

(1) Restricted share rights costs of $264,524 (2008: $155,815) were recognised as an administration expense in the Income Statement.

(2) The weighted average remaining life of the restricted share rights outstanding at the end of the year was 2.5 years (2008: 3.5 years).

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

## 23. REMUNERATION OF AUDITORS

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| During the year the Auditor earned remuneration for auditing the financial statements | **88,000** | **60,060** |

No remuneration was paid to the Auditor for any non-audit services.

## 24. FINANCIAL RISK MANAGEMENT

The risks associated with the holding of financial instruments such as investments, cash, cash equivalents, receivables and payables include credit risk, liquidity risk and market risk.

### Credit Risk

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

In relation to cash and cash equivalents disclosed in note 5(a), the credit risk exposure of bank deposits is the carrying amount and any interest accrued. For bank accepted bills and bank negotiable certificates of deposits, the credit risk exposure is the carrying value which comprises the cost of these investments plus the interest accrued.

The Company's cash investments are managed internally under Board approved guidelines. Funds are invested for the short-term with the major Australian banks which have a Standard & Poor's short-term rating of A1+. No maturity is greater than three months.

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

In relation to convertible notes and other interest related securities, the credit risk is the extent of their carrying values in the event of a shortfall on the winding-up of the issuing entities. The total credit risk exposure of these assets which are included in note 7 as non-current investments is $18,000,069 (2008: $30,419,200).

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

None of the assets exposed to credit risk are overdue or considered to be impaired.

### Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due.

The Company has no borrowings and monitors its cash flow requirements daily which includes the amount required for purchases of securities, the amount receivable from sales of securities and dividends and distributions to be paid or received.

The Company's inward cash flows depend mainly upon the amount of dividends and distributions received from the investment portfolio as well as the proceeds from the sale or takeover of investments. Should these inflows drop by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are purchases of investments and dividends paid to shareholders, the level of both is controllable by the Board and management.

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

The Company has a financing arrangement in place which is disclosed in note 5(c). The line of credit facility was undrawn at 30 June, 2009 (2008: nil).

Current financial liabilities are disclosed in note 9.

**Market Risk**

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

The Company is a listed investment company that invests in tradeable securities. Due to the nature of its business, the Company will always be subject to market risk as it invests its capital in securities which have fluctuating market prices.

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the long-term investment portfolio, would lead to a reduction in the Company's equity of $139.2 million (2008: $160.0 million) and $278.4 million (2008: $330.0 million) respectively, after tax. The Investment Revaluation Reserve at 30 June, 2009 has an after tax balance of $677.7 million (2008: $1,044.7 million). It would require a 24% (2008: 33%) after tax fall in the value of the investment portfolio to fully deplete this reserve.

The Company seeks to reduce the market risk of the long-term investment portfolio by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and market sectors are reviewed and risk is appropriately managed. The Company does not have set parameters as to a minimum or maximum amount of the investment portfolio that can be invested in a single company or sector.

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

| | 2009 | 2008 |
|---|---|---|
| Energy | 7% | 7% |
| Materials | 18% | 20% |
| Industrials | 8% | 8% |
| Consumer Discretionary | 6% | 6% |
| Consumer Staples | 9% | 8% |
| Health Care | 3% | 2% |
| Banks | 15% | 12% |
| Cash Assets | 3% | 6% |
| Other Financials | 24% | 24% |
| Telecommunication Services & I.T. | 5% | 5% |
| Utilities | 2% | 2% |
| | **100%** | **100%** |

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

| | 2009 | 2008 |
|---|---|---|
| BHP Billiton Ltd. | 7.8% | 7.7% |
| Westpac Banking Corporation | 5.6% | – |

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

The fair value of the Company's derivative financial instruments, being exchange traded options, as disclosed in note 10, are subject to market risk as changes in market price will affect the fair value of the financial instrument. The Company seeks to reduce the market risk of these derivatives by imposing Board approved maximum exposure limits for each security and in total. The total exposure position is determined and monitored on a daily basis. At 30 June, 2009, the Company did not hold any exchange traded options (2008: fair value $622,467).

The Company is not materially exposed to interest rate risk as all its cash investments mature in the short-term and have a fixed interest rate. Furthermore, the Company is not materially exposed to interest rate risk on the Company's convertible notes and other interest bearing securities totalling $18,000,069 (2008: $30,419,200).

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

# Directors' Declaration

In the opinion of the Directors of Argo Investments Limited ("the Company"):-

(a) the financial statements and notes set out on pages 30 to 58 are in accordance with the Corporations Act 2001 including:-

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's financial position as at 30 June, 2009 and of the Company's performance for the financial year ended on that date; and

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

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June, 2009.

Dated at Adelaide this 20th day of August, 2009

Signed in accordance with a resolution of the Directors

C.L. Harris
Chairman

**PricewaterhouseCoopers**
**ABN 52 780 433 757**

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

### Report on the financial report

We have audited the accompanying financial report of Argo Investments Limited (the company), which comprises the balance sheet as at 30 June 2009, 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.

*Directors' responsibility for the financial report*

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

*Auditor's responsibility*

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

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

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

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*.

*Auditor's opinion*
In our opinion:

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

  (i) giving a true and fair view of the company's financial position as at 30 June 2009 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.

**Report on the Remuneration Report**
We have audited the Remuneration Report included in pages 12 to 22 in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*
In our opinion, the Remuneration Report of Argo Investments Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Pricewaterhouse Coopers

PricewaterhouseCoopers

DR Clark

DR Clark
Partner

Adelaide
20 August 2009

Liability limited by a scheme approved under Professional Standards Legislation

# Shareholding details

*as at 18 August, 2009*

| | Ordinary shareholders |
|---|---:|
| Total number of shareholders (entitled to one vote per share) | **66,346** |
| Number of shareholders holding:- | |
| 1 – 1,000 shares | 15,490 |
| 1,001 – 5,000 shares | 25,754 |
| 5,001 – 10,000 shares | 11,708 |
| 10,001 – 100,000 shares | 12,916 |
| 100,001 or more shares | 478 |
| | **66,346** |
| Number of shareholders holding less than a marketable parcel | 1,321 |

**20 largest shareholders of ordinary shares**

| Name | No. of shares | % of issued capital |
|---|---:|---:|
| RCY Pty. Limited | 6,166,887 | 1.05 |
| JIT Pty. Limited | 4,925,972 | 0.84 |
| Bougainville Copper Limited | 2,977,055 | 0.51 |
| RBC Dexia Investor Services Australia Nominees Pty. Limited (MLCI a/c) | 2,955,052 | 0.51 |
| TRIGT Pty. Limited | 2,852,478 | 0.49 |
| Questor Financial Services Limited (TPS RF a/c) | 2,772,716 | 0.47 |
| Ramea Holdings Pty. Limited | 2,475,126 | 0.42 |
| McLennan Holdings Pty. Ltd. | 2,113,238 | 0.36 |
| Donald Cant Pty. Ltd. | 1,699,288 | 0.29 |
| Kalymna Pty. Ltd. | 1,620,737 | 0.28 |
| Jacaranda Pastoral Pty. Ltd. | 1,361,340 | 0.23 |
| Poplar Pty. Limited | 1,326,072 | 0.23 |
| Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c) | 1,280,025 | 0.22 |
| Salur Holdings Pty. Limited | 1,258,946 | 0.22 |
| Ling Nominees Pty. Ltd. | 1,049,725 | 0.18 |
| Pards Pty. Limited | 995,457 | 0.17 |
| Trustees of the Redemptorist Fathers | 975,000 | 0.17 |
| JIN Pty. Limited | 969,275 | 0.17 |
| Pont Pty. | 962,430 | 0.16 |
| Questor Financial Services Limited (TPS PIP a/c) | 944,381 | 0.16 |
| | **41,681,200** | **7.13** |

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

# Investments

*as at 30 June, 2009*

| | No. of Shares or Units | Market Value $m |
|---|---|---|
| ABB Grain Ltd | 412,045 | 3.8 |
| Aberdeen Leaders Ltd. | 11,400,750 | 13.8 |
| Adelaide Brighton Ltd | 3,932,062 | 8.8 |
| Aevum Ltd. | 1,849,964 | 1.7 |
| AGL Energy Ltd. | 2,453,787 | 33.0 |
| ALE Property Group | 610,000 | 1.3 |
| Alesco Corporation Ltd. | 2,545,979 | 8.9 |
| Allco Equity Partners Ltd. | 830,000 | 1.8 |
| Alumina Ltd. | 10,785,930 | 15.6 |
| Amalgamated Holdings Ltd. | 752,392 | 3.2 |
| Amcor Ltd. | 5,051,511 | 25.2 |
| AMP Ltd. | 7,130,954 | 34.8 |
| Ansell Ltd. | 665,685 | 5.8 |
| APA Group | 4,100,000 | 11.3 |
| A.P. Eagers Ltd. | 846,524 | 6.9 |
| APN News & Media Ltd. | 3,811,844 | 5.6 |
| Aristocrat Leisure Ltd. | 2,311,000 | 8.8 |
| Asciano Group | 5,610,963 | 7.5 |
| ASX Ltd. | 244,015 | 9.0 |
| Australia and New Zealand Banking Group Ltd. | 4,945,260 | 81.5 |
| Australian Infrastructure Fund | 3,185,735 | 4.3 |
| Australian United Investment Company Ltd. | 17,338,153 | 104.0 |
| Automotive Holdings Group Ltd. | 2,638,629 | 3.8 |
| AXA Asia Pacific Holdings Ltd. | 6,086,109 | 23.7 |
| Babcock & Brown Infrastructure Group | 5,574,722 | 0.4 |
| Bank of Queensland Ltd. | 510,147 | 4.6 |
| Bank of Queensland Ltd. reset preference | 7,500 | 0.8 |
| BBI EPS Ltd. exch. preference | 3,309,946 | 0.3 |
| Bendigo and Adelaide Bank Ltd. | 2,119,700 | 14.7 |
| Bendigo and Adelaide Bank Ltd. reset preference | 17,000 | 1.2 |
| BHP Billiton Ltd. | 7,067,411 | 245.4 |
| Billabong International Ltd. | 1,180,528 | 10.3 |
| Boom Logistics Ltd. | 2,250,000 | 0.8 |
| Boral Ltd. | 2,866,907 | 11.7 |
| Brambles Ltd. | 4,252,106 | 25.3 |
| Brickworks Ltd. | 554,960 | 7.6 |
| Brickworks Investment Company Ltd. | 8,311,237 | 8.7 |

# Investments

*as at 30 June, 2009*

| | No. of Shares or Units | Market Value $m |
|---|---|---|
| Cadbury Plc | 246,789 | 2.6 |
| Campbell Brothers Ltd. | 590,937 | 12.2 |
| Centennial Coal Company Ltd. | 1,938,624 | 4.8 |
| Choiseul Investments Ltd. | 1,791,854 | 7.8 |
| Coca-Cola Amatil Ltd. | 1,220,012 | 10.5 |
| Cochlear Ltd. | 128,000 | 7.4 |
| Coffey International Ltd. | 3,664,361 | 6.9 |
| Colorpak Ltd. | 4,049,000 | 1.6 |
| Commonwealth Bank of Australia | 2,198,306 | 85.7 |
| Commonwealth Property Office Fund | 2,594,066 | 2.2 |
| Computershare Ltd. | 4,401,166 | 39.7 |
| ConnectEast Group | 4,427,987 | 1.4 |
| Consolidated Media Holdings Ltd. | 1,548,203 | 3.5 |
| Corporate Express Australia Ltd. | 361,000 | 1.3 |
| Coventry Group Ltd. | 740,703 | 0.7 |
| Crane Group Ltd. | 664,173 | 6.7 |
| Crown Ltd. | 1,548,203 | 11.3 |
| CSL Ltd. | 834,752 | 26.8 |
| CSR Ltd. | 3,445,512 | 5.9 |
| David Jones Ltd. | 3,426,706 | 15.6 |
| Dexion Ltd. | 3,951,149 | 1.2 |
| DEXUS Property Group | 2,277,428 | 1.7 |
| Diversified United Investment Ltd. | 14,863,469 | 38.6 |
| Downer EDI Ltd. | 768,755 | 4.3 |
| DUET Group | 3,798,220 | 5.8 |
| Envestra Ltd. | 5,545,412 | 2.7 |
| Fairfax Media Ltd. | 15,779,138 | 19.3 |
| FKP Property Group | 7,186,681 | 3.7 |
| Fleetwood Corporation Ltd. | 1,492,485 | 8.8 |
| Foster's Group Ltd. | 7,449,721 | 38.4 |
| Gazal Corporation Ltd. | 2,900,000 | 2.8 |
| Global Mining Investments Ltd. | 5,513,748 | 5.5 |
| Goodman Fielder Ltd. | 2,850,000 | 3.7 |
| GPT Group | 11,539,492 | 5.7 |
| GUD Holdings Ltd. | 1,320,000 | 8.5 |
| GWA International Ltd. | 1,043,094 | 2.4 |

# Investments

*as at 30 June, 2009*

| | No. of Shares or Units | Market Value $m |
|---|---|---|
| Harvey Norman Holdings Ltd. | 4,030,000 | 13.3 |
| Hastings Diversified Utilities Fund | 1,141,537 | 1.4 |
| Hills Industries Ltd. | 4,304,541 | 6.8 |
| IAG Finance (New Zealand) Ltd. reset exch. notes | 25,000 | 1.9 |
| Iluka Resources Ltd. | 1,700,927 | 4.9 |
| Incitec Pivot Ltd. | 3,895,530 | 9.3 |
| Insurance Australia Group Ltd. | 6,303,333 | 22.1 |
| Insurance Australia Group Ltd. reset conv. preference | 30,800 | 3.1 |
| InvoCare Ltd. | 1,176,358 | 6.8 |
| IRESS Market Technology Ltd. | 791,884 | 5.7 |
| James Hardie Industries N.V. | 2,469,000 | 10.4 |
| Legend Corporation Ltd. | 3,975,751 | 0.3 |
| Leighton Holdings Ltd. | 583,572 | 13.7 |
| Lend Lease Corporation Ltd. | 2,547,814 | 17.9 |
| Lex Property Fund | 3,000,000 | 3.0 |
| Lex Retail Property Trust | 2,000,000 | 2.2 |
| Macquarie Airports | 8,734,743 | 20.2 |
| Macquarie Group Ltd. | 3,777,360 | 147.7 |
| Macquarie Group Ltd. income securities | 15,000 | 1.0 |
| Macquarie Infrastructure Group | 7,372,491 | 10.5 |
| Macquarie Media Group | 1,680,211 | 2.2 |
| MAC Services Group Ltd. (The) | 1,000,000 | 1.2 |
| Mermaid Marine Australia Ltd. | 5,650,000 | 10.3 |
| Metcash Ltd. | 1,564,038 | 6.7 |
| Milton Corporation Ltd. | 7,772,034 | 112.7 |
| Mirvac Group | 1,676,039 | 1.8 |
| Mount Gibson Iron Ltd. | 5,433,498 | 4.9 |
| National Australia Bank Ltd. | 4,757,384 | 106.8 |
| National Australia Bank Ltd. income securities | 25,770 | 1.9 |
| Navitas Ltd. | 2,244,817 | 6.1 |
| News Corporation class A | 879,655 | 10.2 |
| News Corporation class B | 980,067 | 13.1 |
| Nomad Building Solutions Ltd. | 1,587,250 | 0.7 |
| Norfolk Group Ltd. | 1,852,814 | 1.0 |

# Investments

*as at 30 June, 2009*

| | No. of Shares or Units | Market Value $m |
|---|---|---|
| Oakton Ltd. | 1,865,242 | 4.0 |
| OneSteel Ltd. | 5,779,109 | 14.9 |
| Orica Ltd. | 2,064,698 | 44.8 |
| Origin Energy Ltd. | 5,405,140 | 79.1 |
| OZ Minerals Ltd. | 6,313,416 | 5.8 |
| PaperlinX Ltd. | 2,440,274 | 1.0 |
| Peet Ltd. | 2,197,247 | 3.5 |
| Perpetual Ltd. | 350,880 | 10.0 |
| Premier Investments Ltd. | 1,250,000 | 6.9 |
| Primary Health Care Ltd. | 2,398,830 | 12.6 |
| Programmed Maintenance Services Ltd. | 1,357,127 | 3.7 |
| Qantas Airways Ltd. | 3,464,661 | 7.0 |
| QBE Insurance Group Ltd. | 3,086,095 | 61.4 |
| Ramsay Health Care Ltd. | 1,226,747 | 14.2 |
| Ramsay Health Care Ltd. reset conv. preference | 25,000 | 2.3 |
| Reece Australia Ltd. | 583,006 | 10.5 |
| Rio Tinto Ltd. | 1,569,534 | 81.9 |
| Rio Tinto Ltd. new | 824,005 | 43.0 |
| Salmat Ltd. | 1,457,048 | 5.2 |
| Santos Ltd. | 3,350,000 | 49.0 |
| Santos Ltd. reset conv. preference | 20,000 | 2.0 |
| Sigma Pharmaceuticals Ltd. | 7,150,000 | 8.7 |
| Sims Metal Management Ltd. | 415,772 | 11.0 |
| Sonic Healthcare Ltd. | 1,774,483 | 21.9 |
| Soul, (Washington H.) Pattinson & Company Ltd. | 1,532,507 | 16.5 |
| Spark Infrastructure Group | 1,750,000 | 2.0 |
| Stockland | 1,266,934 | 4.1 |
| Straits Resources Ltd. | 3,111,921 | 6.6 |
| Structural Systems Ltd. | 1,669,916 | 1.4 |
| Suncorp-Metway Ltd. | 3,225,364 | 21.6 |
| Suncorp-Metway Ltd. reset conv. preference | 32,000 | 3.1 |
| Tabcorp Holdings Ltd. | 1,934,810 | 13.9 |
| Talent2 International Ltd. | 1,226,374 | 1.0 |
| TAPS Trust reset preferred | 5,000 | 0.5 |
| Tatts Group Ltd. | 1,539,000 | 3.9 |

# Investments
*as at 30 June, 2009*

| | No. of Shares or Units | Market Value $m |
|---|---|---|
| Technology One Ltd. | 4,164,564 | 3.4 |
| Telstra Corporation Ltd. | 31,304,800 | 106.1 |
| Toll Holdings Ltd. | 2,388,785 | 14.9 |
| Transfield Services Ltd. | 3,638,487 | 8.3 |
| Transfield Services Infrastructure Fund | 1,500,000 | 1.5 |
| Transurban Group | 2,819,767 | 11.8 |
| United Group Ltd. | 1,478,242 | 15.3 |
| WDS Ltd. | 1,500,000 | 2.3 |
| Wesfarmers Ltd. | 4,215,376 | 95.5 |
| Wesfarmers Ltd. partially protected | 392,024 | 9.2 |
| West Australian Newspapers Holdings Ltd. | 1,039,558 | 4.5 |
| Westfield Group | 4,070,335 | 46.3 |
| Westpac Banking Corporation | 8,646,851 | 175.1 |
| Westpac Office Trust instalment receipts | 6,722,374 | 1.9 |
| Whitehaven Coal Ltd. | 2,094,397 | 6.6 |
| Woodside Petroleum Ltd. | 1,408,057 | 60.8 |
| Woolworths Ltd. | 3,838,985 | 101.2 |
| WorleyParsons Ltd. | 372,336 | 8.9 |

# Securities issued

## *since 19 September, 1985*

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

# Securities issued

## *since 19 September, 1985*

| Date | Details |
|---|---|
| 8 September, 2004 | Dividend Reinvestment Plan @ $4.75 per share |
| 18 October, 2004 | Share Purchase Plan @ $4.75 per share |
| 11 March, 2005 | Dividend Reinvestment Plan @ $5.43 per share |
| 18 April, 2005 | Share Purchase Plan @ $5.43 per share |
| 8 September, 2005 | Dividend Reinvestment Plan @ $5.79 per share |
| 19 October, 2005 | Share Purchase Plan @ $5.79 per share |
| 10 March, 2006 | Dividend Reinvestment Plan @ $6.71 per share |
| 20 April, 2006 | Share Purchase Plan @ $6.71 per share |
| 8 September, 2006 | Dividend Reinvestment Plan @ $6.95 per share |
| 17 October, 2006 | Share Purchase Plan @ $6.95 per share |
| 9 March, 2007 | Dividend Reinvestment Plan @ $7.92 per share |
| 27 March, 2007 | 1:8 rights issue @ $7.20 per share with the possibility of additional shares |
| 5 September, 2007 | Dividend Reinvestment Plan @ $7.62 per share |
| 9 October, 2007 | Share Purchase Plan @ $7.62 per share |
| 4 March, 2008 | Dividend Reinvestment Plan @ $7.39 per share |
| 8 April, 2008 | Share Purchase Plan @ $7.39 per share |
| 5 September, 2008 | Dividend Reinvestment Plan @ $6.69 per share |
| 10 October, 2008 | Share Purchase Plan @ $6.69 per share |
| 4 March, 2009 | Dividend Reinvestment Plan @ $5.12 per share |
| 6 April, 2009 | Share Purchase Plan @ $5.12 per share |