Investing in Australia

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RECORD ARGO PROFIT AND INCREASED DIVIDEND

Argo Investments Limited, a leading Australian listed investment company with total assets of $1.7 billion, has increased its annual dividend after achieving a record result for the year ended 30 June 2003.

Net profit after tax increased 21.9% to a record $74.6 million compared with $61.2 million in the previous year.

Argo has marked its 57th consecutive year of paying dividends with a lift in the 2002-03 annual dividend from 17 cents to 18 cents per share.

"Strong financial position" – Chairman

Mr Chris Harris, Argo's Chairman, said the Company again outperformed key market indicators.

"Argo continues to be in a strong financial position with no debt and $152 million available for investment as at 30 June 2003," Mr Harris said.

"Since balance date, funds available for investment have risen to $165 million as at 31 July 2003.

"While the global economic outlook remains difficult to judge, there are some indications that a mild upturn may occur in the year ahead.

"For Australia, economic growth has been relatively strong in recent years and may in fact ease a little going forward."

Mr Rob Patterson, Argo's Managing Director, said the current company reporting period would be closely monitored to assess which stocks and sectors of the market offer attractive investment opportunities.

"With the recent strength of the Australian share market, we have become more cautious and will look to increase our exposure to favoured stocks at lower levels on any market setbacks", Mr Patterson said.

Financial Result

Factors contributing to Argo's 2002-03 profit performance included:-

- $3.2 million of dividends resulting from the de-mergers of CSR Limited and WMC Limited. There were no de-merger dividends in the previous financial year.

- the full year benefit of the additional $123 million of capital raised in the one for 10 rights issue in April 2002.

- strong growth in income from dividends, interest and trust distributions.

- the management expense ratio for the year maintained at less than 0.2% of average assets at market value.

Mr Harris said the record-breaking performance reflected the analytical strength and disciplined approach utilised by management in evaluating and selecting long-term investment opportunities in the Australian share market.

"The benefit of our policy of maintaining a widely diversified Australian investment portfolio has enabled this result to be achieved in a difficult and uncertain investment environment," he said.

Argo currently has investments in approximately 160 Australian publicly listed corporations, representing a broad cross section of the nation's businesses.

Earnings per share rose 13.1% from 16.8 cents to 19.0 cents per share reflecting the dilution impact of the April 2002 rights issue.

Increased Annual Dividend

Argo Directors have declared the following fully franked dividends:-

- an increased final dividend of 8.5 cents per share (last year 7.5 cents per share);

- a special dividend of 0.5 cent per share (last year 0.5 cent per share);

- a 1 cent per share LIC capital gain dividend (last year 1 cent per share). This dividend will give rise to an attributable part of 1.43 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2003/2004 income tax return.

These dividends, totalling 10 cents per share, fully franked at 30% tax rate, will be paid on 12 September 2003 and absorb $39.9 million. The shares are expected to trade ex dividend on 19 August 2003 and the record date to establish shareholder dividend entitlements is 25 August 2003.

Total fully franked dividends for the year amount to 18 cents per share compared with fully franked dividends of 17 cents per share for the previous year. This means that a total of $71.2 million will be distributed to Argo shareholders this year.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will operate for the dividends totalling 10 cents per share payable on 12 September 2003.

The Directors have resolved that the shares will be allotted at a discount of 5% from the market price of Argo shares, as defined by the DRP, to eligible shareholders participating in the DRP.

Eligible shareholders, being those shareholders with registered addresses in Australia or New Zealand, who wish to participate in the DRP and who have not already lodged their intention, must do so by 25 August 2003. Any variation to an existing election must be lodged by this date.

Net Asset Backing

Reflecting weaker equity markets, net tangible asset backing per Argo share declined to $4.28 as at 30 June 2003, compared with $4.37 as at 30 June 2002.

However, Argo has continued to outperform key market indicators with a positive total portfolio return for the year of 2.1% compared with a fall of 1.1% in the All Ordinaries Accumulation Index, as measured by the movement in the net asset backing per share and dividends.

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