Argo Investing in Australia

2004 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
Robert D. Hill-Ling AO

Chief Financial Officer and Company Secretary
Brenton R. Aird

Auditors
BDO

Registered Office and Share Registry
Level 13, 13 Grenfell Street, Adelaide,
South Australia 5000
GPO Box 2692, Adelaide, South Australia 5001
Telephone: (08) 8212 2055
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Sydney Office
Level 17, 264 George Street, Sydney,
New South Wales 2000
GPO Box 4313, Sydney, New South Wales 2001
Telephone: (02) 9247 8900
Facsimile: (02) 9247 6088

Calendar

Share purchase plan acceptances due — 1 October, 2004

Annual general meeting -
Adelaide Convention Centre,
North Terrace, Adelaide at 10 am — 28 October, 2004

Information meetings -
Melbourne
ASX Theatrette, Ground Floor,
530 Collins Street, Melbourne at 10 am — 29 October, 2004

Sydney
AAP Centre Theatre, Ground Floor, Corner
George and Jamison Streets, Sydney at 10 am — 1 November, 2004

Half yearly result announced — 7 February, 2005

Expected dates for interim dividend -

Ex date	21 February, 2005
Record date	25 February, 2005
Payment date	11 March, 2005

Objective

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

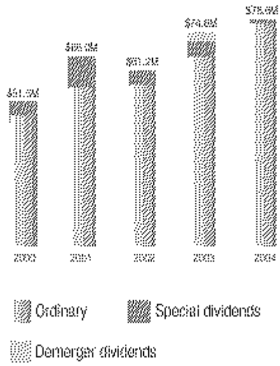
Contents

2004 Highlights

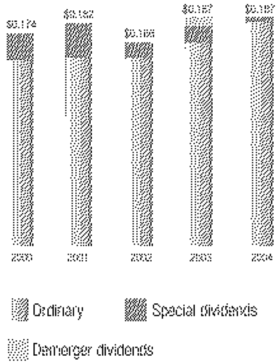
- Operating profit after tax a record $78.6 million, an increase of 16.7% after excluding the impact of de-merger and special dividends.
- Total portfolio return of 17.7%.
- Record asset backing of $4.84 per share on 30 June, 2004 compared with $4.29 as at 30 June, 2003.
- Dividends of 18 cents per share, fully franked (including special dividends of 1 cent per share and LIC capital gain dividend of 0.5 cent per share).
- Management expense ratio maintained at less than 0.2% of average assets at market value.
- Capital raisings of $194.7 million from 1:10 rights issue at $4.40, $32.4 million from the Share Purchase Plan and $13.3 million from the Dividend Reinvestment Plan.

Five years of growth

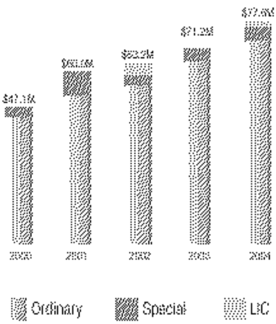
Operating profit



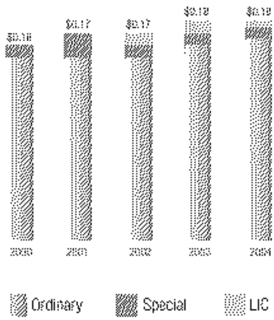
Earnings per share



Total dividends

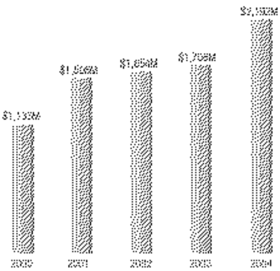


Dividends per share



Shareholders' equity

before provision for deferred income tax

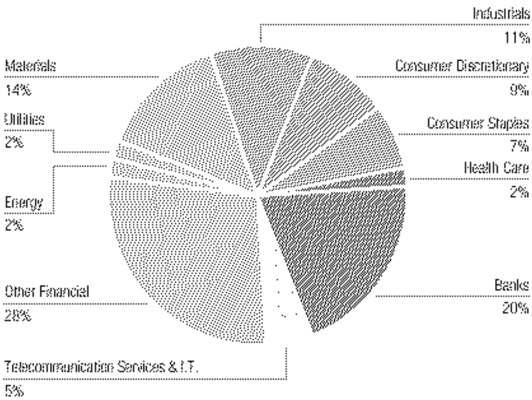


Net tangible assets

per share

Portfolio allocation

as at 30 June, 2004



20 largest investments

as at 30 June, 2004

$M	
129.4	Macquarie Bank Ltd.
106.5	Milton Corporation Ltd.
94.5	National Australia Bank Ltd.
78.8	Australia and New Zealand Banking Group Ltd.
74.8	Telstra Corporation Ltd.
71.4	Wesfarmers Ltd.
63.1	Westpac Banking Corporation
61.5	Australian United Investment Co. Ltd.
56.1	BHP Billiton Ltd.
53.1	St. George Bank Ltd.
52.6	Commonwealth Bank of Australia
34.0	Foster's Group Ltd.
33.1	Amcor Ltd.
32.8	AMP Ltd.
26.7	Insurance Australia Group Ltd.
25.9	Rinker Group Ltd.
25.3	Australian Gas Light Company (The)
24.4	Rio Tinto Ltd.
23.9	Coles Myer Ltd.
22.2	Orica Ltd.

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, 2004 of $2.2 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 Stock Exchange (ASX code ARG).

At 30 June, 2004, Argo had 452.9 million shares on issue.

Argo has over 46,500 shareholders who are seeking capital growth, a regular income and assured protection of their savings.

Argo's assets exceeded $2.2 billion as at 30 June, 2004 and are invested predominantly in the shares of companies listed on the Australian Stock Exchange.

The investment policy followed by Argo is simple. Rather than attempt to gain spectacular rewards in the short term from high-risk situations, the management aim to provide safe, steady and satisfactory progress, secured by a spread of investments over a wide range of the Australian economy. The portfolio contains investments in about 170 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations.

A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is good quality management and prospects for sound earnings growth.

Argo has an experienced Board of Directors and a stable management team which are essential for the effective surveillance of a long-term investment portfolio. The Board consists of five highly qualified Directors, one of whom is an executive Director. In 58 years of operation, Argo has only had two Chief Executives.

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

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

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

Shareholder benefits

Low Management Costs

Argo's management costs are extremely low when compared with many other managed investment products. For the year ended 30 June, 2004, total operating costs were less than 0.2% of average assets at market value.

Franked Dividends

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

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

Share Purchase Plan

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

Dividend Reinvestment Plan

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

New Share Issues

Argo has a history of making new issues of shares to existing shareholders at a discount to 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, thus maintaining the existing shareholding at a reduced cost.

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, 2004
$1,000 invested in Argo shares	$3,546
Compound annual growth rate	
Argo shares	13.5% p.a.
ASX all ordinaries accumulation index	9.6% p.a.
Consumer price index	2.7% p.a.

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

Directors' Report

The Directors present their Fifty Eighth Annual Report together with the financial report of Argo Investments Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and wholly-owned entities it controlled until 6 May, 2004, for the financial year ended 30 June, 2004 including the independent Audit Report.

Review of Operations and Financial Condition

The Company's objective is to maximise long-term secure returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved through building a portfolio of long-term investments, currently about 170 companies, representing a cross section of Australia's enterprises, where there is good quality management and prospects for sound earnings and dividend growth.

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

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

To simplify the administration process, the Company's wholly-owned subsidiaries were placed in member's voluntary liquidation on 6 May, 2004. The liquidator is awaiting final taxation clearance from the Australian Taxation Office before completing the liquidation process.

Operating profit of the consolidated entity for the financial year, after providing for income tax, was $78,593,176 compared with $74,582,676 in the previous financial year. However, the previous year's result included $3.2 million of de-merger dividends and $5.4 million of special dividends, whereas in the current year only $1.6 million of special dividends and no de-merger dividends were received.

The underlying net profit increased 16.7% this year, after excluding the impact of de-merger and special dividends.

Other factors contributing to the record 2003-04 profit performance included:

- strong growth in income from ordinary dividends, interest and trust distributions, including approximately three months income from the $195 million of capital raised in the 1 for 10 rights issue at $4.40 per share in March 2004; and
- the management expense ratio for the year being maintained at less than 0.2% of average assets at market value.

This result reflects the analytical strength and disciplined approach utilised by management in evaluating and selecting long-term investment opportunities.

The Company's long-term policy of only investing in Australian companies, many of which have overseas interests, enables our investment analysts to maintain a strong and ongoing contact with those companies in which we invest.

The Company's widely diversified portfolio of investments produced a total return of 17.7% (as measured by the movement in net asset backing per share plus dividends reinvested) for the year ended 30 June, 2004, compared with 22.3% from the ASX All Ordinaries Accumulation Index.

The higher Index performance for the year reflects the particularly strong rise in prices of energy and natural resource stocks, areas where the Company has not traditionally had a market weight exposure due to their historic price and profit volatility.

Argo's long-term investment philosophy dictates that its portfolio performance should be considered over longer periods of time. Using the same measurement criteria as described above, the following longer term annual compound total returns to 30 June, 2004 were achieved:-

	Argo	All Ordinaries Accumulation Index
5 years	10.8% p.a.	8.6% p.a.
10 years	12.9% p.a.	9.6% p.a.

Earnings per share was steady at 18.7 cents reflecting the dilution impact of the March 2004 rights issue, the decline in special dividends and lack of de-merger dividends.

Dividends

Fully franked dividends totalling 8.5 cents per share, comprising an increased interim dividend of 8 cents per share and a 0.5 cent per share special dividend, were paid on 12 March, 2004.

On 9 August, 2004, the Directors declared the following fully franked dividends totalling 9.5 cents per share payable on 8 September, 2004:

- a steady final dividend of 8.5 cents per share;
- a special dividend of 0.5 cent per share; and
- a 0.5 cent per share Listed Investment Company (LIC) capital gain dividend. This dividend will give rise to an attributable part of 0.71 cent per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2004/2005 income tax returns.

Total fully franked dividends for the year are a steady 18 cents per share, including special dividends totalling 1 cent per share and a LIC capital gain dividend of 0.5 cent per share.

The dividends total $77,637,090 and compare with $71,216,049 in the previous year.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised $13,265,804 of new capital for investment during the year.

The DRP will operate for the dividend payments totaling 9.5 cents per share payable on 8 September, 2004 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 $32,412,980 of capital was raised.

The SPP is again being offered to eligible shareholders in September 2004 at a discount of 2.5%, as defined by the SPP.

Asset Backing

The net tangible asset backing per Argo share before providing for deferred capital gains tax on unrealised gains within the investment portfolio rose to a record $4.84 as at 30 June, 2004, compared with $4.29 as at 30 June, 2003 after adjusting for the 1 for 10 rights issue at $4.40 per share in March 2004.

Additional statutory information

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

   Christopher Lee Harris BEc, FCPA, FAICD
   Chairman – Independent

   Mr. Harris, a non-executive Director since 1994, was appointed Chairman in 1998. He is Chairman of the Nomination and Remuneration Committee and was appointed a member of the Audit Committee on 8 August, 2003.

   Mr. Harris is a non-executive Director of Adelaide Brighton Ltd and McGuigan Simeon Wines Limited.

   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. Age 57.

   Robert Tom Rich FCA
   Deputy Chairman – Non-independent

   Mr. Rich, a non-executive Director since 1998, was appointed Deputy Chairman in 1998. He is Chairman of the Corporate Governance Committee and a member of the Nomination and Remuneration Committee and the Audit Committee. Mr. Rich was an executive Director of the Company from 1992 to 1998.

He has a chartered accounting background and was previously the Managing Director of Stoddarts Holdings Limited. Age 55.

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

Mrs. Darling, a non-executive Director since 1999, is a member of the Corporate Governance Committee and was appointed a member of the Nomination and Remuneration Committee on 17 June, 2004.

She is a non-executive Director of Southern Cross Broadcasting (Australia) Limited and a member of the national board of Deacons, lawyers.

Mrs. Darling has commercial, legal and corporate advisory experience. Age 45.

Robert Donald Hill-Ling AO, FIE Aust, CPEng, FAICD
Non-executive – Independent

Mr. Hill-Ling, a non-executive Director since 1992, is Chairman of the Audit Committee.

He is non-executive Chairman of Hills Industries Limited.

Mr. Hill-Ling has a company management and engineering background and was a former Managing Director of Hills Industries Limited. Age 71.

Robert John Patterson FAICD
Managing Director – Non-independent

Mr. Patterson, an executive Director since 1983, was Secretary of the Company from 1969 to 1985 and was appointed Chief Executive in 1982 and Managing Director in 1992.

He has had over 35 years experience in the investment industry. Age 56.

Brenton Raymond Aird PNA (alternate)
An alternate executive Director for Mr. R.J. Patterson since 1992 until 26 August, 2004 but was not called upon to act in that capacity during the financial year and therefore his details have not been included in Director related disclosures.

Mr. Aird joined the Company in 1986 as Company Secretary and has an accounting and investment background. Age 53.

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

	Beneficial	Non-Beneficial
M.S. Darling	13,068	–
C.L. Harris	71,319	–
R.D. Hill-Ling AO	187,481	2,060,033
R.J. Patterson	727,416 *	–
R.T. Rich	12,797,207	2,779,043

* Includes 706,362 shares issued to R.J. Patterson pursuant to the Argo Investments Executive Share Plan.

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 14 Directors' meetings, 3 Audit Committee meetings, 2 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
M.S. Darling	14	12	–	1*	–	–	2	2
C.L. Harris	14	14	2	2	2	2	–	–
R.D. Hill-Ling AO	14	14	3	3	–	–	–	–
R.J. Patterson	14	14	–	1*	–	1*	–	–
R.T. Rich	14	12	3	2	2	2	2	2

* by invitation

2. **Directors' and Senior Executives' Emoluments**

   The Company's remuneration policy, its relationship with Company performance and the details of the amount of remuneration of each Director and senior executive can be found in note 23 to the financial report. There are only three current senior executives for which this disclosure is required.

3. As at 30 June, 2004, there were 15 employees of the Company (last year 12).

4. The principal activities of the consolidated entity 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 consolidated entity occurred during the financial year other than those mentioned in this report.

5. The dividends paid by the Company for the financial year ended 30 June, 2003 of $39,892,398 (including a special dividend of $1,994,620 and a LIC capital gain dividend of $3,989,240) and referred to in the Directors' Report dated 4 September, 2003 were paid on 12 September, 2003.

6. 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 subsequent financial years except as stated elsewhere in this report.

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

8. 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 policy contains a confidentiality clause.

9. 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.

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

On behalf of the Board

C.L. Harris
Chairman
26 August, 2004

Corporate governance

Our experienced Board of Directors and senior executives are committed to responsible financial and business practices to protect and advance shareholders' interests.

Consistent with this aim, the Company has followed the principles and best practice recommendations established by the ASX Corporate Governance Council.

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

Charters and policies referred to in this Statement are available on request or can be found in the corporate governance section of the Company's internet site at www.argoinvestments.com.au.

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

~ setting objectives, goals and strategic direction for management with a view to maximising shareholder value.

~ adopting an annual budget and monitoring financial performance.

~ ensuring adequate internal controls exist and are appropriately monitored for compliance.

~ ensuring significant business risks are identified and appropriately managed.

~ approving the interim and final financial accounts and related reports and other communications to the ASX and shareholders.

~ appointment and the review of the performance of the Managing Director.

~ setting appropriate business standards and code for ethical behaviour.

The Board currently comprises four non-executive Directors of whom three are independent as defined by the ASX Corporate Governance Council's principles, and the Managing Director. It is the policy of the Board that there be a majority of non-executive, independent Directors and that there be a separation of the roles of Chairman and Managing Director. Information about the Directors and Board Committees, as required by the ASX Corporate Governance Council's principles, is contained in the relevant sections of the Directors' Report.

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

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

In June each year, every Director is provided with and completes a customised evaluation form in relation to the performance of the Board. The evaluation form addresses all key aspects of the Board's operations.

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

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, together with scrip lending exposures.

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

Audit Committee

The Audit Committee of the Board, comprising three non-executive Directors of whom two are independent as defined by the ASX Corporate Governance Council's principles, works to defined terms of reference in compliance with all the regulatory requirements. The external audit firm partner responsible for the Company audit attends meetings by invitation. The Committee formally reports to the Board after each of its meetings.

The Committee primarily provides assistance to the Board in fulfilling its responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and the external audit functions. The process for approval of the financial statements involves the sign-offs by the Managing Director and Chief Financial Officer. The Company utilises the services of BDO (Chartered Accountants) and the audit engagement partner is required to be changed at regular intervals.

Shirley Schaefer, a partner of BDO, is the partner responsible for the external audit of the Company for the 2004 financial year.

Nomination and Remuneration Committee

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

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

To assist in achieving these objectives, the Company's remuneration policy links the nature and amount of the executive Director's and officers' remuneration to the Company's financial and operational performance. The Company's remuneration policy, its relationship with Company performance and the details of the remuneration of each Director and senior executive can be found in note 23 to the financial report. There are only three current senior executives for which this disclosure is required.

Non-executive Directors' Remuneration

Non-executive Directors are remunerated by fees within the aggregate amount of $400,000 approved by shareholders at the Annual General Meeting in November 2000. The current fee structure for non-executive Directors is $66,000 per Director, per year, other than the Chairman who receives a remuneration of $99,000 per year. Statutory superannuation entitlements also apply. All non-executive Directors' payments are inclusive of Committee fees.

The Company has entered into an agreement with each non-executive Director 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. At 31 December, 2003, the Directors' retirement agreements were varied and entitlements to that date were frozen.

Directors' Shareholdings

Directors are not required to hold a minimum number of shares pursuant to the Company's Constitution. However, their current relevant interests in the Company's shares are shown in the Directors' Report on page 11.

The Board has adopted a policy for dealings in the Company's shares by Directors and entities controlled by Directors. On the basis that the Board is not in possession of price sensitive confidential information which is not generally available, the policy permits the purchase or sale of shares in the Company in the following periods:-

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

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

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

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

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

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

Indemnities
In accordance with the Company's Constitution and as approved by shareholders, each Director and Officer is indemnified to the extent permitted by law. Directors and Officers of the Company are covered by insurance against certain liabilities they may incur in carrying out their duties for the Company. Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which is not to be unreasonably withheld.

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

- the Annual Report which is distributed to all shareholders (unless specifically requested otherwise);
- a letter providing details of the half-yearly result;
- the Owner's Manual; and
- other correspondence regarding matters impacting on shareholders as required.

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

Shareholders are also encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as single resolutions. Shareholder information meetings are also held each year following the Annual General Meeting, in both Sydney and Melbourne, providing an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

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

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

The Company's corporate governance practices were adopted throughout the year with the formalising and disclosing process being progressively implemented.

Statements of Financial Performance

for the year ended 30 June, 2004

	Note	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Revenue from ordinary activities	2	88,720	84,064	88,720	81,300
Expenses	3(b)(i)	(3,555)	(3,119)	(3,555)	(3,192)
Cost of trading investments	3(b)(ii)	(1,402)	(1,391)	(1,402)	(1,391)
Profit from ordinary activities before income tax expense		83,763	79,554	83,763	76,717
Income tax expense relating to ordinary activities	4(a)	(5,170)	(4,971)	(5,170)	(4,015)
Net profit		78,593	74,583	78,593	72,702
Increase/(decrease) in investment revaluation reserve	5	168,180	(26,787)	192,859	(23,108)
Total changes in equity other than those resulting from transactions with owners as owners		246,773	47,796	271,452	49,594
		Cents	Cents		
Basic earnings per share	6	18.7	18.7		

(To be read in conjunction with the accompanying notes)

Statements of Financial Position

as at 30 June, 2004

	Note	CONSOLIDATED		COMPANY	
		2004	**2003**	**2004**	**2003**
		$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash assets	7(a)	281,044	152,836	281,044	152,836
Receivables	8	15,638	15,771	15,638	11,504
Investments	9	–	78	–	78
Total Current Assets		296,682	168,685	296,682	164,418
NON-CURRENT ASSETS					
Receivables	8	2,661	3,009	2,661	7,543
Investments	9	1,911,480	1,553,198	1,911,480	1,554,025
Plant and equipment	10	200	172	200	172
Deferred tax assets	4(c)	358	325	358	318
Total Non-Current Assets		1,914,699	1,556,704	1,914,699	1,562,058
TOTAL ASSETS		2,211,381	1,725,389	2,211,381	1,726,476
CURRENT LIABILITIES					
Payables	11	2,548	1,675	2,548	1,672
Current tax liabilities	4(a)	7,205	2,824	7,205	1,410
Provisions	12	491	399	491	399
Total Current Liabilities		10,244	4,898	10,244	3,481
NON-CURRENT LIABILITIES					
Borrowings	13	–	–	–	57,825
Deferred tax liabilities	4(b)	249,032	181,045	249,032	150,427
Provisions	12	702	685	702	661
Total Non-Current Liabilities		249,734	181,730	249,734	208,913
TOTAL LIABILITIES		259,978	186,628	259,978	212,394
NET ASSETS		1,951,403	1,538,761	1,951,403	1,514,082
EQUITY					
Contributed equity	14	1,049,543	809,166	1,049,543	809,166
Reserves	5	808,525	644,334	808,525	624,102
Retained profits	15	93,335	85,261	93,335	80,814
TOTAL EQUITY	17	1,951,403	1,538,761	1,951,403	1,514,082

(To be read in conjunction with the accompanying notes)

Statements of Cash Flows

for the year ended 30 June, 2004

	Note	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Dividends received		68,515	67,097	49,717	66,419
Income from realisation of subsidiaries		–	–	15,165	–
Interest received		11,383	7,934	11,212	7,718
Other receipts		7,535	4,394	6,652	3,439
Payments for trading investments		(1,326)	(1,306)	(1,326)	(1,306)
Proceeds from trading investments		1,627	1,540	1,627	1,540
Administration and other operating costs paid		(3,328)	(2,884)	(3,328)	(2,883)
Income taxes paid		(6,003)	(6,879)	(2,404)	(2,924)
Net operating cash flows	7(c)	78,403	69,896	77,315	72,003
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		54,752	89,623	39,498	56,550
Acquisition of investments		(171,084)	(131,752)	(165,875)	(121,542)
Loans repaid by wholly-owned entities		–	–	4,534	3,627
Loans repaid by other entities		200	–	200	–
Executive share plan repayments		648	217	648	217
Proceeds from sale of plant and equipment		22	17	22	17
Payments for plant and equipment		(100)	(89)	(100)	(89)
Net investing cash flows		(115,562)	(41,984)	(121,073)	(61,220)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues		227,123	39,341	227,123	39,341
Share issues transaction costs		(514)	(128)	(514)	(128)
Borrowings		–	–	6,599	17,279
Repayment of borrowings		–	–	–	(150)
Dividends paid		(61,242)	(55,299)	(61,242)	(55,299)
Net financing cash flows		165,367	(16,086)	171,966	1,043
Net increase in cash held		128,208	11,826	128,208	11,826
Cash at beginning of year		152,836	141,010	152,836	141,010
Cash at end of year	7(a)	281,044	152,836	281,044	152,836

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the year ended 30 June, 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared using the conventional historical cost basis except for certain Non-Current Assets which are at current market valuation. It has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The accounting policies have been consistently applied, unless otherwise stated. The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

(a) **Principles of Consolidation**

The consolidated financial statements comprise the financial statements of Argo Investments Limited ("Company" or "parent entity") and all entities controlled by the parent entity during the year. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

(b) **Liquidation of Wholly-Owned Entities**

On 6 May, 2004, the Company placed all of its wholly-owned entities into member's voluntary liquidation. All listed portfolio investments of the wholly-owned entities were transferred to the parent entity at market value prior to the wholly-owned entities being placed into member's voluntary liquidation. The unlisted investments were transferred to the parent entity at market value by the liquidator prior to 30 June, 2004. The accounting for the liquidation has been conducted as if the liquidator had completed the formalities at 30 June, 2004. Adjustments have been made to Investment Revaluation Reserve, Investment Fluctuation Reserve and Retained Profits so that the parent entity only reflects transactions that have occurred outside the consolidated group.

As part of accounting for the liquidation of the wholly-owned entities, current year net profits of those entities have been included in the revenue of the Company. There was no gain or loss by the parent entity arising from the liquidation of wholly-owned entities as all investments in controlled entities were recorded at market value in accordance with the policy stated in note 1(c) below.

As a result, the parent entity now reflects the results and position of the former consolidated entity.

(c) **Investments**

(1) **Classification**

Investments classified as Current Assets comprise holdings of trading securities.

Investments classified as Non-Current Assets comprise holdings of long-term securities.

(2) **Valuation of Investments**

Trading investments are individually valued at the lower of cost or market value.

Long-term investments are continuously revalued to current market value. The net amount of the revaluation, after provision for deferred capital gains tax, is transferred to Investment Revaluation Reserve.

Where Exchange Traded Call Options have been sold and have a term expiring after balance date, the relevant investments are revalued to the lower of the market value at balance date or the option exercise price.

(3) **Gains and Losses on realisation of Investments**

The gain or loss on realisation of trading investments is taken into account in determining the operating profit.

The gain or loss on realisation of long-term investments is calculated as the difference between the carrying amount of the investment at the time of realisation and the proceeds of realisation. Due to the accounting policy referred to in note 1(c)(2), the disposal of long-term investments does not give rise to gains or losses.

The revaluation adjustment relating to realised long-term investments standing in the Investment Revaluation Reserve at the time of realisation is transferred to Investment Fluctuation Reserve.

(4) **Securities Lending**

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

Where investments have been lent at balance date, the relevant investments are not held by the Company. The Company holds as collateral sufficient cash to secure the borrower's obligation to return an equivalent parcel of investments to those which were lent.

(5) **Option Writing**

The Company earns income from selling call options against various investment holdings.

(d) **Revenue**

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

(e) **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 27%.

(f) **Income Tax**

The principle of tax effect accounting has been adopted whereby income tax expense for the financial year has been matched with accounting profit after allowing for permanent differences relating to deductibility or assessability for income tax purposes of certain items.

A Provision for Deferred Income Tax arises from the policy of revaluing investments to current market value continuously. However, Directors do not intend to dispose of the investment portfolio and therefore do not expect that the tax associated with such a disposal would be incurred. Transfers are made to Provision for Income Tax when realisations of investments occur. Where appropriate, Future Income Tax Benefit arising from investments is offset against Provision for Deferred Income Tax.

The Company and its wholly-owned controlled entities adopted the tax consolidation legislation as at 1 July, 2003.

(g) **Employee Entitlements**

(1) **Annual Leave**

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised as current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(2) **Long Service Leave**

The liability for long service leave is recognised in the current provision for employee entitlements and is measured in accordance with (1) above where it is expected to be settled within 12 months of the reporting date and where the entitlement has become unconditional.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the non-current provision for employee entitlements and is measured at the present value using estimated amounts expected to be paid.

(h) **Provision for Dividend**

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

(i) **Rounding**

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

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
2. REVENUE				
(a) Revenue from operating activities				
Dividends attributable to				
- wholly-owned entities	–	–	–	18,420
- other entities	69,018	69,081	54,314	49,065
Income of subsidiaries realised on liquidation	–	–	15,721	–
Interest - other entities	11,878	7,691	11,739	7,478
Trust distributions - other entities	5,355	4,796	4,527	3,980
Proceeds from sale of trading investments	1,627	1,540	1,627	1,540
Other	820	941	770	802
	88,698	84,049	88,698	81,285
(b) Revenue from non-operating activities				
Proceeds from sale of plant and equipment	22	15	22	15
Revenue from ordinary activities	**88,720**	**84,064**	**88,720**	**81,300**

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
Profit from ordinary activities before income tax expense has been determined after:-				
(a) Crediting				
Net profit on disposal of trading investments	225	234	225	234
Net profit/(loss) on disposal of plant and equipment	(1)	6	(1)	6
(b) Charging				
(i) Expenses				
Administration	3,506	3,077	3,506	3,150
Depreciation	49	42	49	42
	3,555	**3,119**	**3,555**	**3,192**
(ii) Cost of trading investments				
Carrying value of sales of trading investments	1,402	1,306	1,402	1,306
Write down of trading investments to lower of cost or market value	–	85	–	85
	1,402	**1,391**	**1,402**	**1,391**

4. INCOME TAX

(a) The prima facie tax payable on the profit from ordinary activities differs from the income tax provided in the accounts and is reconciled as follows:-

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Profit from ordinary activities before income tax expense	83,763	79,554	83,763	76,717
Prima facie tax payable calculated at 30% (2003: 30%)	25,129	23,866	25,129	23,015
Tax effect of permanent differences:-				
Imputation gross-up on dividends received	8,228	7,107	8,228	7,407
Franking credits on dividends received	(27,427)	(23,689)	(27,427)	(24,691)
Non-taxable dividends	–	(951)	–	(636)
Other	(619)	(1,385)	(619)	(1,114)
(Over)/under provision previous year	(141)	23	(141)	34
Income tax expense relating to ordinary activities	5,170	4,971	5,170	4,015
Tax effect of timing differences	5,217	(800)	5,217	(2,331)
Over/(under) provision previous year	141	(23)	141	(34)
Tax instalments paid	(3,323)	(1,324)	(3,323)	(240)
Provision for income tax	**7,205**	**2,824**	**7,205**	**1,410**
(b) Provision for deferred income tax				
- timing differences	8,267	13,461	8,267	11,766
- deferred capital gains tax	240,765	167,584	240,765	138,661
	249,032	**181,045**	**249,032**	**150,427**
(c) Future income tax benefit				
- timing differences	**358**	**325**	**358**	**318**

5. MOVEMENTS IN RESERVES DURING THE YEAR

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Investment Fluctuation Reserve				
Balance at beginning of year	161,145	153,275	124,386	119,763
Transfer to provision for dividend	(3,989)	–	(3,989)	–
Transfer from investment revaluation reserve	4,403	7,870	227,019	4,623
Accounting for wholly-owned entities in parent entity	–	–	(185,857)	–
Balance at end of year	**161,559**	**161,145**	**161,559**	**124,386**
Investment Revaluation Reserve				
Balance at beginning of year	483,189	517,846	499,716	527,447
Revaluation of investments	168,180	(26,787)	192,859	(23,108)
Transfer to investment fluctuation reserve	(4,403)	(7,870)	(227,019)	(4,623)
Accounting for wholly-owned entities in parent entity	–	–	181,410	–
Balance at end of year	**646,966**	**483,189**	**646,966**	**499,716**
Total Reserves	**808,525**	**644,334**	**808,525**	**624,102**

Nature and Purpose of Reserves

Investment Fluctuation Reserve

Gains or losses arising from the disposal of long-term investments, as described in accounting policy note 1(c)(3), are recorded in this reserve.

Investment Revaluation Reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred capital gains tax, as described in accounting policy note 1(c)(2), are recorded in this reserve.

6. EARNINGS PER SHARE

	2004	2003
	cents	cents
Basic earnings per share based on operating profit after income tax	18.7	18.7*
* adjusted for 1:10 rights issue allotted in April 2004		
	number	number
	'000	'000
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	419,222	391,901
	CONSOLIDATED	
	2004	**2003**
	$'000	$'000
Earnings used in calculating basic earnings per share	78,593	74,583

7. CASH ASSETS

(a) Cash includes cash on deposit (5.20% floating interest rate as at 30 June, 2004; 4.70% floating interest rate as at 30 June, 2003) with banks, fixed term deposits (fixed interest rates between 5.43% and 5.53% as at 30 June, 2004; 4.68% and 4.80% as at 30 June, 2003) with banks, negotiable bank bills of exchange (fixed interest rates to maturity between 5.42% and 5.46% as at 30 June, 2004; 4.68% and 4.81% as at 30 June, 2003) maturing within six months.

Cash disclosed in the Statements of Cash Flows and the Statements of Financial Position:-

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Bank accepted bills (face value $28,613,018; 2003 $95,819,359)	28,488	95,405	28,488	95,405
Deposits	252,556	57,431	252,556	57,431
	281,044	**152,836**	**281,044**	**152,836**
(b) Financing Arrangements				
Total lines of credit available:-				
Bank overdraft	200	200	200	200
Amount utilised	–	–	–	–
Undrawn facilities	**200**	**200**	**200**	**200**

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

(c) Reconciliation of net cash provided by operating activities to net profit:-

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Net profit	78,593	74,583	78,593	72,702
(Increase)/decrease in current investments	78	85	78	85
Net loss/(gain) on fixed assets	1	(6)	1	(6)
Depreciation	49	42	49	42
Charges to provisions	109	155	134	229
Increase/(decrease) in provision for income tax	4,381	(2,708)	5,735	(1,240)
Transfer from/(to) provision for deferred income tax	(5,203)	847	(3,533)	2,400
(Increase)/decrease in future income tax benefit	(33)	(46)	(40)	(69)
Changes in assets and liabilities				
(Increase)/decrease in other debtors	384	(3,081)	(3,749)	(2,165)
Increase/(decrease) in other creditors	44	25	47	25
Net cash provided by operating activities	**78,403**	**69,896**	**77,315**	**72,003**

(d) Non-cash Investing and Financing Activities

Interest free loans totalling $501,120 were made to executives pursuant to the Argo Investments Executive Share Plan and equalled the issue price of Company shares arising from the 1 for 10 renounceable rights issue at $4.40 per share to which the executives were entitled under the terms of the Plan (last year nil).

Dividends paid totalling $13,265,804 were reinvested in shares under the Company's dividend reinvestment plan (last year $10,836,190).

8. RECEIVABLES

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Current				
Dividends and trust distributions receivable	13,334	14,212	13,334	10,113
Interest receivable	1,125	629	1,125	599
Outstanding settlements	1,167	917	1,167	783
Other	12	13	12	9
	15,638	**15,771**	**15,638**	**11,504**

Receivables are non-interest bearing and are unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within three days of the transaction date. Other receivables are recovered quarterly as part of the taxation system.

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Non-Current				
Executive share plan loans				
- Directors	1,328	1,164	1,328	1,164
- Others	1,333	1,645	1,333	1,645
Loans to wholly-owned entities	–	–	–	4,534
Loans to other entities	–	200	–	200
	2,661	**3,009**	**2,661**	**7,543**

The terms of repayment of the executive share plan loans are disclosed in note 24. The loans to wholly-owned entities are non-interest bearing and unsecured. Loans to other entities were secured over property and had a weighted interest rate of 3.3% (last year 3.1%).

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
9. INVESTMENTS				
Current				
Listed securities at lower of cost or market value (market value nil, Company nil; 2003 $77,778, Company $77,778)	–	**78**	–	**78**
Non-Current				
Listed securities at market value	1,910,977	1,550,842	1,910,977	1,135,786
Unlisted securities at market value	503	2,356	503	1,592
Shares in wholly-owned entities at market value	–	–	–	416,647
	1,911,480	**1,553,198**	**1,911,480**	**1,554,025**

The total number of investment transactions that occurred in securities during the financial year was 219 (Company 140). The total brokerage paid on these transactions was $703,462 (Company $682,179).

At 30 June, 2004, investments with a market value of $11,214,800 (last year $2,987,100) were on loan as a result of securities lending. Cash totalling $11,846,205 (last year $3,135,038) was held as collateral.

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
10. PLANT AND EQUIPMENT				
Plant, equipment and vehicles at cost	475	434	475	434
Accumulated depreciation	(275)	(262)	(275)	(262)
	200	**172**	**200**	**172**

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Reconciliation of Plant and Equipment				
Carrying amount at beginning of year	172	134	172	134
Additions	100	89	100	89
Disposals	(23)	(9)	(23)	(9)
Depreciation	(49)	(42)	(49)	(42)
Carrying amount at end of year	**200**	**172**	**200**	**172**

11. PAYABLES - CURRENT LIABILITIES

Outstanding settlements	2,315	1,486	2,315	1,486
Other payables	233	189	233	186
	2,548	**1,675**	**2,548**	**1,672**

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

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
12. PROVISIONS				
Current				
Provision for employee entitlements	**491**	**399**	**491**	**399**
Non-Current				
Provision for Directors' retiring allowances	651	614	651	590
Provision for employee entitlements	51	71	51	71
	702	**685**	**702**	**661**
Aggregate of current and non-current provision for employee entitlements	**542**	**470**	**542**	**470**

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Movements in Provisions				
Movements in each class of provision, other than employee benefits, are set out below				
Provision for Directors' retiring allowances				
Carrying amount at beginning of year	614	566	590	468
Additional provisions	37	48	61	122
Carrying amount at end of year	**651**	**614**	**651**	**590**
13. BORROWINGS – NON-CURRENT LIABILITIES				
Loans from wholly-owned entities	**–**	**–**	**–**	**57,825**

	30.6.04	**30.6.03**	**30.6.04**	**30.6.03**
	No. of shares	No. of shares	$'000	$'000
14. CONTRIBUTED EQUITY				
(a) Issued and fully paid ordinary shares				
Opening balance	398,923,976	386,795,260	809,166	759,117
Dividend reinvestment plan	2,780,507	2,600,958	13,266	10,836
Share purchase plan	6,797,321	9,527,758	32,413	39,213
Rights issue 1:10	44,348,400	–	194,698	–
Closing balance	**452,850,204**	**398,923,976**	**1,049,543**	**809,166**

(b) On 12 September, 2003, 1,529,539 shares were allotted at $4.78 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2003.

On 12 March, 2004, 1,250,968 shares were allotted at $4.76 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend for the year ended 30 June, 2004.

(c) On 20 October, 2003, 6,797,321 shares were allotted at $4.78 per share resulting from the Share Purchase Plan offered to eligible shareholders and transaction costs of $78,214 were offset against the proceeds of the issue.

(d) On 16 April, 2004, 44,348,400 shares were allotted at $4.40 per share resulting from a new share issue offered to shareholders on the basis of 1 share for every 10 held on 27 February, 2004. Transaction costs of $435,120 were offset against the proceeds of the issue.

(e) The Company has a share buy-back in place but was not activated during the year.

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
15. RETAINED PROFITS				
Balance at beginning of year	85,261	42,002	80,814	39,436
Adjustment to account for wholly-owned entities in parent entity	–	–	4,447	–
Adjustment resulting from change in accounting policy for providing for dividends	–	30,944	–	30,944
Net profit attributable to members of the parent entity	78,593	74,583	78,593	72,702
Dividends paid	(70,519)	(62,268)	(70,519)	(62,268)
Balance at end of year	**93,335**	**85,261**	**93,335**	**80,814**

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
16. DIVIDENDS				
(a) **Dividends paid during the year**				
Final dividend for the year ended 30 June, 2003 of 8.5 cents fully franked at 30% tax rate paid 12 September, 2003 (last year 7.5 cents fully franked at 30% tax rate)	33,908	29,010	33,908	29,010
Special dividend for the year ended 30 June, 2003 of 0.5 cent fully franked at 30% tax rate paid 12 September, 2003 (last year 0.5 cent fully franked at 30% tax rate)	1,995	1,934	1,995	1,934
Interim dividend for the year ended 30 June, 2004 of 8 cents fully franked at 30% tax rate paid 12 March, 2004 (last year 7.5 cents fully franked at 30% tax rate)	32,580	29,366	32,580	29,366
Special dividend for the year ended 30 June, 2004 of 0.5 cent fully franked at 30% tax rate paid 12 March, 2004 (last year 0.5 cent fully franked at 30% tax rate)	2,036	1,958	2,036	1,958
Dividends paid from retained profits	70,519	62,268	70,519	62,268

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
LIC capital gain dividend for the year ended 30 June, 2003 of 1 cent fully franked at 30% tax rate paid 12 September, 2003 from investment fluctuation reserve (last year 1 cent fully franked at 30% tax rate)	3,989	3,868	3,989	3,868
Total dividends paid	**74,508**	**66,136**	**74,508**	**66,136**
(b) **Dividends declared after balance date**				
Since the end of the financial year, the Directors have declared the following dividends which have not been recognised as a liability at the end of the financial year.				
Final dividend for the year ended 30 June, 2004 of 8.5 cents fully franked at 30% tax rate payable 8 September, 2004 (last year 8.5 cents fully franked at 30% tax rate)	38,492	33,908	38,492	33,908
Special dividend for the year ended 30 June, 2004 of 0.5 cent fully franked at 30% tax rate payable 8 September, 2004 (last year 0.5 cent fully franked at 30% tax rate)	2,264	1,995	2,264	1,995
Dividends to be paid from retained profits	40,756	35,903	40,756	35,903

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
LIC capital gain dividend for the year ended 30 June, 2004 of 0.5 cent fully franked at 30% tax rate payable 8 September, 2004 from investment fluctuation reserve (last year 1 cent fully franked at 30% tax rate)	2,264	3,989	2,264	3,989
Total dividends declared after balance date	**43,020**	**39,892**	**43,020**	**39,892**

17. EQUITY

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,538,761	1,472,240	1,514,082	1,445,763
Adjustment resulting from change in accounting policy for providing for dividends	–	34,811	–	34,811
Underprovision of previous dividend	–	1	–	1
Total changes in equity recognised in the Statements of Financial Performance	246,773	47,796	271,452	49,594
Transactions with owners as owners				
- Dividend Reinvestment Plan	13,266	10,836	13,266	10,836
- Share Purchase Plan	32,413	39,213	32,413	39,213
- Rights issue 1:10	194,698	–	194,698	–
- Dividends paid	(74,508)	(66,136)	(74,508)	(66,136)
Balance at end of year	**1,951,403**	**1,538,761**	**1,951,403**	**1,514,082**

18. FRANKING ACCOUNT

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Credit balance of the franking account after allowing for tax payable in respect of the current year's profits, the receipt of franked dividends recognised as receivables and the payment of any dividends recognised as a liability at the reporting date	24,405	18,897	24,405	11,614
These franking account balances would allow the Company to frank additional dividend payments up to an amount of	56,945	44,093	56,945	27,099

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the investment portfolio and the Company itself paying tax.

19. LISTED INVESTMENT COMPANY CAPITAL GAIN ACCOUNT

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Balance of Listed Investment Company (LIC) capital gain account	3,485	7,474	3,485	5,574

LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify as LIC capital gains and the receipt of LIC capital gain distributions from LIC securities held in the investment portfolio.

20. FINANCIAL REPORTING BY SEGMENTS

The consolidated entity operates only in the investment industry within Australia.

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
21. CONTINGENT LIABILITIES				
Amount uncalled on shares in companies or units in trusts	**679**	–	**679**	–
22. COMMITMENTS				
Operating leases				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	120	169	120	169
Later than one year but not later than five years	552	495	552	495
Later than five years	–	110	–	110
	672	**774**	**672**	**774**
Future lease payments expected to be received in relation to sub-leases of operating leases	**142**	**169**	**142**	**169**

The Company has entered into two property leases, one operating on a monthly basis and the other expiring on 31 March, 2009. Leases generally provide the Company with a right of renewal at which time all terms are renegotiated. The monthly lease is currently being renegotiated. Lease rentals are subject to review during the term of the lease.

23. DIRECTORS' AND EXECUTIVES' DISCLOSURES

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 and Mr. R.D. Hill-Ling AO. Mr. R.J. Patterson (Managing Director) was an executive Director during the financial year. Mr. B.R. Aird was alternate Director for Mr. R.J. Patterson until 26 August, 2004 but was not called upon to act in that capacity during the financial year and therefore his details have not been included in Director related disclosures.

Specified Executives

Specified executives are officers who have authority for the strategic direction and management of the Company.

The Company has currently only three specified executives for whom this disclosure applies being Mr. B.R. Aird (Chief Financial Officer and Company Secretary), Mr. J. Beddow (Investment Executive) since 1 December, 2003 and Mr. C.C. Hall (Investment Executive) since 7 October, 2003. Mr. P.R. Frost was an Investment Executive from 1 July, 2003 until his resignation on 29 November, 2003.

Remuneration of Directors and Executives

The Company has established a Nomination and Remuneration Committee to review and recommend to the Board remuneration issues relating to the non-executive Directors, the Managing Director (an executive Director) and senior executives.

Non-executive Directors are remunerated by fees within the aggregate limit approved by shareholders from time to time. The Board, after taking into account the recommendations of the Nomination and Remuneration Committee, determines the nature and amount of emoluments of non-executive Directors within the limit approved by shareholders. The Board receives advice from independent remuneration consultants to ensure non-executive Directors' fees are appropriate and in line with the external market. The executive Director does not receive Directors' fees.

The Company has entered into an agreement with each non-executive Director 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. The amounts provided during this financial year are disclosed in the total of remuneration of Directors detailed below and the retirement benefits due to non-executive Directors are provided for in the accounts and are disclosed in note 12.

Contributions are made by the Company on behalf of Directors and employees to external superannuation funds nominated by them in compliance with the relevant legislation.

The remuneration framework to reward the executive Director and senior executives has three components:

(a) base pay and benefits;
(b) short-term performance incentive; and
(c) long-term performance incentive.

The Nomination and Remuneration Committee makes recommendations annually to the Board on the remuneration packages and other terms of employment for the executive Director and senior executives. In making its recommendations, regard is given to remuneration market factors and independent advice is considered. 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 short-term performance incentive was paid in cash on 28 June, 2004 in recognition of the Company's strong performance for the year ended 30 June, 2004 and to compensate that, for this year, executives did not receive new share allotments pursuant to the Argo Investments Executive Share Plan. A structured short-term performance incentive bonus plan with appropriate hurdles has been introduced with effect from 1 July, 2004.

The long-term investment strategy of the Company limits the effectiveness of linking remuneration levels to short-term results. The Company's remuneration policy is therefore more focused on long-term incentives. The executive Director and senior executives are provided with longer term incentives through the Argo Investments Executive Share Plan which acts to align the executives' actions with the interests of the shareholders. The shares pursuant to this Plan are issued at the market price on the day of issue with the assistance of an interest free loan from the Company and have regard to the executives' contribution to the Company's performance. The dividends paid on the shares are utilised to repay the loan. It is currently intended that no further new allotments will be made under the Plan since shareholders will be asked to approve an Executive Performance Rights Plan at the Company's Annual General Meeting to be held on 28 October, 2004.

Remuneration of Directors

	Primary				Post-Employment		
	Directors' Fees	Base Salary	Bonus	Non-monetary benefits	Super-annuation	Retirement benefits provided	Total
	$	$	$	$	$	$	$
Non-Executive							
C.L. Harris	90,750	–	–	–	8,168	12,916	111,834
R.T. Rich	60,500	–	–	–	5,445	3,333	69,278
M.S. Darling	60,500	–	–	–	5,445	17,667	83,612
R.D. Hill-Ling AO	60,500	–	–	–	5,445	3,333	69,278
Executive							
R.J. Patterson	–	340,000	35,000	84,512	40,000	–	499,512
2004	**272,250**	**340,000**	**35,000**	**84,512**	**64,503**	**37,249**	**833,514**
2003	225,000	324,000	30,000	82,920	56,250	48,334	766,504

Remuneration of Specified Executives

	Primary			Post-Employment	
	Base Salary	Bonus	Non-monetary benefits	Superannuation	Total
	$	$	$	$	$
B.R. Aird	155,000	20,000	54,516	30,000	259,516
J. Beddow*	79,623	20,000	2,940	7,875	110,438
C.C. Hall*	132,329	15,000	948	13,233	161,510
P.R. Frost*	76,318	–	12,565	7,114	95,997
2004	**443,270**	**55,000**	**70,969**	**58,222**	**627,461**
2003	312,225	37,500	86,995	42,775	479,495

* These amounts reflect part year remuneration due to appointments and resignations during the year.

Amounts disclosed for remuneration of Directors and Officers exclude an insurance premium paid by the Company in respect of a Directors' and Officers' liability insurance contract for past, present or future Directors and Officers as the contract does not specify premiums in respect of individual Directors and Officers. Information relating to the insurance contract is set out in the Directors' Report.

Service Agreements

Mr. R.J. Patterson (Managing Director) and Mr. B.R. Aird (Chief Financial Officer and Company Secretary) have service agreements with the Company. Each agreement commenced on 1 July, 2000 for a five year term and states that remuneration is to be reviewed annually by the Company but there is no obligation to increase such remuneration unless the Company sees fit to do so.

If the Company terminates the abovementioned agreements without 12 months' notice in Mr. Patterson's case and 6 months' notice in Mr. Aird's case (unless they have committed certain breaches or become permanently incapacitated), they are entitled to a lump sum in lieu of notice being 12 months' remuneration for Mr. Patterson and 6 months' remuneration for Mr. Aird.

Share Holdings and Transactions

The numbers of ordinary shares in the Company held directly, indirectly or beneficially during the financial year by each Director and specified executive, including their personally-related entities, are as follows:

	Held at 1 July, 2003	**Received on exercise of rights**	**Other changes during the year**	**Held at 30 June, 2004**
Directors				
Non-Executive				
C.L. Harris	57,087	5,933	8,299	71,319
R.T. Rich	13,447,428	1,405,688	883,615	15,736,731
M.S. Daring	11,220	1,169	679	13,068
R.D. Hill-Ling AO	4,057,208	395,462	65,215	4,517,885
Executive				
R.J. Patterson	732,729	74,174	(5,325)	801,578

	Held at 1 July, 2003	Received on exercise of rights	Other changes during the year	Held at 30 June, 2004
Specified Executives				
B.R. Aird	405,949	44,259	2,601	452,809
J. Beddow	28,024	2,802	1,175	32,001
C.C. Hall	19,250	2,966	523	22,739
P.R. Frost	137,500	–	(137,500)	–

Loans

Directors and specified executives with loans from the Company above $100,000 in the financial year are as follows :

	Balance 1 July, 2003 $	Interest charged $	Interest not charged $	Balance 30 June, 2004 $	Highest balance in period $
Executive Director					
R.J. Patterson	1,164,085	–	58,966	1,327,834	1,327,834
Specified Executives					
B.R. Aird	737,384	–	37,299	823,396	823,396
J. Beddow	99,825	–	5,036	106,838	106,838
P.R. Frost	437,625	–	8,535	–	437,625
P.R. Frost *	200,000	2,651	–	–	200,000

The terms and conditions of the loans outstanding as at 30 June, 2004 are disclosed in note 24 under "Argo Investments Executive Share Plan".

* The terms and conditions of this loan are disclosed in note 8 under "Loans to other entities".

No Directors or specified executives had loans with the Company less than $100,000 in the financial year.

24. EMPLOYEE ENTITLEMENTS

Share Plans

Employee Share Ownership Plan

The Directors may at such time or times as determined, issue invitations to eligible employees to apply for shares under the Employee Share Ownership Plan (ESOP) as part of the employees' remuneration. Each eligible employee is offered up to $1,000 per year in shares at market value. The costs of acquiring the shares on market are paid for by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or on the date the employee ceases employment. The ESOP was approved by shareholders at the Company's Annual General Meeting held on 17 November, 1997.

During the year, 2,254 (2003 : 2,385) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $9,988 (2003 : $10,031). These shares had a market value of $10,864 (2003: $11,210) at $4.82 per share (2003: $4.70 per share) as at 30 June, 2004.

Argo Investments Executive Share Plan

The Argo Investments Executive Share Plan was approved by shareholders at the Company's Annual General Meeting held on 19 June, 1987. Shares pursuant to the Plan are issued to eligible executives at the market price on the day of issue with the assistance of an interest free loan from the Company. The dividends received by the executives on the Plan shares are used to repay the loan.

During the year, additional interest free loans of $501,120 were made to executives to enable them to take up their entitlements to 113,891 (2003:nil) ordinary shares pursuant to the 1 for 10 renounceable rights issue at $4.40 per share. The balance of these loans is disclosed in note 8.

	CONSOLIDATED		COMPANY	
	2004	**2003**	**2004**	**2003**
	$'000	$'000	$'000	$'000
25. REMUNERATION OF AUDITORS				
During the year the auditor earned the following remuneration:				
- auditing the financial statements	63	59	63	59
- liquidation of subsidiaries	21	–	21	–
- prospectus due diligence	4	–	4	–
- independent professional advice	–	7	–	7
	88	**66**	**88**	**66**

26. PARTICULARS IN RELATION TO WHOLLY-OWNED ENTITIES

	ENTITY INTEREST 2004 %	ENTITY INTEREST 2003 %
Ordinary shares held in wholly-owned entities of Argo Investments Limited		
Bounty Investments Limited	–	100
A.W. Sandford & Co. Limited	–	100
Centurion Investments Pty. Limited	–	100
Clipper Investments Limited	–	100
Stoddarts Holdings Limited	–	100
Stoddarts Pty. Limited	–	100
Stodsyd Pty. Limited	–	100
Stoddarts (1985) Pty. Limited	–	100
Stoddarts (1980) Pty. Limited	–	100
Wakefield Investments (Australia) Limited	–	100

27. RELATED PARTY INFORMATION

Wholly-Owned Group Transactions

The parent entity entered into transactions during the financial year with related parties in the wholly-owned group. No balances were outstanding as at the end of the financial year as disclosed in notes 2, 7(a), 8 and 13.

28. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Credit Risk Exposure

The credit risk on financial assets, excluding investments, is the Statements of Financial Position carrying amount.

Bank accepted bills of exchange have been purchased at a discount to face value and are held to maturity. They are carried on the Statements of Financial Position at their purchase price. The total credit risk exposure of the Company could be considered to be the amount due on maturity.

Net Fair Value of Financial Assets and Liabilities

Investments traded on organised markets have been valued at fair value by reference to market prices prevailing at balance date. The net fair value of the investments would be calculated by valuing them at market value, adjusted for transaction costs necessary to realise the investments. The investments have not been restated at net fair value as the transaction costs are not material.

The net fair value of all other financial assets and liabilities of the Company is represented by their carrying value.

29. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company must comply with Australian equivalents to International Financial Reporting Standards (AIFRS), as issued by the Australian Accounting Standards Board, for reporting periods beginning on or after 1 January, 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the half-year ending 31 December, 2005.

The Company is currently analysing the impact AIFRS will have on its financial performance and financial position.

The actual impact of AIFRS will depend on the particular circumstances prevailing at the time of application of AIFRS and each year thereafter.

The following key differences have been identified to date and illustrate changes in accounting policies that will occur as a result of adopting AIFRS:-

(a) The revaluation adjustment relating to realised long-term investments standing in the Investment Revaluation Reserve at the time of realisation, which is currently transferred direct to Investment Fluctuation Reserve, will be included in the net profit of the Company before being transferred to the Investment Fluctuation Reserve.

(b) Trading investments are currently valued at the lower of cost or market value. Under AIFRS, the trading investments will be valued at fair market value continuously.

Directors' Declaration

The Directors of Argo Investments Limited declare that the financial statements and notes set out on pages 17 to 46:-

(a) comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the financial position of the Company and consolidated entity as at 30 June, 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; 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.

Dated at Adelaide this 26th day of August, 2004

Signed in accordance with a resolution of the Directors

C.L. Harris
Chairman

Independent Audit Report
to the members of Argo Investments Limited

SCOPE

We have audited the financial report of Argo Investments Limited for the financial year ended 30 June, 2004 as set out on pages 17 to 47. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of Argo Investments Limited is in accordance with:

a) the Corporations Act 2001, including:
   (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June, 2004 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

BDO
Chartered Accountants

Shirley Schaefer

Adelaide
27 August, 2004

Shirley Schaefer
(A member of the firm)

Shareholding details
as at 23 August, 2004

	ORDINARY SHAREHOLDERS
Total number of shareholders (entitled to one vote per share)	**46,759**
Number of shareholders holding:-	
1 - 1,000 shares	8,422
1,001 - 5,000 shares	18,887
5,001 - 10,000 shares	9,231
10,001 - 100,000 shares	9,815
100,001 or more shares	404
	46,759
Number of shareholders holding less than a marketable parcel	704

20 largest shareholders of ordinary shares

Name	No. of shares	% of issued capital
RCY Pty. Limited	6,229,081	1.38
JIT Pty. Limited	3,891,554	0.86
TRIGT Pty. Limited	2,600,762	0.57
Bougainville Copper Limited	2,536,912	0.56
Questor Financial Services Limited (TPS RF a/c)	1,892,532	0.42
McLennan Holdings Pty. Ltd.	1,817,610	0.40
Kalymna Pty. Ltd.	1,617,888	0.36
Donald Cant Pty. Ltd.	1,436,097	0.32
Jacaranda Pastoral Pty. Ltd.	1,325,600	0.29
Pont Pty.	1,126,298	0.25
Poplar Pty. Limited	1,121,394	0.25
Cogent Nominees Pty. Limited	998,708	0.22
RBC Global Services Australia Nominees Pty. Limited (MLCI a/c)	992,988	0.22
Bersal Pty. Limited	932,978	0.21
Ling Nominees Pty. Ltd.	926,514	0.20
Pards Pty. Limited	926,508	0.20
Timbernie Pty. Ltd.	897,058	0.20
National Nominees Limited	895,667	0.20
Runic Pty. Ltd.	842,618	0.19
L.P. Lewis Pty. Ltd.	838,586	0.19
	33,847,353	**7.49**

The Company in December 2000 introduced an on-market buy-back for up to 5% of its shares and this buy-back program is still current.

Investments

as at 30 June, 2004

	NO. OF SHARES OR UNITS	MARKET VALUE $M
Aberdeen Leaders Ltd.	2,484,820	2.6
Adelaide Bank Ltd.	1,197,501	9.9
Adelaide Brighton Ltd	3,445,062	4.3
Adsteam Marine Ltd.	1,062,172	1.5
Affinity Health Ltd. 10.356% red. exch. notes	10,000	1.0
ALE Property Group	500,000	0.7
Alesco Corporation Ltd.	2,047,350	13.5
Alinta Ltd.	862,006	5.2
Alinta Ltd. reset conv. preference	10,000	1.1
Alumina Ltd.	1,314,750	6.9
Amalgamated Holdings Ltd.	752,392	2.5
Amcor Ltd.	4,741,511	33.1
AMP Ltd.	5,048,938	32.0
AMP Group Finance Services Ltd. income securities	82,675	8.2
Angus & Coote (Holdings) Ltd.	422,028	3.5
Ansell Ltd.	665,685	5.2
A.P. Eagers Ltd.	650,304	4.7
APN News & Media Ltd.	3,038,370	12.8
APN News & Media Ltd. 7.25% conv. notes	323,474	1.5
Aristocrat Leisure Ltd.	850,000	4.1
Austal Ltd.	1,200,000	1.5
Austral Coal Ltd.	1,242,308	0.8
Austral Coal Ltd. 9.5% conv. notes	1,250,000	0.9
Australand Property Group	1,550,000	2.5
Australia and New Zealand Banking Group Ltd.	4,264,272	78.0
Australian Gas Light Company (The)	2,091,664	25.4
Australian Infrastructure Fund	1,000,000	1.7
Australian Leisure & Hospitality Group Ltd.	1,100,000	2.7
Australian Magnesium Corporation Ltd.	11,600,000	0.5
Australian United Investment Co. Ltd.	13,759,198	61.5
AXA Asia Pacific Holdings Ltd.	3,981,109	13.4

Investments
as at 30 June, 2004

	NO. OF SHARES OR UNITS	MARKET VALUE $M
Bank of Queensland Ltd.	510,147	4.9
Bank of Queensland Ltd. reset preference	7,500	0.8
Bank of Queensland Ltd. reset preference unquoted	5,000	0.5
Bendigo Bank Ltd.	591,940	5.6
BHP Billiton Ltd.	4,480,610	56.1
Billabong International Ltd.	240,000	2.0
Boom Logistics Ltd.	648,000	1.0
Boral Ltd.	2,866,907	18.5
Brambles Industries Ltd.	2,439,797	14.6
Brickworks Ltd.	554,960	5.1
Brickworks Ltd. reset conv. preference	6,000	0.6
Brickworks Investment Company Ltd.	976,763	1.0
Bunnings Warehouse Property Trust	1,000,000	1.6
Cadbury Schweppes Plc	385,608	4.8
Campbell Brothers Ltd.	377,434	2.5
CEC Group Ltd.	900,000	1.0
Cellnet Group Ltd.	638,592	0.8
Centennial Coal Company Ltd.	800,000	2.6
Centro Properties Group	1,642,846	6.5
Chemeq Ltd.	224,748	1.1
Chiquita Brands South Pacific Ltd.	1,400,000	0.9
Choiseul Investments Ltd.	214,232	4.1
Clough Ltd.	3,370,949	1.5
Coates Hire Ltd.	1,586,962	5.4
Coca-Cola Amatil Ltd.	1,101,982	7.6
Cochlear Ltd.	110,000	2.5
Codan Ltd.	800,000	1.4
Coffey International Ltd.	550,600	3.0
Coles Myer Ltd.	2,652,536	22.8
Coles Myer Ltd. non-red. reset conv. preference	10,000	1.1
Commonwealth Bank of Australia	1,613,306	52.6
Commonwealth Property Office Fund	2,144,066	2.5
Computershare Ltd.	2,060,000	6.6

Investments
as at 30 June, 2004

	NO. OF SHARES OR UNITS	MARKET VALUE $M
Computershare Ltd. reset conv. preference	73,164	7.5
Consolidated Minerals Ltd.	2,172,565	2.6
Consolidated Minerals Ltd. 11.25% red. conv. notes	1,000,000	1.2
Corporate Express Australia Ltd.	361,000	1.8
Coventry Group Ltd.	740,703	4.2
CPI Group Ltd. 8% conv. preference	764,144	0.6
Crane Group Ltd.	520,364	4.7
CSL Ltd.	236,584	5.3
CSR Ltd.	3,095,512	6.9
CTI Logistics Ltd.	1,363,883	0.8
David Jones Ltd.	3,302,075	5.4
David Jones Ltd. reset conv. preference	10,000	1.3
DCA Group Ltd.	3,322,564	8.7
Deutsche Office Trust	1,907,600	2.2
Downer EDI Ltd.	1,070,456	3.4
Envestra Ltd.	2,928,139	3.1
Evans & Tate Ltd. 8.25% red. conv. notes	975,638	0.9
Evans & Tate Ltd. options	100,000	0.0
Excel Coal Ltd.	920,000	2.4
Fairfax, (John) Holdings Ltd.	2,287,960	8.5
Fairfax, (John) Holdings Ltd. reset conv. preference	10,000	1.1
FKP Ltd.	1,005,883	2.8
Fleetwood Corporation Ltd.	1,319,497	10.1
Foodland Associated Ltd.	811,225	14.6
Foster's Group Ltd.	7,199,721	34.0
Futuris Corporation Ltd.	2,000,000	3.2
Futuris Corporation Ltd. 7% conv. notes	1,000,000	2.3
Gasnet Australia Group	840,000	1.9
Gazal Corporation Ltd.	2,900,000	7.7
General Property Trust	800,000	2.8
GPT Split Trust income	798,600	1.9

Investments
as at 30 June, 2004

	NO. OF SHARES OR UNITS	MARKET VALUE $M
Graincorp Ltd. 6.5% red. conv. preference	6,877	0.7
Great Southern Plantations Ltd.	200,000	0.6
Great Southern Plantations Ltd. reset conv. notes	10,860	1.7
Gribbles Group Ltd. (The)	1,500,000	0.6
G.U.D. Holdings Ltd.	1,192,718	10.7
GWA International Ltd.	1,043,094	3.1
Hamilton James & Bruce Group Ltd.	1,500,000	0.5
Harvey Norman Holdings Ltd.	1,675,000	4.7
Henry Walker Eltin Group Ltd.	2,469,077	2.1
Hills Industries Ltd.	4,097,220	15.8
Huntley Investment Company Ltd.	2,162,239	1.3
Iluka Resources Ltd.	1,156,290	5.2
ING Industrial Fund	929,487	1.7
Insurance Australia Group Ltd.	4,698,333	23.5
Insurance Australia Group Ltd. reset conv. preference	30,800	3.2
Integrated Group Ltd.	753,384	1.4
International Wine Investment Fund (The)	809,166	1.6
Invocare Ltd.	500,000	1.2
Iress Market Technology Ltd.	724,522	2.3
James Hardie Industries N.V.	2,800,000	16.8
Joyce Corporation Ltd.	650,901	0.4
Leighton Holdings Ltd.	484,000	4.4
Lend Lease Corporation Ltd.	1,011,651	10.4
Macquarie Airports	6,100,000	12.3
Macquarie Bank Ltd.	3,820,360	129.4
Macquarie Bank. Ltd. income securities	15,000	1.5
Macquarie Communications Infrastructure Group	750,000	2.8
Macquarie CountryWide Trust	1,516,498	2.6
Macquarie Goodman Industrial Trust	804,464	1.4
Macquarie Infrastructure Group	4,641,921	15.3

Investments

as at 30 June, 2004

	NO. OF SHARES OR UNITS	MARKET VALUE $M
Macquarie Office Trust	887,358	1.0
Mayne Group Ltd.	3,471,070	11.8
McGuigan Simeon Wines Ltd.	780,000	3.7
Milton Corporation Ltd.	8,159,182	109.5
Minara Resources Ltd.	1,350,000	3.2
Mirvac Group	684,987	2.9
Multiplex Group partly paid	700,000	2.4
National Australia Bank Ltd.	3,175,367	94.8
National Australia Bank Ltd. income securities	25,770	2.6
National Foods Ltd.	1,337,130	5.8
News Corporation Ltd. (The)	319,468	4.1
News Corporation Ltd. (The) preferred	1,214,853	14.3
OneSteel Ltd.	2,286,758	5.7
OPSM Group Ltd.	1,856,337	7.0
Orica Ltd.	1,469,029	22.2
Origin Energy Ltd.	3,079,669	17.4
Pacifica Group Ltd.	1,551,818	6.3
Pacific Brands Ltd.	1,050,000	2.8
PaperlinX Ltd.	2,140,000	10.4
Patrick Corporation Ltd.	397,187	2.1
Patrick Corporation Ltd. 6% conv. preference	405,342	2.2
Patrick Corporation Ltd. reset conv. notes	4,000	0.4
Penfold Buscombe Ltd.	840,396	0.9
Penfold Buscombe Ltd. options	42,018	0.0
Perpetual Trustees Australia Ltd.	350,880	16.5
Powers Trust reset preference	10,000	1.1
Programmed Maintenance Services Ltd.	774,930	2.4
Promina Group Ltd. reset preference	10,000	1.0
Publishing and Broadcasting Ltd.	1,328,203	17.0
Publishing and Broadcasting Ltd. income securities	10,000	1.0

Investments
as at 30 June, 2004

	NO. OF SHARES OR UNITS	MARKET VALUE $M
Qantas Airways Ltd.	2,959,165	10.4
QBE Insurance Group Ltd.	804,028	10.3
Reece Australia Ltd.	500,000	4.1
Repco Corporation Ltd.	869,580	2.2
Rinker Group Ltd.	3,221,744	25.9
Rio Tinto Ltd.	677,813	24.4
Salmat Ltd.	500,000	1.9
Santos Ltd.	1,546,230	10.7
Santos Ltd. reset conv. preference	20,000	2.1
Schaffer Corporation Ltd.	184,204	2.6
Sims Group Ltd.	377,478	4.3
Smorgon Steel Group Ltd. reset conv. preference	528,360	1.2
Solution 6 Holdings Ltd.	750,000	0.7
Sons of Gwalia Ltd.	270,000	0.7
Soul, (Washington H.) Pattinson & Co. Ltd.	1,147,507	7.8
Southcorp Ltd.	2,646,670	8.3
Southern Cross Broadcasting (Australia) Ltd.	430,655	5.1
Southern Cross Fliers Trust	22,495	2.6
Spotless Group Ltd.	490,000	2.3
St. George Bank Ltd.	2,411,137	53.1
Stockland	1,063,415	5.5
Structural Systems Ltd.	954,238	0.5
Structural Systems Ltd. 11% conv. notes	477,119	0.3
Suncorp-Metway Ltd.	1,000,000	14.2
Suncorp-Metway Ltd. reset conv. preference	32,000	3.4
TAB Ltd.	1,740,000	8.6
TABCORP Holdings Ltd.	660,269	9.4
Technology One Ltd.	1,350,000	0.8
Telstra Corporation Ltd.	14,708,100	74.0
Ten Network Holdings Ltd.	2,051,523	6.2
Thakral Holdings Group	3,432,000	2.2
Toll Holdings Ltd. reset conv. preference	5,000	0.6

Investments
as at 30 June, 2004

	NO. OF SHARES OR UNITS	MARKET VALUE $M
UNiTAB Ltd.	300,000	2.5
United Group Ltd.	920,734	4.7
VeCommerce Ltd.	302,606	0.4
Vision Systems Ltd.	277,777	0.2
Vision Systems Ltd. 9% conv. notes	240,150	0.4
Wattyl Ltd.	534,766	1.8
Wesfarmers Ltd.	2,428,293	71.4
West Australian Newspapers Holdings Ltd.	911,871	6.2
Westfield Holdings Ltd.	1,051,550	16.2
Westfield Trust	1,450,000	6.4
Westpac Banking Corporation	3,584,592	63.1
WMC Resources Ltd.	1,395,259	6.9
Woodside Petroleum Ltd.	670,000	11.2
Woolworths Ltd.	1,804,474	20.5
Woolworths Ltd. income securities	7,500	0.8

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