

INTERNATIONAL BUSINESS MACHINES CORP
Form 11-K
June 27, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

- TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-2360

- A. Full title of the plan and address of the plan, if different from that of the issuer named below:

IBM Savings Plan

Director of Compensation and Benefits

Capital Accumulation Programs

IBM Corporation

North Castle Drive

Armonk, New York 10504

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**INTERNATIONAL BUSINESS MACHINES
CORPORATION**

New Orchard Road

Armonk, New York 10504

IBM SAVINGS PLAN

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* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 are omitted because they are not applicable.

SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

IBM Savings Plan

Date: June 27, 2008

By:

/s/ James J. Kavanaugh
James J. Kavanaugh
Vice President and Controller

Report of Independent Registered Public Accounting Firm

To the Members of the International Business Machines Corporation (IBM) Retirement Plans Committee and the Participants of the IBM Savings Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the IBM Savings Plan (the Plan) at December 31, 2007 and 2006, and the changes in net assets available for benefits for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

New York, NY
June 27, 2008

IBM SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

AT DECEMBER 31,

	2007	2006
	(Dollars in thousands)	
Assets:		
Investments:		
Investments, at fair value (Note 7)	\$ 36,078,252	\$ 34,233,370
Participant loans	281,775	290,576
Total investments	36,360,027	34,523,946
Receivables:		
Participant contributions		39,805
Employer contributions		11,865
Income, sales proceeds and other receivables	95,223	10,791
Total receivables	95,223	62,461
Total assets	36,455,250	34,586,407
Liabilities:		
Payable for cash collateral	3,592,169	3,724,956
Accrued expenses and other liabilities	10,353	4,835
Total liabilities	3,602,522	3,729,791
Net assets available for benefits, at fair value	32,852,728	30,856,616
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(134,577)	(106,555)
Net assets available for benefits	\$ 32,718,151	\$ 30,750,061

The accompanying notes are an integral part of these financial statements.

IBM SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31,

	2007 (Dollars in thousands)
Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of investments (Note 7)	\$ 1,260,393
Interest income from investments	465,115
Dividends	138,839
	1,864,347
Contributions:	
Participants	1,323,832
Employer	388,546
	1,712,378
Transfers from other benefit plans, net	194,253
Total additions	3,770,978
Deductions from net assets attributed to:	
Distributions to participants	1,777,483
Administrative expenses	25,405
Total deductions	1,802,888
Net increase in net assets during the year	1,968,090
Net assets available for benefits:	
Beginning of year	30,750,061
End of year	\$ 32,718,151

The accompanying notes are an integral part of these financial statements.

IBM SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the International Business Machines Corporation (IBM) Savings Plan (herein the Plan) provides only general information. Participants should refer to the Plan prospectus (Summary Plan Description) for a complete description of the Plan s provisions.

General

The Plan was established by resolution of IBM s Retirement Plans Committee (the Committee) effective July 1, 1983 and Plan assets are held in trust for the benefit of its participants. The Plan offers all eligible active, full-time and part-time regular and long-term supplemental United States (U.S.) employees of IBM and certain of its domestic related companies and partnerships an opportunity to defer from one to eighty percent of their eligible compensation for before-tax 401(k) contributions to any of twenty-three primary investment funds. The investment objectives of the primary funds are described in Note 3, Description of Investment Funds. In addition, participants are able to contribute up to ten percent of their eligible compensation on an after-tax basis. (After-tax contributions are not available for employees working in Puerto Rico.) Annual contributions are subject to the legal limits permitted by Internal Revenue Service (IRS) regulations.

Effective January 1, 2005, the Plan allowed participants to invest their account balances in more than 175 mutual fund investment options through a mutual fund window . Participants may direct investments into this mutual fund window in addition to the various primary investment funds offered by the Plan.

Effective January 1, 2005, participants also were provided the choice to enroll in a disability protection program under which a portion of the participant s account is used to pay premiums to purchase term insurance (underwritten by Metropolitan Life Insurance Company), which will pay the amount of their 401(k) deferral contributions and/or matching contributions into their accounts in the event the participant becomes disabled while insured. Effective January 1, 2008, participants are able to insure IBM automatic contributions and Special Savings Awards as defined in the Plan prospectus.

Effective January 1, 2008, the IBM Savings Plan name was changed to the IBM 401(k) Plus Plan. In addition, participants have the opportunity to defer from one to eighty percent of their eligible compensation for before-tax 401(k) and/or Roth 401(k) contributions. Contributions can be invested in any of the primary investment funds and the Mutual Fund Window funds directly. New investment funds were added and two investment funds were removed from the investment fund selections.

At December 31, 2007 and 2006, the number of participants with an account balance in the Plan was 218,701 and 223,348, respectively.

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The Plan qualifies under Section 401(a) of the Internal Revenue Code of 1986, as amended, and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Administration

The Plan is administered by the Committee, which appointed certain officials of IBM to assist in administering the Plan. The Committee appointed State Street Bank and Trust Company (SSBT), as Trustee, to safeguard the assets of the funds and State Street Global Advisors (SSGA), the institutional investment management affiliate of SSBT. The Vanguard Group and

other investment managers to direct investments in the various funds. Hewitt Associates (Hewitt) was the provider of record keeping, participant services, and operator of the IBM Savings Plan Service Center in Lincolnshire, Illinois through December 31, 2007. Communications services were provided by Hewitt as well as The Vanguard Group.

Fidelity Investments Institutional Operations Company, Inc. (Fidelity) is the provider of administrative services related to the mutual fund window that became effective January 1, 2005.

Starting January 1, 2008, Fidelity became the provider of record keeping and participant services, and the operator of the IBM Employee Services Center for the IBM 401(k) Plus Plan. In anticipation of the record keeping responsibilities, Fidelity had access to participant records starting December 29, 2007 with data as of December 28, 2007.

Contributions

For the year ended December 31, 2007 for eligible employees hired prior to January 1, 2005 (and certain employees hired thereafter in connection with a particular transaction, as noted in the IBM Savings Plan document), IBM contributed to the Plan a matching contribution equal to fifty percent of the first six percent of annual eligible compensation the employee defers (such that the maximum match is three percent of eligible compensation).

Other eligible employees (i.e., generally those hired on and after January 1, 2005) participated in the Plan under certain Plan provisions referred to as the IBM Pension Program offered through the IBM Savings Plan. These employees were automatically enrolled to make 401(k) contributions at three percent of eligible compensation after approximately thirty days of employment with IBM unless they elected otherwise. After completing one year of service, IBM contributed to the Plan a matching contribution equal to one hundred percent of the first six percent of annual eligible compensation the employee defers (such that the maximum match was six percent of eligible compensation).

IBM matching contributions for all employees who made 401(k) contributions (except executives who participate in a non-qualified deferred compensation plan) were automatically adjusted after year-end to provide the full IBM matching contribution for their aggregate 401(k) deferral contributions for the year.

Plan Change Subsequent to December 31, 2007

On January 1, 2008, IBM introduced an enhanced plan design called the IBM 401(k) Plus Plan, which provides employer contributions for eligible participants as follows, based upon which, if any, IBM pension formula the employee was eligible for on December 31, 2007:

IBM Pension Plan Eligibility at 12/31/07	2008 Automatic Contribution	2008 IBM Matching Contribution
Pension Credit Formula	4%	100% on 6% of eligible compensation

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Personal Pension Account	2%	100% on 6% of eligible compensation
401(k) Pension Program	1%	100% on 5% of eligible compensation

Under the IBM 401(k) Plus Plan design, some participants who were eligible to participate in the Personal Pension Account may also receive transition credits contributed to the IBM 401(k) Plus Plan, if they had been eligible for transition credits under the IBM Personal Pension Account formula. In addition, a contribution equal to five percent of eligible compensation (referred to as a Special Savings Award) will be added to the accounts of participants who are non-exempt employees at year-end and who participated in the Pension Credit Formula as of December 31, 2007.

Effective January 1, 2008, newly hired employees will be automatically enrolled at 5% of eligible salary after approximately thirty days of employment with IBM, unless they elect otherwise. The match

maximizer feature, which automatically adjusts IBM matching contributions for a participant's aggregate 401(k) deferrals for the year, will be calculated on a semi-monthly basis and all participants will be eligible for the feature.

Eligible compensation under the Plan includes regular salary, commissions, overtime, shift premium and similar additional compensation payments for nonscheduled workdays, recurring payments under an employee variable compensation plan, regular IBM Short-Term Disability Income Plan payments, holiday pay and vacation pay, but excludes payments made under any executive incentive compensation plan. Effective April 1, 2008, executive incentive compensation was included in eligible compensation. Non-recurring compensation, such as awards, deal team payments and significant signings bonuses are not eligible pay and cannot be deferred under the IBM 401(k) Plus Plan.

In 2007, participants could choose to have their contributions invested entirely in one of, or in any combination of, the following funds in multiples of one percent. These funds and their investment objectives are more fully described in Note 3, Description of Investment Funds.

Life Strategy Funds (4)

Income Plus Life Strategy Fund

Conservative Life Strategy Fund

Moderate Life Strategy Fund

Aggressive Life Strategy Fund

Core Funds (6)

Stable Value Fund

Inflation Protected Bond Fund

Total Bond Market Fund

Total International Stock Market Index Fund

Total Stock Market Index Fund

Real Estate Investment Trust (REIT) Index Fund

Extended Choice Funds (13)

Money Market Fund (no longer offered January 1, 2008)

Long-Term Corporate Bond Fund

High Yield and Emerging Markets Bond Fund

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Equity Income Fund (no longer offered January 1, 2008)

European Stock Index Fund

Pacific Stock Index Fund

Large Company Index Fund

Large-Cap Value Index Fund

Large-Cap Growth Index Fund

Small/Mid-Cap Stock Index Fund

Small-Cap Value Index Fund

Small-Cap Growth Index Fund

IBM Stock Fund

IBM Savings Plan participants also have access to the mutual fund window investments effective January 1, 2005, as described above.

Participants may change their deferral percentage and investment selection for future contributions at any time. The changes will take effect for the next eligible pay cycle so long as the request is completed before the applicable cutoff date. Also, the participant may transfer part or all of existing account balances among funds in the Plan once daily, subject to the Plan restrictions on trading. The restrictions include:

- Direct transfers from the Stable Value Fund to the Money Market Fund are prohibited. Any funds that are transferred out of the Stable Value Fund cannot be transferred into the Money Market Fund for a period of 90 days.
- 30-Day Trading Block. When funds are transferred out of an investment fund other than the Stable Value Fund, the Money Market Fund or the Mutual Fund Window, the participant must wait 30 calendar days before being able to transfer funds back into that fund.

A service fee was assessed for each transfer in excess of eight in a calendar year. This fee is no longer charged effective January 1, 2008.

IBM is committed to preserving the integrity of the Plan as a long-term savings vehicle for its employees. Frequent, short-term trading that is intended to take advantage of pricing lags in funds can harm long-term investors, or increase trading expense in general. Therefore, the Plan reserves the right to take appropriate action to curb short-term round trip transactions (buying/selling) into the same fund within five (5) business days.

The Plan restrictions on trading were changed effective January 1, 2008.

Effective January 1, 2008, the Life Strategy Funds group name was changed to Life Cycle Funds and the following funds were added:

Target Date 2005 Fund

Target Date 2010 Fund

Target Date 2015 Fund

Target Date 2020 Fund

Target Date 2025 Fund

Target Date 2030 Fund

Target Date 2035 Fund

Target Date 2040 Fund

Target Date 2045 Fund

Target Date 2050 Fund

In addition, the International Real Estate Index Fund was added to the Core Funds on January 1. The Extended Choice Funds group name was changed to the Expanded Choice Funds and the Money Market and Equity Income Funds are no longer offered in the Plan.

Participant Accounts

The Plan record keeper maintains an account in the name of each participant to which each participant's contributions and share of the net earnings, losses and expenses, if any, of the various investment funds are recorded. The earnings on the assets held in each of the funds and all proceeds from the sale of such assets are held and reinvested in the respective funds.

Participants may transfer rollover contributions of before-tax dollars from other qualified savings plans or Individual Retirement Accounts into their Plan accounts. Rollovers must be made in cash within the time limits specified by the IRS; stock or in-kind rollovers are not accepted. These rollovers are limited to active employees on the payroll of IBM (or affiliated companies) who have existing accounts in the Plan. Retirees are not eligible for such rollovers, except that a retiree or separated employee who has an existing account in the Plan may rollover a lump-sum distribution from an IBM-sponsored qualified retirement plan, including the IBM Personal Pension Plan. After-tax amounts may also be directly rolled over into the Plan from another qualified savings plan.

On each valuation date, the unit/share value of each fund is determined by dividing the current investment value of the assets in that fund on that date by the number of units/shares in the fund. The participant's investment value of assets equals the market value of assets for all funds except the Stable Value Fund for which the participant's investment value of assets equals the contract value of assets. In determining the unit/share value, new contributions that are to be allocated as of the valuation date are excluded from the calculation. The number of additional units to be credited to a participant's account for each fund, due to new contributions, is equal to the amount of the participant's new contributions to the fund divided by the prior night's unit value. The current night's price is not impacted by the contribution.

Contributions (with the exception of after-tax contributions which were introduced in 2004 and Roth 401(k) contributions which are allowed only after January 1, 2008) made to the Plan as well as interest, dividends or other earnings of the Plan are generally not included in the taxable income of the participant until withdrawal, at which time all earnings and contributions withdrawn generally are taxed as ordinary income to the participant. Additionally, withdrawals by the participant before attaining age 59 1/2 generally are subject to a penalty tax of 10 percent interest. After-tax contributions made to the Plan are not deferred, but are taxable income when the participant makes the contribution. Any interest, dividends or other earnings on the after-tax contributions are generally not included in taxable income of the participant until withdrawal, at which time all earnings withdrawn are generally taxed as ordinary income to the participant. Any distribution of earnings on after-tax contributions that are withdrawn by the participant before attaining age 59 1/2 generally are subject to a penalty tax of 10 percent. Roth 401(k) contributions are not deferred, but are taxable income when the participant makes the contribution. Interest, dividends or other earnings on Roth 401(k) contributions may not be taxable at withdrawal provided the participant has met the applicable rules.

Consistent with provisions established by the IRS, the Plan's 2007 limit on employee salary deferrals was \$15,500. (The limit stays the same for 2008.) Participants who were age 50 or older during 2007 could take advantage of a higher pre-tax contribution limit of \$20,500 (which stays the same in 2008). The 2007 maximum annual deferral amount for employees residing in Puerto Rico was limited by local government regulations to the lesser of \$8,000 or ten percent of eligible compensation.

Vesting

Participants in the Plan are at all times fully vested in their account balance, including employee contributions, employer contributions and earnings thereon, if any.

Distributions

Participants who have attained age 59 1/2 may request a distribution of all or part of the value in their account. Up to four distributions are allowed each year and the minimum amount of any such distribution shall be the lesser of the participant's account balance or \$500.

In addition, participants who (1) retire under the prior IBM Retirement Plan provisions of the IBM Personal Pension Plan, or (2) become eligible for benefits under the IBM Long-Term Disability Plan or the IBM Medical Disability Income Plan, or (3) separate and have attained age 55, may also elect to receive the balance of their account either in annual installments over a period not to exceed ten years or over the participant's life expectancy, recalculated annually, or defer distribution until age 70 1/2. Beginning in 2008, annual installments may be made over a period not to exceed 20 years and new life expectancy installments may not be elected.

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Withdrawals for financial hardship are permitted provided they are for a severe and immediate financial need, and the distribution is necessary to satisfy that need. Employees are required to fully use the Plan loan program, described below, before requesting a hardship withdrawal. Only an employee's deferral contributions are eligible for hardship withdrawal; earnings and IBM matching contributions are not eligible for withdrawal. (Starting in 2008, with the addition of starting IBM automatic contributions, transition credits and Special Savings Award, these contributions also are not eligible for hardship withdrawal.) Employees must submit evidence of hardship to the record keeper, who will determine whether the situation qualifies for a hardship withdrawal based on direction from IBM. A hardship withdrawal is taxed as ordinary income to the employee and may be subject to the 10 percent additional tax on early distributions.

If the participant dies and is married at the time of death, the beneficiary of the participant's Plan account must be the participant's spouse, unless the participant's spouse has previously given written, notarized

consent to designate another person as beneficiary. If the participant marries or remarries, any prior beneficiary designation is canceled and the spouse automatically becomes the beneficiary. If the participant is single, the beneficiary may be anyone previously designated by the participant under the Plan. In the absence of an effective designation under the Plan at the time of death, the proceeds normally will be paid in the following order: the participant's spouse, the participant's children in equal shares, or to surviving parents equally. If no spouse, child, or parent is living, payments will be made to the executors or administrators of the participant's estate.

Upon the death of a participant, an account will be established for the participant's beneficiary and the account will be paid out as soon as practical, in a lump sum. Beneficiaries may rollover distributions from the Plan.

Starting January 1, 2008, if the beneficiary is a spouse or domestic partner, the beneficiary's account may be maintained in the Plan, subject to the Minimum Required Distribution rules. If the beneficiary is neither a spouse nor a domestic partner, the account will be paid to the beneficiary in a lump sum. Beneficiaries may rollover distributions from the Plan.

Participant Loans

Participants may borrow up to one-half of the value of their account balance, not to exceed \$50,000, within a twelve month period. Loans will be granted in \$1 increments subject to a minimum loan amount of \$500. Participants are limited to two simultaneous outstanding Plan loans. Repayment of a loan shall be made through semi-monthly payroll deductions over a term of one to four years. The loan shall bear a fixed rate of interest, set quarterly, for the term of the loan, determined by the plan administrator to be 1.25 points above the prime rate. The interest shall be credited to the participant's account as the semi-monthly repayments of principal and interest are made. Interest rates on outstanding loans at December 31, 2007 and 2006 ranged from 4.25 percent to 10.75 percent and 4.25 percent to 11.00 percent, respectively.

Participants may prepay the entire remaining loan principal after payments have been made for three full months. Employees on an approved leave of absence may elect to make scheduled loan payments directly to the Plan. Participants may continue to contribute to the Plan while having an outstanding loan, provided that the loan is not in default.

Participants who retire or separate from IBM and have outstanding Plan loans may make coupon payments to continue monthly loan repayments according to their original amortization schedule.

Termination of Service

If the value of a participant's account is \$1,000 or less, it will be distributed to the participant in a lump-sum payment as soon as practical following the termination of the participant's employment with IBM. If the account balance is greater than \$1,000 at the time of separation, the participant may defer distribution of the account until age 70 ½.

Termination of the Plan

IBM reserves the right to terminate this Plan at any time by action of the Committee. In that event, each participant or beneficiary receiving or entitled to receive payments under the Plan would receive the balance of the account at such time and in accordance with applicable law and regulations. In the event of a full or partial termination of the Plan, or upon complete discontinuance of contributions under the Plan, the rights of all affected participants in the value of their accounts would be nonforfeitable.

Risks and Uncertainties

The Plan provides for various investment options that include in any combination of mutual funds, commingled funds, life-cycle funds, equities, fixed income securities, synthetic guaranteed investment

contracts (GICs) and derivative contracts. Investment securities are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

The Plan is exposed to credit loss in the event of non-performance by the companies with whom the investment contracts are placed. However, the Committee does not anticipate non-performance by these companies at this time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared under the accrual basis of accounting, except distributions, which are recorded when paid.

Effective January 1, 2006, the Plan adopted the requirements of Financial Accounting Standards Board (FASB) Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (FSP AAG INV-1 and SOP 94-4-1). FSP AAG INV-1 and SOP 94-4-1 require investment contracts held by a defined-contribution plan to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Contract value represents the cost plus contributions made under the contracts plus interest at the contract rates less withdrawals and administrative expenses. In particular, FSP AAG INV-1 and SOP 94-4-1 affected the presentation of the amounts related to the Plan's participation in the Stable Value Fund. The statements of net assets available for benefits present the fair value of the investment in the Stable Value Fund as well as the adjustment from fair value to contract value for the fully benefit responsive investment contracts within the Stable Value Fund. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Valuation of Investments

The Plan's investments are stated at fair value, which is generally the quoted market price on the last business day of the Plan year. Investments in mutual funds and commingled funds are valued at the net asset values per share as quoted by such companies or funds as of the valuation date. IBM common stock is valued daily at the New York Stock Exchange closing price. Other equity securities are valued at the last reported sales price or closing price. Fixed income securities traded in the over-the-counter market are valued at the bid prices. Securities in cash portfolios are valued at amortized cost, which includes cost and accrued interest, which approximates fair value. Participant loans are valued at cost plus accrued interest, which approximates fair value.

Investment Contracts

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The Plan entered into benefit-responsive investment contracts, such as synthetic investment contracts (GICs), (through the Stable Value Fund the Fund) with various third parties, i.e., insurance companies and banks. Fair value generally equals the market price on the last business day of the Plan year. Contract value represents contributions made to investment contracts, plus earnings, less participant withdrawals and administrative expenses. The fair value of the wrap contract for the synthetic GIC is determined using a discounted cash flow model which considers recent rebids as determined by recognized dealers, discount rate and the duration of the underlying portfolio.

A synthetic GIC provides for a fixed return on principal over a specified period of time, e.g., monthly crediting rate, through fully benefit-responsive wrapper contracts issued by a third party, which are backed by underlying assets owned by the Plan. The contract value of the synthetic GIC held by the Stable Value Fund was \$7,372 million and \$5,965 million at December 31, 2007 and 2006, respectively. The fair value of the synthetic GIC wrapper contract was \$17 million and \$14 million at December 31, 2007 and 2006, respectively. The adjustment from the sum of the fair value of the underlying assets and the fair value of the synthetic GIC to the contract value of the synthetic GIC was \$135 million and \$107 million at December 31, 2007 and 2006, respectively.

Wrap contracts accrue interest using a formula called the crediting rate. Wrap contracts use the crediting rate formula to convert market value changes in the covered assets into income distributions in order to minimize the difference between the market and contract value of the covered assets over time. Using the crediting rate formula, an estimated future market value is benchmark calculated by compounding the Fund's benchmark market value at the Fund's current yield to maturity for a period equal to the Fund's benchmark duration. The crediting rate is the discount rate that equates estimated future market value with the Fund's current contract value. The crediting rate is most impacted by the change in the annual effective yield to maturity of the underlying securities, but is also affected by differential between the contract value and the market value of the covered investments. The difference is amortized over the duration of the investments. Depending on the change in duration from reset period to reset period, the magnitude of the impact to the crediting rate of the contract contract to market difference is heightened or lessened. Crediting rates are reset monthly. The wrap contracts provide a guarantee that the crediting rate will not fall below 0%.

If the Fund experiences significant redemptions when the market value is below the contract value, the Fund's yield may be reduced significantly, to a level that is not competitive with other investment options. This may result in additional redemptions, which would tend to lower the crediting rate further. If redemptions continued, the Fund's yield could be reduced to zero. If redemptions continued thereafter, the Fund might have insufficient assets to meet redemption requests, at which point the Fund would require payments from the wrap issuer to pay further participant redemptions.

The crediting rate, and hence the Fund's return, may be affected by many factors, including purchases and redemptions by participants. The precise impact on the Fund depends on whether the market value of the covered assets is higher or lower than the contract value of those assets. If the market value of the covered assets is higher than their contract value, the crediting rate will ordinarily be higher than the yield of the covered assets. Under these circumstances, cash from new investors will tend to lower the crediting rate and the Fund's return, and redemptions by existing participants will tend to increase the crediting rate and the Fund's return.

The Fund and the wrap contracts purchased by the Fund are designed to pay all participant-initiated transactions at contract value. Participant-initiated transactions are those transactions allowed by the provisions of the Plan (typically this would include withdrawals for benefits, loans, or transfers to non-competing funds within the Plan). However, the wrap contracts limit the ability of the Fund to transact at contract value upon the occurrence of certain events. At this time, the occurrence of any of these events is not probable. These events include:

- The Plan's failure to qualify under Section 401(a) or Section 401(k) of the Internal Revenue Code.
- The establishment of a defined contribution plan that competes with the Plan for employee contributions.
- Any substantive modification of the Plan or the administration of the Plan that is not consented to by the wrap issuer.

- Complete or partial termination of the Plan.

- Any change in law, regulation or administrative ruling applicable to the Plan that could have a material adverse effect on the Fund's cash flow.
- Merger or consolidation of the Plan with another plan, the transfer of plan assets to another plan, or the sale, spin-off or merger of a subsidiary or division of the plan sponsor.
- Any communication given to participants by the Plan sponsor or any other plan fiduciary that is designed to induce or influence participants not to invest in the Fund or to transfer assets out of the Fund.
- Exclusion of a group of previously eligible employees from eligibility in the Plan.
- Any early retirement program, group termination, group layoff, facility closing or similar program.
- Any transfer of assets from the Fund directly to a competing option.
- Bankruptcy of the plan sponsor or other plan sponsor events which cause a significant withdrawal from the Plan.

A wrap issuer may terminate a wrap contract at any time. In the event that the market value of the Fund's covered assets is below their contract value at the time of such termination, the trustee may elect to keep the wrap contract in place until such time as the market value of the Fund's covered assets is equal to their contract value. A wrap issuer may also terminate a wrap contract if the trustee's investment management authority over the Fund is limited or terminated as well as if all of the terms of the wrap contract fail to be met.

Synthetic investment contracts generally impose conditions on both the Plan and the issuer. If an event of default occurs and is not cured, the non-defaulting party may terminate the contract. The following may cause the Plan to be in default: a breach of material obligation under the contract; a material misrepresentation; or a material amendment to the Plan agreement. The issuer may be in default if it breaches a material obligation under the investment contract; makes a material misrepresentation; is acquired or reorganized. If, in the event of default of an issuer, the Plan were unable to obtain a replacement investment contract, the Plan may experience losses if the value of the Plan's assets no longer covered by the contract is below contract value. The Plan may seek to add additional issuers over time to diversify the Plan's exposure to such risk, but there is no assurance the Plan may be able to do so. The combination of the default of an issuer and an inability to obtain a replacement agreement could render the Plan unable to achieve its objective of maintaining a stable contract value. The terms of an investment contract generally provide for settlement of payments only upon termination of the contract or total liquidation of the covered investments. Generally, payments will be made pro-rata, based on the percentage of investments covered by each issuer. Contract termination occurs whenever the contract value or market value of the covered investments reaches zero or upon certain events of default. If the contract terminates due to issuer default (other than a default occurring because of a decline in its rating), the issuer will generally be required to pay to the Plan the excess, if any, of contract value over market value on the date of termination. If a synthetic GIC terminates due to a decline in the ratings of the issuer, the issuer may be required to pay to the Plan the cost of acquiring a replacement contract (i.e. replacement cost) within the

meaning of the contract. If the contract terminates when the market value equals zero, the issuer will pay the excess of contract value over market value to the Plan to the extent necessary for the Plan to satisfy outstanding contract value withdrawal requests. Contract termination also may occur by either party upon election and notice.

The investment contracts owned by the Stable Value Fund earned the following average yields:

	Year Ended December 31,	
	2007	2006
Earned by the Plan	5.88%	5.01%
Credited to participants	5.54%	5.65%

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Security Transactions and Related Investment Income

Security transactions are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis.

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net appreciation in the fair value of its investments, which consists of realized gains and losses and the unrealized appreciation and depreciation on those investments.

Administrative Expenses and Investment Management Fees

All administrative costs of the Plan are deducted from participants' account balances. These costs include (a) brokerage fees and commissions, which are included in the cost of investments and in determining net proceeds on sales of investments, and (b) operational expenses required for administration of the Plan including trustee, recordkeeping, participant reports and communications, and service center expenses, which are charged against the fund's assets on a pro rata basis throughout the year and are included as part of administrative expenses. Investment management fees, which are paid from the assets of the respective funds, are fees that comprise fixed annual charges and charges based on a percentage of net asset value and are included as part of administrative expenses.

New Standard to be Implemented

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements* (the Standard). The Standard defines fair value, sets out a framework for measuring fair value under U.S. GAAP, and expands fair value measurement disclosures. The Standard does not require new fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of this Statement is not expected to have a material effect on the Plan's Statement of Net Assets Available for Benefits and Statement of Changes in Net Assets Available for Benefits.

NOTE 3 - DESCRIPTION OF INVESTMENT FUNDS

The objectives of the twenty-three investment funds to which employees could contribute funds in 2007 are described below:

Life Strategy Funds - four blended funds that reflect a portfolio of diversified investments U.S. stocks, international stocks, real estate equity stocks and fixed-income investments from the existing core funds noted below. The funds are structured by the IBM Retirement Fund organization and managed by the underlying funds managers.

- x **Income Plus Life Strategy Fund** - target allocation: 30% stocks, 70% bonds; seeks returns that modestly outpace inflation on a fairly consistent basis.
- x **Conservative Life Strategy Fund** - target allocation: 50% stocks, 50% bonds; seeks returns that moderately outpace inflation over the long term.
- x **Moderate Life Strategy Fund** - target allocation: 65% stocks, 35% bonds; seeks relatively high returns at a moderate risk level.
- x **Aggressive Life Strategy Fund** - target allocation: 85% stocks, 15% bonds; seeks high returns over the long term.

Core Funds - six funds that provide an opportunity to build a portfolio from a selection of broadly diversified U.S. and international stock funds and from funds that track the fixed-income markets.

- x **Stable Value Fund** - seeks to preserve principal and provide income at a stable rate of interest that is competitive with intermediate-term rates of return. The fund is managed by multiple money managers.
- x **Inflation Protected Bond Fund** - seeks over the long term to provide a rate of return similar to the Lehman U.S. Treasury Inflation Protected Securities (TIPS) Index. The fund is managed by State Street Global Advisors.
- x **Total Bond Market Fund** - seeks to modestly exceed the return of its benchmark index (Lehman Brothers Aggregate Bond Index), which consists of more than 5,000 U.S. Treasury, federal agency, mortgage-backed, and corporate securities. The fund is managed by Lehman Brothers Asset Management.
- x **Total International Stock Market Index Fund** - seeks long-term capital growth with a market rate of return for a diversified group of non-U.S. equities in such major markets as Europe and Asia plus the emerging markets of the world. It attempts to match the performance of the Morgan Stanley Capital International (MSCI) All Country World Ex-U.S. Free Index. The fund is managed by State Street Global Advisors.
- x **Total Stock Market Index Fund** - seeks long-term growth of capital and income. It attempts to match the performance of the Dow Jones Wilshire 5000 Total Market Index. The fund is managed by The Vanguard Group.
- x **Real Estate Investment Trust (REIT) Index Fund** - seeks a total rate of return approximating the returns of the MSCI U.S. REIT index. Investment consists of U.S. publicly traded real estate equity securities. The fund is managed by Barclays Global Investors.

Extended Choice Funds - thirteen funds that provide an opportunity to build an investment portfolio with funds that are less broadly diversified, focusing instead on discrete sectors of the stock and bond markets.

- x **Money Market Fund** - seeks liquidity and preservation of capital while providing a variable rate of income based on current short-term market interest rates. The fund is managed by State Street Global Advisors.
- x **Long-Term Corporate Bond Fund** - seeks a high and sustainable level of interest income by investing in a widely diversified group of long-term bonds issued by corporations with strong credit ratings. The fund is managed by Lehman Brothers Asset Management.
- x **High Yield and Emerging Markets Bond Fund** - seeks to modestly exceed the returns of the Lehman U.S. High Yield/Emerging Markets Bond Index. The fund invests in below investment

- grade U.S. corporate and emerging market dollar bonds and is managed by Pacific Investment Management Company, LLC (PIMCO).
- x **Equity Income Fund** - seeks both long-term capital appreciation and dividend income by investing in large- and mid-cap U.S. stocks. The fund is managed by State Street Global Advisors.
 - x **European Stock Index Fund** - seeks long-term growth of capital that corresponds to an index of European stocks. It attempts to match the investment results of the MSCI Europe Index. The fund is managed by The Vanguard Group.
 - x **Pacific Stock Index Fund** - seeks long-term growth of capital by attempting to match the performance of the MSCI Pacific Index. The fund is managed by The Vanguard Group.
 - x **Large Company Index Fund** - seeks long-term growth of capital and income from dividends by holding all the stocks that make up the Standard & Poor's 500 Index. The fund is managed by The Vanguard Group.
 - x **Large-Cap Value Index Fund** - seeks long-term growth of capital and income from dividends. The fund holds all the stocks in the Russell 1000 Value Index in approximately the same proportion as those stocks represented in the index. The fund is managed by The Vanguard Group.
 - x **Large-Cap Growth Index Fund** - seeks long-term growth of capital by holding all the stocks in the Russell 1000 Growth Index in approximately the same proportion as those stocks represented in the index. The fund is managed by The Vanguard Group.
 - x **Small/Mid-Cap Stock Index Fund** - seeks long-term growth of capital with a market rate of return from a diversified group of medium- and small-company stocks. The fund holds stocks in the Russell 3000 index that are not part of the Standard and Poor's 500 index and attempts to match the performance of the Russell SmallCap Completeness Index. The fund is managed by State Street Global Advisors.
 - x **Small-Cap Value Index Fund** - seeks long-term growth of capital by attempting to replicate the performance of the Russell 2000 Value Index. The fund is managed by The Vanguard Group.
 - x **Small-Cap Growth Index Fund** - seeks long-term growth of capital by attempting to match the performance of the Russell 2000 Growth Index. The fund is managed by The Vanguard Group.
 - x **IBM Stock Fund** - invests in IBM common stock and holds a small interest-bearing cash balance of approximately 0.25% for liquidity purposes. The fund is managed by State Street Bank and Trust Company.

IBM Savings Plan participants also have access to the mutual fund window investments which expands the Plan's investment options to include nearly 200 mutual funds, most of which are actively managed. This feature gives more choice to participants who are interested in investing in brand-name funds, or in simply having a broader range of investment options from which to choose.

Securities Lending

Security loan transactions are permitted with the objective to add investment return to the portfolio. Certain funds may lend securities held in that fund to unaffiliated broker-dealers registered under the Securities Exchange Act of 1934, or banks organized in the United States of America. At all times, the borrower must maintain cash or equivalent collateral equal in value to at least 102 percent of the value of the domestic securities loaned and 105 percent of the value of international securities loaned. The cash collateral is reinvested to generate income that is credited to the portfolio return. One risk in lending securities is associated with the reinvestment of this cash. When securities are posted as collateral, the funds seek to minimize risk by requiring a daily valuation of the loaned securities, with additional collateral posted each day, if necessary. An additional risk in lending securities is that a borrower may default during a sharp rise in the price of the security that was borrowed, resulting in a deficiency in the collateral posted by the borrower. To mitigate this risk, the loaned securities in the State Street Bank agency program are indemnified against broker default.

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The addition of the securities lending provision does not change the investment objectives for the funds. The value of loaned securities in the State Street Bank agency program amounted to \$3,502 million and \$3,615 million at December 31, 2007 and 2006, respectively. The value of cash collateral obtained and reinvested in short-term investments of \$3,592 million and \$3,725 million for December 31, 2007 and 2006, respectively, is reflected as a liability in the Plan's financial statements. Securities lending is also permitted in the commingled funds and in funds within the IBM Mutual Fund Window. The prospectus for each fund will disclose if lending is permitted.

NOTE 4 - PLAN TRANSFERS

The transfers listed below represent participant investment account balances attributable to employees transferred to IBM in 2007 primarily as a result of IBM acquisitions:

Significant transfers were:

FileNet Corporation.	transfer totaling \$136,765,708
Internet Security Systems, Inc.	transfer totaling \$32,288,303
Softek Storage Solutions Corporation	transfer totaling \$9,367,775
Vallent Corporation	transfer totaling \$6,063,321
Palisades Technology Partners, LLP	transfer totaling \$3,151,003

In 2007, there were also transfers into the Plan totaling \$6,616,580 related to participant account balances from other companies. Total plan transfers were \$194,252,690, which includes participant loan balances in addition to the transfers noted above.

NOTE 5 - TAX STATUS

The Trust established under the Plan is qualified under Section 401(a) of the Internal Revenue Code and the Trustee intends to continue it as a qualified trust. The Plan received a favorable determination letter from the IRS on September 10, 2004. Subsequent to this determination letter by the IRS, the Plan was amended. The Plan administrator and Counsel continue to believe the Plan is designed and is being operated in compliance with the applicable requirements of the Internal Revenue Code. Accordingly, a provision for federal income taxes has not been made.

NOTE 6 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of:

	12/31 2007		12/31 2006
(Dollars in thousands)			
Net assets available for benefits per the financial statements	\$ 32,718,151	\$	30,750,061
Plus:			
Adjustment from contract value to fair value for fully benefit-responsive investment contracts held by the Stable Value Fund	134,577		106,555
Less:			
Benefit obligations currently payable			6,710
Net assets available for benefits per the Form 5500	\$ 32,852,728	\$	30,849,906

The following is a reconciliation of investment income per the financial statements to the Form 5500:

		Year Ended December 31, 2007
(Dollars in thousands)		
Total investment income per the financial statements	\$	1,864,347
Less:		
Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2006		106,555
Plus:		
Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2007		134,577
Total investment income per the Form 5500	\$	1,892,369

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

		Year Ended December 31, 2007
(Dollars in thousands)		
Benefits paid to participants per the financial statements	\$	1,777,483
Less:		
Amounts payable at December 31, 2006		6,710
Plus:		
Amounts payable at December 31, 2007		
Benefits paid to participants per the Form 5500	\$	1,770,773

NOTE 7 - INVESTMENT VALUATIONS

The following schedules summarize the value of investments, and the related net appreciation in the fair value of investments by type of investment:

	Quoted Market Prices	Value Determined By		Total
		Fair Value		
		(Dollars in thousands)		
At December 31, 2007				
Investments at Fair Value				
Commingled Funds	\$ 21,672,810			\$ 21,672,810
Short-Term Investments	4,163,175			4,163,175
IBM Common Stock	1,581,218			1,581,218
Mutual Funds	886,484			886,484
Fixed Income Securities	303,678			303,678
Common Stock non-employer				
Total	\$ 28,607,365			\$ 28,607,365
Investment Contracts at Fair Value				
Investment contracts		\$ 7,470,887		7,470,887
Total	\$ 28,607,365	\$ 7,470,887	\$	36,078,252
At December 31, 2006				
Investments at Fair Value				
Commingled Funds	\$ 21,454,650			\$ 21,454,650
Short-Term Investments	3,971,790			3,971,790
IBM Common Stock	1,645,492			1,645,492
Mutual Funds	630,610			630,610
Fixed Income Securities	299,646			299,646
Common Stock non-employer	159,199			159,199
Total	\$ 28,161,387			\$ 28,161,387
Investment Contracts at Fair Value				
Investment contracts		\$ 6,071,983		6,071,983
Total	\$ 28,161,387	\$ 6,071,983	\$	34,233,370

Net Appreciation in Fair Value of Investments (including gains and losses on investments bought and sold, as well as held during the year):

	2007 (Dollars in thousands)	
Investments at fair value as determined by quoted market price:		
Commingled Funds	\$	1,095,821
IBM Common Stock		166,944
Mutual Funds		1,187
Common Stock non-employer		6,360
Fixed Income Securities		(9,919)

Total	\$	1,260,393
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Investments

The investments that represent 5% or more of the Plan's net assets available for benefits at December 31, 2007 and 2006 are as follows:

Investments	2007	2006
	(Dollars in thousands)	
Large Company Index Fund (Vanguard)	\$ 4,749,351	\$ 4,720,752
Total International Stock Market Index Fund (State Street Global Advisors)	3,594,879	2,768,095
Total Stock Market Index Fund (Vanguard)	3,331,412	2,862,713
Small/Mid-Cap Stock Index Fund (State Street Global Advisors)	3,116,838	3,142,427
Investment Contract Royal Bank of Canada, 5.40% (5.75% 2006)	1,867,722	1,517,996
Investment Contract JPMorgan Chase, 5.40% (5.75% 2006)	1,867,722	1,517,996
IBM Common Stock	1,581,218	1,645,492

NOTE 8 - RELATED-PARTY TRANSACTIONS

At December 31, 2007, a significant portion of the Plan's assets were invested in State Street Global Advisors funds. State Street Global Advisors' parent company, State Street Bank and Trust Corporation, also acts as the trustee for the Plan and, therefore, these investments qualify as party-in-interest transactions. The Plan also pays a fee to the trustee and the trustee also is a security lending agent. These transactions qualify as party-in-interest transactions as well.

In addition, Fidelity Investments Institutional Operations Company, Inc is the provider of administrative services related to the mutual fund window as well the investment manager of Fidelity funds within the mutual fund window. Starting January 1, 2008, as disclosed in note 1, Fidelity also became the provider of record keeping and participant services, and the operator of the IBM Employee Services Center for the IBM 401(k) Plus Plan.

At December 31, 2007 the Plan held 14,627,366 shares of IBM common stock valued at \$1,581,218,265. At December 31, 2006, the Plan held 16,931,921 shares of IBM common stock valued at \$1,645,492,419.

IBM SAVINGS PLAN
Schedule H, line 4i - Schedule of Assets (Held at End of Year)

AT DECEMBER 31, 2007

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Fair value
IBM Stock Fund				
*	Managed by State Street Global Advisors	IBM Common Stock 14,627,366 shares	\$	1,581,218,265
*	Managed by State Street Global Advisors	Short-Term Investments		1,522,113
Mutual Funds				
*	Administered by Fidelity Investments	Mutual Fund Window		886,483,613
Commingled Trust Funds				
	Managed by The Vanguard Group	Large Company Index		4,749,350,912
	Managed by The Vanguard Group	Total Stock Market Index		3,331,412,465
	Managed by The Vanguard Group	European Stock Index		899,722,498
	Managed by The Vanguard Group	Large Cap Value Index		785,886,590
	Managed by The Vanguard Group	Small Cap Value Index		624,775,018
*	Party-In-Interest			

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Fair value
Commingled Trust Funds - continued				
	Managed by The Vanguard Group	Large Cap Growth Index	\$	618,549,073
	Managed by The Vanguard Group	Pacific Stock Index		497,490,933
	Managed by The Vanguard Group	Small Cap Growth Index		440,407,451
Separately-Managed Funds IBM				
*	Managed by State Street Global Advisors	Total International Stock Market Index (refer to Exhibit A - investments)		3,594,879,490
*	Managed by State Street Global Advisors	Small/Mid Cap Stock Index (refer to Exhibit B - investments)		3,116,837,652
*	Managed by State Street Global Advisors	Inflation Protected Bond (refer to Exhibit C - investments)		1,357,968,610
	Managed by Lehman Brothers Asset Management	Total Bond Market (refer to Exhibit D - investments)		922,988,086
	Managed by Barclays Global Investors	Real Estate Investment Trust (refer to Exhibit E - investments)		732,541,215
	Managed by Lehman Brothers Asset Management	Long-Term Corporate Bond (refer to Exhibit F - investments)		175,263,249
	Managed by Pacific Management Investment Company (PIMCO)	High Yield and Emerging Markets Bond (refer to Exhibit G investments)		128,414,961
*	Party-In-Interest			

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Fair value
Short-Term Investments				
	Managed by JPMorgan Chase Bank N.A.	Short-Term Investments purchased with cash collateral from securities lending(refer to Exhibit H - investments)	\$	3,592,168,548
Stable Value Fund Investment Contracts				
	Underlying assets managed by various investment companies	Synthetic GIC Global Wrapper (the fair value of wrap contract is \$17 million, Rate of Interest 5.40%, refer to Exhibit I - investments)		7,470,886,485
Short-Term Investments				
*	Managed by State Street Global Advisors	SSGA/Other Short Term Investments		569,484,449
*	Loans to Participants	Interest rates range: 4.25% - 10.75%, Terms: one to four years		281,775,373
*	Party-In-Interest			
	Royal Bank of Canada		\$	1,867,721,621
	JPMorgan Chase			1,867,721,621
	UBS			1,494,177,297
	Bank of America			1,494,177,297
	State Street Bank and Trust			747,088,649

EXHIBIT A - Total International Stock Market Index

(Managed by State Street Global Advisors)

IBM SAVINGS PLAN AT DECEMBER 31, 2007

Schedule H, line 4i-Schedule of Assets (Held At End of Year)

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Shares	(d) Cost (n/a)	(e) Fair value
	CRESUD	ARS1	4	\$	8
	GPO FIN GALICIA	B ARSI	8		6
	PETROBRAS ENER	B ARSI	7		9
	TELEC ARGENTINA SA	CL B ARSI	6		27
	TRANSPORT GAS SUR	CLASS B ARSI	3		4
	ABC LEARNING CENTR	NPV	70,899		322,470
	AGL ENERGY	NPV	82,638		966,503
	ALUMINA LIMITED	NPV	217,652		1,217,367
	AMCOR LIMITED	NPV	170,450		1,034,176
	AMP LIMITED	NPV	367,518		3,210,858
	ANSELL LTD	NPV	27,532		291,786
	ARISTOCRAT LEISURE	NPV(POST RECONSTRUCTION)	66,472		656,615
	ASCIANO GROUP	NPV(STAPLED)	103,655		637,100
	ASX LIMITED	NPV	33,575		1,783,572
	AUST + NZ BANK GRP	NPV	357,626		8,622,813
	AXA ASIA PAC HLDGS	NPV	163,656		1,060,493
	BABCOCK + BROWN LTD	NPV	44,122		1,051,827
	BENDIGO BANK LTD	NPV	51,932		673,040
	BHP BILLITON LTD	NPV	643,607		22,683,888
	BILLABONG INTERNATL	NPV	31,988		416,250
	BLUESCOPE STEEL LTD	NPV	140,310		1,188,873
	BOART LONGYEAR GR	NPV	276,292		570,106
	BORAL LIMITED NEW	NPV	112,947		606,940
	BRAMBLES LTD	NPV	181,572		1,838,220
	BRAMBLES LTD	NPV	101,546		1,012,709
	CALTEX AUSTRALIA	NPV	25,391		431,846
	CENTRO PROPS GP	UNITS NPV(STAPLED)	161,221		142,976
	CENTRO RETAIL GRP	NPV (STAPLED SEC)	231,215		192,867
	CFS RETAIL PROP	NPV	271,594		558,027
	CHALLENGER FIN SER	NPV	68,743		301,195
	CMNWLTH BK OF AUST	NPV	249,496		12,947,038
	COCA COLA AMATIL	NPV(POST RECONSTRUCTION)	99,787		830,619
	COCHLEAR LTD	NPV	10,329		679,297
	COMMONWEALTH PROPE	UNITS NPV	64,287		87,211
	COMPUTERSHARE REG	NPV(POST REC)	97,194		843,171
	CROWN LTD	NPV	88,001		1,039,272
	CSL	ORD NPV	105,864		3,379,804
	CSL LTD	DEFERRED DELIVERY 07	1,791		57,179
	CSR LIMITED	NPV	177,011		481,816
	DB RREEF TRUST	NPV (STAPLED)	558,511		980,801
	DOWNER GROUP	NPV	58,832		277,917
	FAIRFAX MEDIA LTD	NPV	228,616		939,446

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FORTESCUE METALS G	NPV DFD 10JAN08(EX SPLIT)	AUSTRALIA	240,810	1,585,825
FOSTERS GROUP	NPV	AUSTRALIA	385,079	2,214,678
FUTURIS CORP LTD	NPV	AUSTRALIA	109,083	205,928
GOODMAN FIELDER	NPV	AUSTRALIA	202,364	336,715
GOODMAN GROUP	NPV(SAPLED UNITS)	AUSTRALIA	283,084	1,215,468
GPT GROUP	NPV (UNITS)	AUSTRALIA	401,804	1,425,329
HARVEY NORMAN HLDG NPV	COM	AUSTRALIA	102,041	609,260
ILUKA RESOURCES	NPV	AUSTRALIA	45,439	183,530
ING INDUSTRIAL FD	UNITS NPV	AUSTRALIA	50,473	112,567
INSURANCE AUST GRP	NPV	AUSTRALIA	353,044	1,277,160
LEIGHTON HOLDINGS	NPV	AUSTRALIA	26,532	1,425,741
LEND LEASE CORP	NPV	AUSTRALIA	68,884	1,046,367
LION NATHAN LTD	NPV(AUST LIST)	AUSTRALIA	56,647	477,991
MACQUARIE AIRPORTS	NPV STAPLED FULLY PAID	AUSTRALIA	127,636	453,887
MACQUARIE COMM INF	NPV (STAPLED SECURITY)	AUSTRALIA	19,594	93,421
MACQUARIE GP LTD	NPV	AUSTRALIA	51,603	3,452,624
MACQUARIE INFRASTRUCTURE GRP	NPV (STAPLED)	AUSTRALIA	510,839	1,359,083
MACQUARIE OFFICE	UNITS NPV	AUSTRALIA	386,374	474,958
MIRVAC GROUP	STAPLED SECS	AUSTRALIA	197,702	1,041,554
NATL AUSTRALIA BK	NPV	AUSTRALIA	311,079	10,322,074
NEWCREST MINING	NPV	AUSTRALIA	88,722	2,578,569
ONESTEEL	NPV	AUSTRALIA	142,388	768,896
ORICA LTD	NPV	AUSTRALIA	61,284	1,708,481
ORIGIN ENERGY	NPV	AUSTRALIA	166,392	1,292,990
OXIANA LIMITED	NPV	AUSTRALIA	276,904	846,112
PACIFIC BRANDS	NPV	AUSTRALIA	96,290	274,779
PALADIN ENERGY LTD	NPV	AUSTRALIA	104,376	622,286
PAPERLINX	NPV	AUSTRALIA	86,454	201,923
PERPETUAL LIMITED	NPV	AUSTRALIA	7,299	424,525
QANTAS AIRWAYS	NPV	AUSTRALIA	185,596	886,517
QBE INS GROUP	NPV	AUSTRALIA	168,908	4,944,646
RIO TINTO LIMITED	NPV	AUSTRALIA	53,148	6,250,993
SANTOS LTD	NPV	AUSTRALIA	114,779	1,423,038
SHARE PRICE INDEX 200 FUTURES	8-Mar-08	AUSTRALIA	425	
SONIC HEALTHCARE LTD	NPV	AUSTRALIA	59,623	875,325
ST GEORGE BANK LTD	NPV	AUSTRALIA	51,985	1,441,940
STOCKLAND	NPV	AUSTRALIA	286,755	2,120,032

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SUNCORP METWAY	NPV	AUSTRALIA	181,324	2,693,860
SYMBION HEALTH LIMITED	NPV	AUSTRALIA	31,795	111,112
TABCORP HLDGS LTD	NPV	AUSTRALIA	100,165	1,299,900
TATTS GROUP LTD	NPV	AUSTRALIA	205,233	719,017
TELSTRA CORP	NPV	AUSTRALIA	552,966	2,277,145
TELSTRA CORP	NPV(INST RCPTS PPD 31MAR08)	AUSTRALIA	283,709	789,681
TOLL HLDGS LIMITED	NPV	AUSTRALIA	103,041	1,035,941
TRANSURBAN GROUP	STAPLED UNITS NPV	AUSTRALIA	205,279	1,232,878
WESFARMERS	NPV	AUSTRALIA	108,001	3,840,627
WESFARMERS LTD	NPV PPS	AUSTRALIA	31,735	1,134,102
WESTFIELD GROUP	NPV DFD STAPLED SECURITIE	AUSTRALIA	324,785	5,988,728
WESTPAC BKG CORP	NPV	AUSTRALIA	358,008	8,776,624
WOODSIDE PETROLEUM	NPV	AUSTRALIA	93,396	4,132,301
WOOLWORTHS LTD	NPV	AUSTRALIA	231,983	6,923,516
WORLEYPARSONS LIMITED	NPV 144A	AUSTRALIA	29,126	1,329,853
ZINIFEX	NPV	AUSTRALIA	92,910	1,011,588
ANDRITZ AG	NPV BR (POST SPLIT)	AUSTRIA	8,218	498,027
BWIN INTERACTIVE ENTERTAINMENT	NPV	AUSTRIA	5,510	214,367
ERSTE BANK DER OST	NPV	AUSTRIA	34,314	2,433,186
FLUGHAFEN WIEN AG	NPV	AUSTRIA	2,215	255,837
IMMOEAST AG	NPV (BR)	AUSTRIA	87,816	946,245
IMMOFINANZ AG	NPV	AUSTRIA	96,678	982,369
MAYR MELNHOF KARTO	ATS100	AUSTRIA	1,773	192,187
OEST ELEKTRIZITATS	CLASS A NPV	AUSTRIA	16,229	1,136,078
OMV AG	NPV(VAR)	AUSTRIA	29,684	2,405,200
RAIFFEISEN INTL BK	NPV (REGD)	AUSTRIA	7,518	1,138,740
RHI AG	NPV	AUSTRIA	5,427	222,167
TELEKOM AUSTRIA	NPV	AUSTRIA	61,702	1,716,723
VOESTALPINE AG	NPV	AUSTRIA	23,349	1,688,095
WIENER STADT VERSI AG	NPV (BR)	AUSTRIA	6,639	533,860
WIENERBERGER AG	NPV	AUSTRIA	16,798	931,543
AGFA GEVAERT NV	ORD NPV	BELGIUM	24,524	376,122
BARCO	NPV	BELGIUM	1,992	152,028