Investing in Australia

Media Release
8 August 2005

Argo profit tops $100 million

Net operating profit of Argo Investments Limited topped $100 million for the first time in 2004-2005, propelled by a 33.8% improvement on the previous year's record result.

The $2.8 billion listed investment company (LIC) today reported a record net operating profit of $105.1 million for the year ended 30 June 2005 compared with $78.6 million in 2003-2004.

The record profit is more good news for Argo shareholders who are receiving a further increase in their total fully franked annual dividend from 18 cents per share to 21 cents per share, including an LIC capital gain dividend of 1 cent per share.

The 2004-2005 dividend – representing Argo's 59th consecutive year of paying dividends – will see a record $97.4 million distributed to shareholders compared with $77.6 million in the previous financial year.

Debt free and $209 million for investment

Argo's Chairman, Mr Chris Harris, said the Company maintained its strong financial position at year end, with no debt and $207 million in cash assets available for investment.

"Australia's solid economic performance in recent years, together with the emergence of China as a large global customer for our natural resources, has seen many Australian companies prosper," he said.

"While the immediate investment outlook remains positive – including the Australian share market at a record level and a continuing solid economy – we are mindful of how the climate can change with such pressures as rising costs, higher interest rates and currency fluctuations.

"The current company reporting season will provide a valuable barometer for the Argo management team to assess and identify further attractive investment opportunities."

Buoyant period produces 27.1% return

Mr Harris said the particularly buoyant 2004-2005 financial period was enjoyed by many of the 180 Australian stocks that make up Argo's diverse investment portfolio.

"This resulted in strong growth in ordinary income from the portfolio and the receipt of special distributions of $9.8 million (including $2.9 million from Macquarie Infrastructure Group) compared with $1.6 million in the previous year," he said.

"The improved performance of many of these businesses was also the major factor driving the total return of 27.1% achieved for the year (measured by the movement in net asset backing per share plus dividends paid), compared with the ASX All Ordinaries Accumulation Index return of 24.7%.

"We also benefited from our continued focus on managing costs which saw the Argo management expense ratio (MER) reduced to 0.15% of average assets at market value."

Earnings per share rose 22.5% from 18.7 cents to a record 22.9 cents, even after the dilution impact of the one-for-10 rights issue at $4.40 per share in March 2004.

Impressive 10-year return

Mr Rob Patterson, Argo's Managing Director, said the Company's long term investment philosophy – combined with a policy of investing only in Australian businesses – again played a key role in generating highly competitive returns during 2004-2005.

"Argo's portfolio has delivered an impressive average annual compound total return for the past 10 years of 15.4%. This compares with 11.8% from the ASX All Ordinaries Accumulation Index over the same period," he said.

Record net asset backing

Mr Patterson said the value of Argo's assets grew from $2.2 billion to $2.8 billion during 2004-2005, resulting in net tangible asset backing per share rising to a record $5.93 on 30 June 2005 compared with $4.84 per share a year earlier.

Significant investment purchases during the year included: - Diversified United Investment ($15.2 million), National Australia Bank ($14.3 million), Telstra ($13.0 million), Rio Tinto ($12.4 million) and Westfield Group ($9.9 million).

Investments in companies that were taken over throughout the period included Australian Leisure and Hospitality, National Foods, OPSM, Southcorp, TAB and Western Mining.

Otherwise, there were no significant investment sales.

Another dividend increase

Directors have followed the 1.5 cents per share increase in Argo's interim dividends with a further 1.5 cents per share rise in final dividends.

The fully franked ordinary final dividend has been lifted from 8.5 cents per share to 9 cents per share and Directors have declared a fully franked special final dividend of 1 cent per share (last year 0.5 cent per share).

The Argo Board has also declared a 1 cent per share LIC capital gain dividend (up from 0.5 cent per share in 2003-2004). This dividend will give rise to an attributable part of 1.43 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2005/2006 income tax returns.

Dividend Reinvestment Plan

Argo's Dividend Reinvestment Plan (DRP) will operate for the dividends totalling 11 cents per share payable on 8 September 2005.

The Directors have resolved that the shares will be allotted at a discount of 2.5% from the market price of Argo shares, as defined by the DRP, to eligible shareholders participating in the DRP.

Share Purchase Plan

The Share Purchase Plan (SPP) will be offered in September 2005 to allow eligible shareholders the opportunity to purchase additional Argo shares up to a maximum value of $2,500.

The maximum amount that a shareholder can invest in any 12-month period pursuant to the SPP is $5,000 and it is the Directors' current intention to offer the SPP to shareholders each half-year, at which time up to $2,500 can be invested.

Shares will be offered at a discount of 2.5% from the market price of Argo shares, as defined by the SPP. No brokerage or other transaction costs will be payable by shareholders in respect of the application for, and allotment of, shares purchased through the SPP.

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Rob Patterson
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Argo Investing in Australia

Argo Investments Limited

ABN 35 007 519 520

Appendix 4E

Preliminary Final Report
for the year ended 30 June, 2005
(previous corresponding period being
the year ended 30 June, 2004)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$A'000
Revenue from ordinary activities	up	35.5%	to	120,213 [1]
Profit from ordinary activities after tax attributable to members	up	33.8%	to	105,126 [1]
Net profit for the period attributable to members	up	33.8%	to	105,126 [1]

Dividends

	Ordinary	Special	LIC capital gains	Total
Interim fully franked paid 11 March, 2005	9.0 cents	1.0 cent	-	10.0 cents
Final fully franked payable 8 September, 2005	9.0 cents	1.0 cent	1.0 cent	11.0 cents
Total	18.0 cents	2.0 cents	1.0 cent	21.0 cents

The record date for determining entitlements to the final dividend : 23 August, 2005.

The Dividend Reinvestment Plan will operate with a 2.5% discount for the final dividend payable on 8 September, 2005.

Previous corresponding period

	Ordinary	Special	LIC capital gains	Total
Interim fully franked paid 12 March, 2004	8.0 cents	0.5 cent	-	8.5 cents
Final fully franked payable 8 September, 2004	8.5 cents	0.5 cent	0.5 cent	9.5 cents
Total	16.5 cents	1.0 cent	0.5 cent	18.0 cents

Brief explanation of any of the figures reported above:

[1] This year's revenue and profit included $9.8 million of special distributions compared with only $1.6 million in the previous year.

RECORD ARGO PROFIT AND INCREASED DIVIDEND

Argo Investments Limited, a leading Australian listed investment company with total assets of $2.8 billion, has increased its annual dividend after achieving a record result for the year ended 30 June, 2005.

Financial Result

Net profit after tax increased 33.8% to a record $105.1 million, compared with $78.6 million in the previous year.

Factors contributing to the record 2004-05 profit performance included:

- strong growth in income from ordinary dividends, interest and trust distributions, including the full year benefit of the additional $195 million of new capital raised in the 1 for 10 rights issue at $4.40 per share in March 2004.

- special distributions of $9.8 million (including $2.9 million from Macquarie Infrastructure Group) compared with $1.6 million in the previous year.

- improvement in the management expense ratio (MER) for the year to 0.15% of average assets at market value.

The strong profit growth reflects a particularly buoyant period for many of the 180 Australian stocks that make up the Company's diverse investment portfolio. Solid profit growth and higher distributions were reported by an increasing number of businesses in which Argo holds investments with some also making significant special payments to shareholders.

The Company's result also reflects the analytical strength and disciplined approach adopted by the Argo management team in evaluating and selecting long-term investment opportunities in the Australian share market.

Argo's policy of only investing in Australian companies, many of which have extensive overseas interests, enables the Company's investment analysts to maintain a strong and close relationship with the companies in which we invest.

Earnings per share rose 22.5% from 18.7 cents to a record 22.9 cents per share even after the dilution impact of the March 2004 rights issue.

Dividends

Following an increase of 1.5 cents per share in the interim dividends, the Directors have declared the following fully franked dividends:-

- an increased final ordinary dividend of 9 cents per share (last year 8.5 cents per share);

- a special final dividend of 1 cent per share (last year 0.5 cent per share);

- a 1 cent per share LIC capital gain dividend (last year 0.5 cent per share). This dividend will give rise to an attributable part of 1.43 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2005/2006 income tax returns. The amount which eligible shareholders may be able to claim as a tax deduction depends on their individual situation. Details will be provided in the dividend statement.

These dividends, totalling 11 cents per share, fully franked at a 30% tax rate, will be paid on 8 September, 2005 and absorb $51.4 million. The shares are expected to trade ex-dividend on 17 August, 2005 and the record date to establish shareholder dividend entitlements is 23 August, 2005.

Total fully franked dividends for the year amount to a record 21 cents per share, compared with fully franked dividends of 18 cents per share for the previous year. Dividends totalling $97.4 million will be distributed to shareholders this year, compared with $77.6 million in the previous year, an increase of 25.5%.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will operate for the dividends totalling 11 cents per share payable on 8 September, 2005.

The Directors have resolved that the shares will be allotted at a discount of 2.5% from the market price of Argo shares, as defined by the DRP, to eligible shareholders participating in the DRP.

Eligible shareholders, being those shareholders with registered addresses in Australia or New Zealand, who wish to participate in the DRP and who have not already lodged their intention, must do so by 23 August, 2005. Any variation to an existing election must also be lodged by this date.

Net Asset Backing

Net tangible asset backing per share rose to a record $5.93 as at 30 June, 2005, compared with $4.84 as at 30 June, 2004.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing per share would be $5.10 as at 30 June, 2005 compared with $4.31 as at 30 June, 2004.

Investment Portfolio Performance

Argo has continued to outperform key market indicators with a total portfolio return for the year of 27.1% compared with 24.7% from the All Ordinaries Accumulation Index, as measured by the movement in the net asset backing per share plus dividends reinvested.

The Company'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, 2005 were achieved:-

	Argo	All Ordinaries Acc. Index
3 years	15.3% p.a.	14.7% p.a.
5 years	14.7% p.a.	9.4% p.a.
10 years	15.4% p.a.	11.8% p.a.

A list of the Company's principal investments as at 30 June, 2005 is set out below:-

	Market Value $M
Macquarie Bank Ltd.	225.2
Milton Corporation Ltd.	132.4
National Australia Bank Ltd.	112.6
Wesfarmers Ltd.	97.4
Australia and New Zealand Banking Group Ltd.	92.6
Telstra Corporation Ltd.	88.1
BHP Billiton Ltd.	83.9
Australian United Investment Company Ltd.	80.1
Westpac Banking Corporation	72.6
Commonwealth Bank of Australia	66.6
St. George Bank Ltd.	64.8
Rinker Group Ltd.	45.0
Rio Tinto Ltd.	43.3
AMP Ltd.	39.9
Foster's Group Ltd.	38.2
Westfield Group	37.5
Amcor Ltd.	33.8
Woolworths Ltd.	31.5
Insurance Australia Group Ltd.	31.4
Australian Gas Light Company	29.7

Current Outlook

Argo continues to be in a strong financial position with no debt and $207 million in cash assets available for investment as at 30 June, 2005.

Australia's solid economic performance in recent years, together with the emergence of China as a large global customer for our natural resources, has seen many Australian companies prosper, resulting in the Australian sharemarket reaching a record level.

Argo's management will be closely monitoring the current company reporting period as a valuable barometer for the future outlook for the sharemarket and to identify further attractive investment opportunities.

FOR ANY QUERIES, PLEASE CONTACT:

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STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June, 2005

	Note	2005 $'000	2004 $'000
Revenue from ordinary activities	1	120,213	88,720
Expenses	2(b)(i)	(4,010)	(3,555)
Cost of trading investments	2(b)(ii)	(4,548)	(1,402)
Profit from ordinary activities before income tax expense		111,655	83,763
Income tax expense relating to ordinary activities	3(a)	(6,529)	(5,170)
Net profit		105,126	78,593
Increase in investment revaluation reserve	4	344,522	168,180
Total changes in equity other than those resulting from transactions with owners as owners		449,648	246,773
		Cents	Cents
Basic earnings per share	5	22.9	18.7

STATEMENT OF FINANCIAL POSITION
as at 30 June, 2005

	Note	2005	2004
		$'000	$'000
CURRENT ASSETS			
Cash assets	6(a)	207,405	281,044
Receivables	7	23,380	15,638
Total Current Assets		230,785	296,682
NON-CURRENT ASSETS			
Receivables	7	2,478	2,661
Investments	8	2,555,781	1,911,480
Plant and equipment	9	472	200
Deferred tax assets	3(c)	359	358
Total Non-Current Assets		2,559,090	1,914,699
TOTAL ASSETS		2,789,875	2,211,381
CURRENT LIABILITIES			
Payables	10	4,059	2,548
Derivative financial instruments	11	954	-
Current tax liabilities	3(a)	9,274	7,205
Provisions	12	477	491
Total Current Liabilities		14,764	10,244
NON-CURRENT LIABILITIES			
Payables	10	501	-
Deferred tax liabilities	3(b)	391,434	249,032
Provisions	12	68	702
Total Non-Current Liabilities		392,003	249,734
TOTAL LIABILITIES		406,767	259,978
NET ASSETS		2,383,108	1,951,403
EQUITY			
Contributed equity	13	1,120,674	1,049,543
Reserves	4	1,150,783	808,525
Retained profits	14	111,651	93,335
TOTAL EQUITY	15	2,383,108	1,951,403

STATEMENT OF CASH FLOWS
for the year ended 30 June, 2005

	Note	2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		89,281	68,515
Interest received		15,060	11,383
Other receipts		6,264	7,535
Payment for trading investments		(4,548)	(1,326)
Proceeds from trading investments		5,578	1,627
Administration and other operating costs paid		(3,751)	(3,328)
Income taxes paid		(11,699)	(6,003)
Net operating cash flows	6(b)	96,185	78,403
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		88,202	54,752
Acquisition of investments		(239,936)	(171,084)
Loans repaid by other entities		-	200
Executive share scheme repayments		183	648
Proceeds from sale of plant and equipment		-	22
Payments for fixed assets		(330)	(100)
Net investing cash flows		(151,881)	(115,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		54,650	227,123
Share issues transaction costs		(175)	(514)
Dividends paid		(72,418)	(61,242)
Net financing cash flows		(17,943)	165,367
Net increase/(decrease) in cash held		(73,639)	128,208
Cash at the beginning of the financial year		281,044	152,836
Cash at the end of the financial year	6(a)	207,405	281,044

1. Revenue

	2005	2004
	$'000	$'000
(a) Revenue from operating activities		
Dividends	92,690	69,018
Interest	14,800	11,878
Trust distributions	11,982	5,355
Proceeds from sale of trading investments	5,578	1,627
Other	(4,837)	820
	120,213	88,698
(b) Revenue from non-operating activities		
Proceeds from sale of plant and equipment	-	22
Revenue from ordinary activities	120,213	88,720

2. Profit from ordinary activities before income tax expense

	2005	2004
Profit from ordinary activities before income tax expense has been determined after:-		
(a) Crediting		
Net profit on disposal of trading investments	1,030	225
Net profit/(loss) on disposal of plant and equipment	-	(1)
(b) Charging		
(i) Expenses		
Administration	3,952	3,506
Depreciation	58	49
	4,010	3,555
(ii) Cost of trading investments		
Carrying value of sales of trading investments	4,548	1,402

3. **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:-

	2005 $'000	**2004** $'000
Profit from ordinary activities before income tax expense	111,655	83,763
Prima facie tax payable calculated at 30% (2004: 30%)	33,497	25,129
Tax effect of permanent differences:-		
Imputation gross-up on dividends received	10,255	8,228
Franking credits on dividends received	(34,185)	(27,427)
Other	(3,000)	(619)
Over provision previous year	(38)	(141)
Income tax expense relating to ordinary activities	6,529	5,170
Tax effect of timing differences	7,064	5,217
Over provision previous year	38	141
Tax instalments paid	(4,357)	(3,323)
Provision for income tax	9,274	7,205

		2005	2004
(b)	Provision for deferred income tax		
	- timing differences	5,467	8,267
	- deferred capital gains tax	385,967	240,765
		391,434	249,032
(c)	Future income tax benefit		
	- timing differences	359	358

4. **Movements in Reserves during the Year**

INVESTMENT FLUCTUATION RESERVE

	2005	2004
Balance at beginning of year	161,559	161,145
Transfer to provision for dividend	(2,264)	(3,989)
Transfer from investment revaluation reserve	15,777	4,403
Balance at end of year	175,072	161,559

	2005	2004
	$'000	$'000
INVESTMENT REVALUATION RESERVE		
Balance at beginning of year	646,966	483,189
Revaluation of investments	344,522	168,180
Transfer to investment fluctuation reserve	(15,777)	(4,403)
Balance at end of year	975,711	646,966
Total Reserves	1,150,783	808,525

Nature and Purpose of Reserves

Investment Fluctuation Reserve

Gains or losses arising from the disposal of long-term investments are recorded in this reserve.

Investment Revaluation Reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred capital gains tax are recorded in this reserve.

5. **Earnings Per Share**

	2005	2004
	cents	cents
Basic earnings per share based on operating profit after income tax	22.9	18.7
	number	number
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	'000	'000
	459,846	419,222
	$'000	$'000
Earnings used in calculating basic earnings per share	105,126	78,593

6. **Cash Assets**

(a) Cash includes cash on deposit (5.45% floating interest rate 30 June, 2005; 5.20% floating interest rate as at 30 June, 2004) with banks, fixed term deposits (fixed interest rates between 5.64% and 5.71% as at 30 June, 2005; 5.43% and 5.53% as at 30 June, 2004) with banks and negotiable bank bills of exchange (fixed interest rates to maturity between 5.61% and 5.63% as at 30 June, 2005; 5.42% and 5.46% as at 30 June, 2004) all maturing within six months and investment grade negotiable promissory notes (fixed interest rates between 5.63% and 5.74% as at 30 June, 2005; nil as at 30 June, 2004) all maturing within six months.

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

	2005 $'000	2004 $'000
Bank accepted bills		
(face value $78,345,274; 2004 $28,613,018)	77,988	28,488
Bank deposits	82,693	252,556
Promissory notes		
(face value $47,000,000; 2004 nil)	46,724	-
	207,405	281,044

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

	2005 $'000	2004 $'000
Net profit	105,126	78,593
(Increase)/decrease in current investments	-	78
Net loss/(gain) on fixed assets	-	1
Depreciation	58	49
Charges to provisions	3	109
Increase/(decrease) in provision for income tax	2,069	4,381
Transfer from/(to) provision for deferred		
income tax	(7,238)	(5,203)
(Increase)/decrease in future income tax benefit	(1)	(33)
Changes in assets and liabilities		
(Increase)/decrease in other debtors	(6,740)	384
Increase/(decrease) in other creditors	2,908	44
Net cash provided by operating activities	96,185	78,403

(c) Financing Arrangements

Total lines of credit available:-		
Bank overdraft	200	200
Amount utilised	-	-
Undrawn facility	200	200

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

(d) Non-cash Investing and Financing Activities

There were no interest free loans made to executives pursuant to the Argo Investments Executive Share Plan (last year $501,120).

Dividends paid totalling $16,655,321 were reinvested in shares under the Company's dividend reinvestment plan (last year $13,265,804).

7. Receivables

	2005	2004
	$'000	$'000
Current		
Dividends and trust distributions receivable	20,277	13,334
Interest receivable	865	1,125
Outstanding settlements	2,169	1,167
Other	69	12
	23,380	15,638
Non-Current		
Executive share scheme loans		
- Directors	1,226	1,328
- Others	1,252	1,333
	2,478	2,661

8. Investments – Non current Assets

Listed securities at market value	2,555,781	1,910,977
Unlisted securities at market value	-	503
	2,555,781	1,911,480

9. Plant and Equipment

Plant, equipment and vehicles at cost	651	475
Accumulated depreciation	(179)	(275)
	472	200

Reconciliation of Plant and Equipment

Carrying amount at beginning of year	200	172
Additions	330	100
Disposals	-	(23)
Depreciation	(58)	(49)
Carrying amount at end of year	472	200

10. Payables

Current

Outstanding settlements	3,468	2,315
Other	441	233
Directors' retiring allowance	150	-
	4,059	2,548

	2005 $'000	2004 $'000
Non-current		
Directors' retiring allowances	501	-

11. Derivative Financial Instruments

Exchange traded call options at market value	954	-

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

The premium received for selling a call option is not brought to Revenue but is held in the Statement of Financial Position as a liability. When the option expires, is exercised or is repurchased from the holder, the premium received is transferred to Revenue from ordinary activities in the Statement of Financial Performance.

Where the Company has sold call options and they are outstanding at balance date, they are revalued to market value, affecting the balances in both the Statement of Financial Performance and the Statement of Financial Position.

This is a change in accounting policy. Previously, where exchange traded call options had been sold and had a term expiring after balance date, the relevant investments were revalued to the lower of the market value at balance date or the option exercise price. The premium received was included in Revenue from ordinary activities in the Statement of Financial Performance. If the change in accounting policy had not occurred, then the market value of the investment portfolio would have been reduced by $259,044 and Revenue from ordinary activities would have increased by $953,636.

All contracts are exchange traded call options and are entered into within the constraints and controls imposed by Australian Stock Exchange Limited.

12. Provisions

	2005 $'000	2004 $'000
Current		
Provision for employee entitlements	477	491
Non-Current		
Provision for Directors' retiring allowances	-	651
Provision for employee entitlements	68	51
	68	702
Aggregate of current and non-current provision for employee entitlements	545	542

	2005	2004
	$'000	$'000
Movements in Provisions		

Movements in each class of provision, other than employee benefits, are set out below:

Provision for Directors' retiring allowances

	2005 $'000	2004 $'000
Carrying amount at beginning of year	651	614
Additional provisions	-	37
Transfer to current liabilities - payables	(150)	-
Transfer to non-current liabilities - payables	(501)	-
Carrying amount at end of year	-	651

As the amount due for Directors' retiring benefits have been determined, the balances are now shown as current and non-current payables.

13. **Contributed Equity**

	30.6.05 No. of shares	**30.6.04** No. of shares	**30.6.05** $'000	**30.6.04** $'000
(a) Issued and fully paid ordinary shares				
Opening balance	452,850,204	398,923,976	1,049,543	809,166
Dividend reinvestment plan	3,267,686	2,780,507	16,655	13,266
Share purchase plan	10,825,541	6,797,321	54,476	32,413
Rights issue 1:10	-	44,348,400	-	194,698
Closing balance	466,943,431	452,850,204	1,120,674	1,049,543

(b) On 8 September, 2004, 1,600,315 shares were allotted at $4.75 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2004.

On 11 March, 2005, 1,667,371 shares were allotted at $5.43 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend for the year ended 30 June, 2005.

(c) On 18 October, 2004, 6,077,498 shares were allotted at $4.75 per share resulting from the Share Purchase Plan offered to eligible shareholders and transaction costs of $95,494 were offset against the proceeds of the issue.

On 18 April, 2005, 4,748,043 shares were allotted at $5.43 per share resulting from the Share Purchase Plan offered to eligible shareholders and transaction costs of $78,922 were offset against the proceeds of the issue.

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

	2005 $'000	2004 $'000

14. Retained Profits

	2005 $'000	2004 $'000
Balance at beginning of year	93,335	85,261
Net profit attributable to members	105,126	78,593
Dividends paid	(86,810)	(70,519)
Balance at end of year	111,651	93,335

15. Equity

	2005 $'000	2004 $'000
Balance at beginning of year	1,951,403	1,538,761
Total changes in equity recognised in the Statement of Financial Performance	449,648	246,773
Transactions with owners as owners		
- Dividend Reinvestment Plan	16,655	13,266
- Share Purchase Plan	54,476	32,413
- Rights issue 1:10	-	194,698
- Dividends paid	(89,074)	(74,508)
Balance at end of year	2,383,108	1,951,403

16. Dividends

(a) Dividends paid during the year

	2005 $'000	2004 $'000
Final dividend for the year ended 30 June, 2004 of 8.5 cents fully franked at 30% tax rate paid 8 September, 2004 (last year 8.5 cents fully franked at 30% tax rate)	38,492	33,908
Special dividend for the year ended 30 June, 2004 of 0.5 cent fully franked at 30% tax rate paid 8 September, 2004 (last year 0.5 cent fully franked at 30% tax rate)	2,264	1,995
Interim dividend for the year ended 30 June, 2005 of 9 cents fully franked at 30% tax rate paid 11 March, 2005 (last year 8 cents fully franked at 30% tax rate)	41,449	32,580
Special dividend for the year ended 30 June, 2005 of 1 cent fully franked at 30% tax rate paid 11 March, 2005 (last year 0.5 cent fully franked at 30% tax rate)	4,605	2,036
Dividends paid from retained profits	86,810	70,519
LIC capital gain dividend for the year ended 30 June, 2004 of 0.5 cent fully franked at 30% tax rate paid 8 September, 2004 from investment fluctuation reserve (last year 1 cent fully franked at 30% tax rate)	2,264	3,989
Total dividends paid	89,074	74,508

		2005 $'000	2004 $'000
(b)	Dividends declared after balance date		
	Since the end of the financial year, the Directors have declared the following dividends which have not been recognised as a liability at the end of the financial year:		
	Final dividend for the year ended 30 June, 2005 of 9 cents fully franked at 30% tax rate payable 8 September, 2005 (last year 8.5 cents fully franked at 30% tax rate)	42,026	38,492
	Special dividend for the year ended 30 June, 2005 of 1 cent fully franked at 30% tax rate payable 8 September, 2005 (last year 0.5 cent fully franked at 30% tax rate)	4,669	2,264
	Dividends to be paid from retained profits	46,695	40,756
	LIC capital gain dividend for the year ended 30 June, 2005 of 1 cent fully franked at 30% tax rate payable 8 September, 2005 from investment fluctuation reserve (last year 0.5 cent fully franked at 30% tax rate)	4,669	2,264
	Total dividends declared after balance date	51,364	43,020

17. Franking Account

	2005 $'000	2004 $'000
Credit balance of the franking account after allowing for tax payable in respect of the current year's profits and the receipt of franked dividends recognised as receivables. It does not reflect the impact of dividends declared after balance date.	35,695	24,405
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	83,289	56,945

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

18. Listed Investment Company capital gain account

	2005 $'000	2004 $'000
Balance of the Listed Investment Company (LIC) capital gain account	9,460	3,485

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

19. 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.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements reported under Australian Generally Accepted Accounting Principles (AGAAP) to amounts reflecting the application of AIFRS to that comparative period.

The Company has analysed and quantified below the impact the effects of the change AIFRS will have on its financial statements that have been reported at 30 June, 2005.

The adjustments disclosed in this note are held to be materially correct based on management's knowledge of standards and interpretations at this time but there may be changes to these figures as a result of future pronouncements or clarifications from the Australian Accounting Standards Board.

(a) Realised gains on investment portfolio included in Net Profit

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. The net realised gains (after tax) of $15.8 million as disclosed in note 4 would have been included in the Statement of Financial Performance before being transferred to Investment Fluctuation Reserve.

(b) Trading portfolio to be measured at fair market value

Trading investments are currently individually valued at the lower of cost or market value. Under AIFRS, the trading investments will be individually valued at fair market value continuously with all increments and decrements being included in net profit. At balance date there were no trading investments.

(c) Recognition of deferred tax assets on transaction costs on the issue of equity instruments

Currently, the transaction costs arising on the issue of equity instruments are deducted from contributed equity and no related tax benefit is recognised.

Under AIFRS, the expenses incurred in issuing equity instruments are to be deducted from contributed equity net of any related tax benefit. The tax benefit can be claimed over a five year period and will give rise to a deferred tax asset. At balance date this would require recognition of an additional deferred tax asset and the increase of contributed equity to the value of $163,922.

(d) Argo Executive Performance Rights Plan

Under AIFRS, the Company must recognise an expense for the performance rights granted to executives under the Executive Performance Rights Plan on 25 November, 2004.

For the year ended 30 June, 2005, the expense would have been $73,462 which may be an allowable deduction for income tax purposes on the exercise of the performance rights. A corresponding amount would have been credited to Performance Rights Reserve.

(e) The expected financial effects of adopting AIFRS are shown as a reconciliation of net profit after income tax under current AGAAP to AIFRS. No material impacts are expected in relation to the Statement of Financial Position or Statement of Cash Flows.

Statement of Financial Performance for the year ended 30 June, 2005

	As per AGAAP **$'000**	Adjustments **$'000**	As per AIFRS **$'000**
Revenue from ordinary activities	120,213	-	120,213
Expenses	(4,010)	(73) [d]	(4,083)
Cost of trading investments	(4,548)	-	(4,548)
Profit from ordinary activities before income tax expense	111,655	(73)	111,582
Income tax expense relating to ordinary activities	(6,529)	-	(6,529)
Net Operating Profit	105,126	(73)	105,053
Net gains on long-term investments	-	19,471 [a]	19,471
Income tax expense relating to net gains on long-term investments	-	(3,694) [a]	(3,694)
Profit attributable to members of the company	105,126	15,704	120,830
Transfer to investment fluctuation reserve	-	(15,777) [a]	(15,777)
Increase in investment revaluation reserve	344,522	-	344,522
Total changes in equity other than those resulting from transactions with owners as owners	449,648	(73)	449,575

Audit of Accounts

The accounts for the year ended 30 June, 2005 are in the process of being audited.

Annual General Meeting

The Annual General Meeting will be held at the Adelaide Convention Centre, North Terrace, Adelaide on Monday 24 October, 2005 at 10.00 a.m.

Information Meetings

For the benefit of shareholders unable to attend the Annual General Meeting in Adelaide, informal meetings will be held in Melbourne on Tuesday 25 October, 2005 at 10.00 a.m. at the Australian Stock Exchange Ltd. Theatrette, 530 Collins Street, Melbourne and in Sydney on Wednesday 26 October, 2005 at 10.00 a.m. at the Australian Stock Exchange Ltd. Auditorium, 18 Bridge Street, Sydney.