Argo Investments Limited

ABN 35 007 519 520

Appendix 4D

Half year Report
for the period ended 31 December, 2005

(previous corresponding period being
the half year ended 31 December, 2004)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$A'000
Revenue from ordinary activities	up	14.0%	to	64,827
Profit from ordinary activities after tax and before realised gains on long-term investments	up	14.9%	to	59,139 (1)
Realised gains on long-term investments after tax	up	57.5%	to	9,785 (2)
Profit from ordinary activities after tax and after realised gains on long-term investments	up	19.5%	to	68,924 (2)
Net profit for the period attributable to members	up	19.5%	to	68,924 (2)

Dividend

Interim fully franked payable 10 March, 2006 — 11 cents (3)

The record date for determining entitlements to the interim dividend : 24 February, 2006.

The Dividend Reinvestment Plan will operate with a 2.5% discount for the interim dividend payable on 10 March, 2006.

Previous corresponding period

Interim fully franked paid 11 March, 2005 (9 cents plus 1 cent special) — 10 cents

Net Asset Backing

Net Tangible Asset Backing per Argo share was $6.50 as at 31 December, 2005, compared with $5.66 as at 31 December, 2004.

Brief explanation of any of the figures reported above:

(1) Profit from ordinary activities mainly consists of dividends, interest and trust distributions less associated expenses of operation.

(2) Due to the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), realised gains on long-term investments are now required to be included in the reported profit of the Company, whereas they were previously only reflected in the Balance Sheet. The Company does not consider these gains are part of its ordinary activities and has identified them separately from its profit from ordinary activities. Realised gains on long-term investments after tax amounted to $9,785,000 (last corresponding period $6,212,000).

Profit attributable to members of the Company including realised gains on long-term investments amounted to $68,924,000 compared with $57,679,000 (as adjusted for comparative purposes) in the previous corresponding period. The net realised gains on long-term investments for the half-year ended 31 December, 2005 have been transferred to the Company's realised capital profits reserve.

(3) Since 1999, the Directors have adopted a policy of declaring special dividends to shareholders out of special dividends received from the investment portfolio. As the receipt of special dividends has continued on a regular basis, it has been decided to include these amounts within the ordinary dividend declared in future.

Reflecting this new policy, an increased fully franked interim dividend of 11 cents per share (last corresponding period 9 cents per share together with a 1 cent per share special) has been declared.

Argo Investing in Australia

Media Release
6 February 2006

Another Argo dividend increase after record first half profit

Argo Investments Limited has entered its 60th consecutive year of paying dividends with an increased interim distribution to shareholders, a record first half profit and assets topping $3 billion for the first time.

Argo – a leading Australian listed investment company with a broad range of investments in around 180 ASX listed companies – today reported a record after-tax operating profit of $59.1 million for the six months ended 31 December 2005.

This was a 14.9% increase from $51.5 million in the previous corresponding period and followed the record $105.1 million profit achieved by the Company in the 2004-2005 financial year.

Interim dividend has been lifted to 11 cents per share, fully franked.

The record first half operating profit does not include $9.8 million (up from $6.2 million) in realised gains on long-term investments. Directors explained that while new accounting standards now required that such gains be included in the Company's reported profit, Argo identifies them separately and does not consider that such gains form part of normal operating profit.

If such gains were included in the result, Argo's latest first half profit attributable to members of the Company was up from $57.7 million to $68.9 million.

Argo's Chairman, Mr Chris Harris, said the latest opening half had been a buoyant period for many of the diverse Australian businesses in which the Company has investments.

"Our strong improvement in profit after tax was achieved due to many of these businesses increasing their distributions to investors," he said.

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

Record interim dividend

Directors have declared an increased fully franked interim dividend of 11 cents per share payable on 10 March 2006 to Argo shareholders registered on 24 February 2006.

The dividend compares with a 10 cents per share fully franked dividend paid in the previous corresponding period which included a 1 cent per share special dividend.

The latest 11 cents per share interim reflects a new Argo policy of including special dividends as part of the ordinary dividend declared in future.

The higher interim dividend absorbs $52.3 million compared with $46.1 million in the opening half of 2004-2005.

Solid shareholder returns

Operating earnings per share were up 11.5% from 11.3 cents to 12.6 cents, excluding realised gains on long-term investments.

The value of Argo's assets grew to a record $3.1 billion from $2.8 billion at last balance date, resulting in net tangible asset backing per share rising to a record $6.50 as at 31 December 2005 compared with $5.93 on 30 June 2005.

Mr Rob Patterson, Argo's Managing Director, said the latest first half performance reflected the Company's objective of maximising long-term secure returns to shareholders through a balance of capital and dividend growth from its diversified Australian share portfolio.

"For the past 10 years, Argo's investment portfolio has produced a compound annual return of 15.2%, as measured by the movement in net asset backing per share plus dividends paid, compared with 12.1% from the ASX All Ordinaries Accumulation Index. This included a total return of 19% from the portfolio in the 2005 calendar year," Mr Patterson said.

Investment portfolio changes

Significant investment purchases made by the Company in the half-year to 31 December 2005 were:-

	$M
Transurban Group	10.6
Tabcorp Holdings Ltd.	7.0
BHP Billiton Ltd.	6.4
Telstra Corporation Ltd.	5.6
Woolworths Ltd.	5.4

There were no major sales of investments during the period and Foodland Associated Ltd. was taken over.

Outlook

Mr Harris said Argo's diverse and high quality investment portfolio was well placed to produce continued growth in income in the period ahead.

"We have entered the current half year in a very strong financial position with no debt and $197 million available for investment at 31 December 2005," he said.

"The half-yearly corporate reporting season will provide a valuable barometer for the Argo management team to assess and identify further attractive investment opportunities."

Dividend Reinvestment Plan

Argo's Dividend Reinvestment Plan (DRP) will operate for the increased 11 cents per share interim dividend.

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 March 2006 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.

An application form advising the issue price and other relevant information will be mailed to all eligible Argo shareholders on 10 March 2006 at the time of payment of the abovementioned interim dividend. The SPP offer will close on 5 April, 2006.

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 any other transaction costs will be payable by shareholders in respect of the application for, and the allotment of, shares purchased through the Plan.

Media contact: -

Rob Patterson
Managing Director
Argo Investments Limited

08-8212 2055 or 0401 058 759

DIRECTORS' REPORT

The Directors submit the financial report of the Company for the half-year ended 31 December, 2005.

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

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

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

The Company's operating profit after tax increased 14.9% to a record $59,138,932 compared with $51,466,584 (as adjusted for comparative purposes) in the previous corresponding half-year.

The period under review has again been a buoyant one for many of the 180 Australian stocks that make up the Company's diverse investment portfolio. The strong improvement in operating profit after tax was achieved due to many stocks held in the Company's investment portfolio increasing their distributions. The result also reflects the analytical strength and disciplined approach adopted by the Company in evaluating and selecting long-term investment opportunities in the Australian share market.

Due to the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), realised gains on long-term investments are now required to be included in the reported profit of the Company, whereas they were previously only reflected in the Balance Sheet. The Company does not consider these gains are part of its ordinary activities and has identified them separately from its operating profit. Realised gains on long-term investments after tax amounted to $9,785,194 (last corresponding period $6,212,032).

Profit attributable to members of the Company including realised gains on long-term investments amounted to $68,924,126 compared with $57,678,616 (as adjusted for comparative purposes) in the previous corresponding period. The net realised gains on long-term investments for the half-year ended 31 December, 2005 have been transferred to the Company's realised capital profits reserve.

Since 1999, the Directors have adopted a policy of declaring special dividends to shareholders out of special dividends received from the investment portfolio. As the receipt of special dividends has continued on a regular basis, it has been decided to include these amounts within the ordinary dividend declaration in future.

Reflecting this new policy, an increased fully franked interim dividend of 11 cents per share (last corresponding period 9 cents per share together with a 1 cent per share special) has been declared.

The interim dividend absorbs $52,308,874 compared with $46,052,802 in the previous corresponding period and will be paid on 10 March, 2006.

The Dividend Reinvestment Plan raised $10,193,920 of new capital for investment during the half-year. This resulted in the allotment of 1,760,608 shares at $5.79 per share.

In October 2005, shareholders supported the Share Purchase Plan and invested an additional $39,552,549 in the Company. This resulted in the allotment of 6,831,183 shares at $5.79 per share.

An on-market buy-back facility for up to 5% of the Company's shares is in place. For the six months ended 31 December, 2005, no shares were acquired.

The following persons were Directors during the half-year and are in office at the date of this report:-

Name	Period of Directorship
Christopher Lee Harris (Chairman)	Director since 1994 - appointed Chairman 1998
Robert Tom Rich (Deputy Chairman)	Director since 1992 - appointed Deputy Chairman 1998
Marina Santini Darling	Director since 1999
Geoffrey Ian Martin	Director since 2004
Robert John Patterson	Director since 1983 - appointed Managing Director 1992

Robert Donald Hill-Ling A.O. retired as a Director on 24 October, 2005.

Auditor's Independence Declaration

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 3.

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

On behalf of the Board,

C.L. Harris
Chairman

6 February, 2006

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Auditor's Independence Declaration

As lead auditor for the review of Argo Investments Limited for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Argo Investments Limited during the period.

DR Clark
PricewaterhouseCoopers

DR Clark
Partner
PricewaterhouseCoopers

Adelaide
6 February 2006

INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2005

	2005 $'000	2004 $'000
Operating revenue	64,827	56,860
Operating expenses	(2,026)	(1,974)
Operating profit before income tax expense and realised gains on long-term investments	62,801	54,886
Income tax expense thereon	(3,662)	(3,419)
Operating profit before realised gains on long-term investments	59,139	51,467
Realised gains on long-term investments	14,019	7,681
Income tax expense thereon	(4,234)	(1,469)
Profit attributable to members of the Company	68,924	57,679

	2005 Cents	2004 Cents
Basic and diluted earnings per share including realised gains on long-term investments	14.6	12.6
Basic and diluted operating earnings per share excluding realised gains on long-term investments	12.6	11.3

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED A.B.N. 35 007 519 520

BALANCE SHEET AS AT 31 DECEMBER, 2005

	31 December 2005 $'000	30 June 2005 $'000
Current assets		
Cash assets	197,243	207,712
Receivables	5,417	23,073
Total current assets	202,660	230,785
Non-current assets		
Receivables	2,254	2,478
Investments	2,902,190	2,555,781
Plant and equipment	467	472
Deferred tax assets	514	523
Total non-current assets	2,905,425	2,559,254
Total assets	3,108,085	2,790,039
Current liabilities		
Payables	3,019	4,059
Derivative financial instruments	165	954
Current tax liabilities	1,004	9,274
Provisions	471	477
Total current liabilities	4,659	14,764
Non-current liabilities		
Payables	501	501
Deferred tax liabilities	473,157	391,434
Provisions	79	68
Total non-current liabilities	473,737	392,003
Total liabilities	478,396	406,767
Net assets	2,629,689	2,383,272
Equity		
Contributed equity	1,170,516	1,120,838
Reserves	1,335,150	1,150,856
Retained profits	124,023	111,578
Total equity	2,629,689	2,383,272

(To be read in conjunction with the accompanying notes)

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2005

	2005 $'000	2004 $'000
Total equity at the beginning of the period	2,383,272	1,951,578
Direct equity adjustments		
Executive performance rights reserve	62	12
Net unrealised gains on long-term investments	270,403	370,998
Tax on net unrealised gains on long-term investments	(81,501)	(112,005)
Transfer of net gains to capital profits reserve on realisation	(9,785)	(6,213)
Total direct equity adjustments	179,179	252,792
Profit attributable to members of the Company	68,924	57,675
Total direct equity adjustments and profit for the period	248,103	310,467
Transactions with shareholders		
Dividend Reinvestment Plan	10,194	7,601
Share Purchase Plan	39,484	28,772
Dividend paid from retained profits	(46,695)	(40,756)
Dividend paid from capital profits reserve	(4,669)	(2,264)
	(1,686)	(6,647)
Total equity at the end of the period	2,629,689	2,255,398

(To be read in conjunction with the accompanying notes)

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER, 2005

	Note	2005 $'000	2004 $'000
Cash flows from operating activities			
Dividends received		70,184	51,623
Interest received		6,180	7,938
Other receipts		1,672	6,862
Payment for trading investments		(858)	(3,408)
Proceeds from trading investments		952	1,439
Other payments		(2,457)	(2,105)
Income tax paid		(11,673)	(7,342)
Net operating cash flows		64,000	55,007
Cash flows from investing activities			
Proceeds from sale of long term investments		21,057	17,535
Acquisition of long term investments		(93,926)	(101,752)
Payment for property, plant and equipment		(25)	(255)
Executive share scheme repayments		103	89
Net investing cash flows		(72,791)	(84,383)
Cash flows from financing activities			
Proceeds from share issue		39,553	28,868
Share issue transaction costs		(97)	(95)
Dividends paid - net of reinvestment		(41,170)	(35,419)
Net financing cash flows		(1,714)	(6,646)
Net increase/(decrease) in cash held		(10,505)	(36,022)
Cash at the beginning of the financial period		207,405	281,044
Cash at the end of the financial period	2	196,900	245,022

(To be read in conjunction with the accompanying notes)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES

The significant accounting policies which have been adopted in the preparation of this half-year financial report are set out below. The policies have been consistently applied to all the periods presented and are consistent with those applied in the 30 June, 2005 annual financial report, unless otherwise stated.

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this half-yearly report is to be read in conjunction with the Annual Report for the year ended 30 June, 2005 and any public announcements made by Argo Investments Limited ("the Company") during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The general purpose financial report for the half-year ended 31 December, 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This half-year financial report is the first Company interim financial report to be prepared in accordance with Australian equivalents to international financial reporting standards ("AIFRS"). AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

The Company's financial statements until 30 June, 2005 were prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Company's financial report for the half-year ended 31 December, 2005, the Company has amended certain accounting methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures have been restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Company's equity and its net income are given in note 6.

(b) Investments

(1) Classification

Purchases and sales of investments are recognised on trade-date being the date the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs.

Current Assets
Investments classified as Current Assets comprise holdings of trading securities and are categorised as financial assets at fair value through profit or loss. An investment is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management.

Non-Current Assets
Investments classified as Non-Current Assets comprise holdings of long-term securities and are categorised as available-for-sale financial assets. Included in this classification are hybrids and convertible securities as the Directors believe that these investments should be categorised as available-for-sale financial assets.

(2) **Valuation of Investments**

Trading securities and long-term securities are continuously carried at fair value.

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

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

Current Assets
Realised and unrealised gains and losses arising from changes in the fair value of the trading investments are included in the Income Statement in the period in which they arise.

This is a change in accounting policy as under AGAAP, the trading investments were individually valued at the lower of cost or market value.

Non-Current Assets
When long-term investments are sold or impaired, the accumulated fair value adjustments are transferred from the investment revaluation reserve to the Income Statement as gains and losses on long-term investments. The cumulative gain or loss, net of tax, is then transferred from retained profits to the realised capital profits reserve. Unrealised gains and losses arising from changes in the fair value of long-term investments are recognised in equity in the investment revaluation reserve.

This is a change in accounting policy as under AGAAP, the revaluation adjustment relating to long-term investments standing in the investment revaluation reserve at the time of realisation was transferred directly to investment fluctuation reserve (now renamed realised capital profits reserve).

(4) **Securities Lending**

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

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

(c) **Exchange Traded Call Options**

The Company sells Australian Stock Exchange traded 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 account as revenue but is recognised in the Balance Sheet as a liability. When the option expires, is exercised or is repurchased from the holder, the premium received is brought to account as revenue from ordinary activities in the Income Statement.

Open call options at balance date are carried at their fair market price.

This accounting policy was changed as at 30 June, 2005. Previously, where 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 Income Statement. The comparative figures for the half-year ended 31 December, 2004 have been restated to reflect this change of accounting policy with the effect of reducing operating profit before tax by $2,410,285, income tax expense by $723,086 and retained profits by $1,687,199.

(d) **Bills of Exchange**

Bills of exchange and investment grade promissory notes, which have been purchased in the market at a discount to face value, are deemed to be held-to-maturity investments which are measured at amortised cost using the effective interest method.

(e) **Revenue**

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

(f) **Plant and Equipment**

Items of plant, equipment and vehicles are depreciated over their estimated useful lives to the Company using the straight line method of deprecation at rates ranging from 7.5% to 33.3%.

(g) **Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the company tax rate adjusted by changes in deferred tax assets and liabilities which arise from items being brought to account in different periods for income tax and accounting purposes. Deferred tax assets and deferred tax liabilities are offset where they are expected to reverse in the same period.

The notional tax on disposal of securities in the investment portfolio is recognised directly in equity and as a deferred tax liability. Where the Company disposes of such securities, tax is calculated on net gains made according to the particular parcels allocated to the sale for tax purposes, offset against any capital losses carried forward. The tax recognised directly in equity is then transferred to the Income Statement as income tax expense. The associated deferred tax liability is similarly adjusted and transferred to tax payable.

(h) **Employee Entitlements**

Provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and long service leave (based on wage rates expected at the time of settling the liability) when it is probable that settlement will be required and they are capable of being reliably measured.

(i) **Argo Executive Performance Rights Plan**

The share based performance rights are required to be measured at fair value, and recorded as an expense from the date the options are granted over their vesting period. The fair value of the performance rights is calculated using the Monte-Carlo model. The expense is brought to account on a straight line basis over the period between grant date and the expected date that the option will vest.

(j) **Executive Share Plan Loans**

The interest free loans issued to executives pursuant to the Argo Investments Executive Share Plan are carried at fair value.

(k) **Receivables**

Receivables include dividends, distributions and securities sold where settlement has not occurred at the end of the reporting period. Amounts are generally received within 30 days of recognition.

(l) **Payables**

Payables include liabilities for goods and services provided to the Company and for securities purchased where settlement has not occurred at the end of the reporting period. Amounts are usually paid within 30 days of recognition.

(m) **Operating leases**

Payments made under operating leases, net of sub-lease income, are accounted for on a straight-line basis over the period of the lease.

(n) **Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, "cash" includes cash on deposit, fixed term deposits, negotiable bank bills of exchange and investment grade negotiable promissory notes.

(o) **Earnings per share**

Basic and diluted earnings per share including realised gains on long-term investments is calculated by dividing profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the period.

Basic and diluted operating earnings per share excluding realised gains on long-term investments is calculated by dividing operating profit before realised gains on long-term investments by the weighted average number of ordinary shares outstanding during the period.

(p) **Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(q) **Provision for Dividend**

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

(r) **Rounding**

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

2. RECONCILIATION OF CASH DISCLOSED IN THE STATEMENT OF CASH FLOWS AND THE BALANCE SHEET	2005 $'000	2004 $'000
Statement of Cash Flows	196,900	245,022
Amortised interest	343	863
Balance Sheet cash assets	197,243	245,885

3. DIVIDENDS

	2005 $'000	2004 $'000
Dividends paid during the half-year:		
Final dividend for the year ended 30 June, 2005 of 9 cents fully franked at 30% tax rate paid 8 September, 2005 (last half-year 8.5 cents fully franked at 30% tax rate)	42,026	38,492
Final special dividend for the year ended 30 June, 2005 of 1 cent fully franked at 30% tax rate paid 8 September, 2005 (last half-year 0.5 cent fully franked at 30% tax rate)	4,669	2,264
Dividends 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 paid 8 September, 2005 from investment fluctuation reserve (last half-year 0.5 cent fully franked at 30% tax rate)	4,669	2,264
Total dividends paid	51,364	43,020
Since the end of the half-year, the Directors have declared the following dividends which have not been recognised as a liability at the end of the half-year:		
Interim dividend for the year ending 30 June, 2006 of 11 cents fully franked at 30% tax rate payable 10 March, 2006 (last half-year 9 cents fully franked at 30% tax rate)	52,309	41,448
No special interim dividend for the year ending 30 June, 2006 (last half-year 1 cent fully franked at 30% tax rate)	-	4,605
Total dividend declared after half-year balance date	52,309	46,053

4. CONTRIBUTED EQUITY

	2005 No. of shares	2004 No. of shares	2005 $'000	2004 $'000
Issued and fully paid ordinary shares				
Opening balance	466,943,431	452,850,204	1,120,674	1,049,543
AIFRS opening balance adjustment	-	-	164	174
Share purchase plan	6,831,183	6,077,498	39,484	28,773
Dividend reinvestment plan	1,760,608	1,600,315	10,194	7,601
Closing balance	475,535,222	460,528,017	1,170,516	1,086,091

5. SEGMENT REPORTING

As the Company operates only in the investment industry within Australia, financial reporting by segments is not appropriate.

6. EXPLANATION OF TRANSITION TO AIFRS

1) Reconciliation of Statement of Financial Performance under previous AGAAP to Income Statement under AIFRS:

a) Reconciliation for half-year ended 31 December, 2004

	Notes	As per AGAAP $'000	Adjustment $'000	AIFRS $'000
Operating revenue	(a),(b)	58,020 [1]	(1,160)	56,860
Operating expenses	(c)	(1,962)	(12)	(1,974)
Cost of trading investments	(b)	(1,199)	1,199	-
Operating profit before income tax expense and realised gains on long-term investments		54,859	27	54,886
Income tax expense thereon		(3,411) [1]	(12)	(3,423)
Operating profit before realised gains on long-term investments		51,448	15	51,463
Realised gains on long-term investments	(d)	-	7,681	7,681
Income tax expense thereon	(d)	-	(1,469)	(1,469)
Profit attributable to members of the Company		51,448	6,227	57,675
Increase in investment revaluation reserve	(e)	258,993	(258,993)	-
Total changes in equity other than those resulting from transactions with owners as owners		310,441	(252,766)	57,675

[1] Balance has been adjusted for the change in accounting policy as disclosed in note 1(c).

b) Reconciliation for year ended 30 June, 2005

	Notes	As per AGAAP $'000	Adjustments $'000	AIFRS $'000
Operating revenue	(b)	120,213	(4,548)	115,665
Operating expenses	(c)	(4,010)	(73)	(4,083)
Cost of trading investments	(b)	(4,548)	4,548	-
Operating profit before income tax expense and realised gains on long-term investments		111,655	(73)	111,582
Income tax expense thereon		(6,529)	-	(6,529)
Operating profit before realised gains on long-term investments		105,126	(73)	105,053
Realised gains on long-term investments	(d)	-	19,471	19,471
Income tax expense thereon	(d)	-	(3,694)	(3,694)
Profit attributable to members of the Company		105,126	15,704	120,830
Increase in investment revaluation reserve	(e)	344,522	(344,522)	-
Total changes in equity other than those resulting from transactions with owners as owners		449,648	(328,818)	120,830

2) Reconciliation of Statement of Financial Position reported under previous AGAAP to Balance Sheet under AIFRS:

(a) Balance Sheet as at 1 July, 2004

	Notes	As per AGAAP $'000	Adjustments $'000	AIFRS $'000
Current assets				
Cash assets	(f)	281,044	94	281,138
Receivables	(f)	15,638	(94)	15,544
Total current assets		296,682	-	296,682
Non-current assets				
Receivables		2,661	-	2,661
Investments		1,911,480	-	1,911,480
Plant and equipment		200	-	200
Deferred tax assets	(g)	358	175	533
Total non-current assets		1,914,699	175	1,914,874
Total assets		2,211,381	175	2,211,556
Current liabilties				
Payables		2,548	-	2,548
Current tax liability		7,205	-	7,205
Provisions		491	-	491
Total current liabilities		10,244	-	10,244
Non-current liabilities				
Deferred tax liability		249,032	-	249,032
Provisions		702	-	702
Total non-current liabilities		249,734	-	249,734
Total liabilities		259,978	-	259,978
Net assets		1,951,403	175	1,951,578
Equity				
Contributed equity	(g)	1,049,543	175	1,049,718
Reserves		808,525	-	808,525
Retained profits		93,335	-	93,335
Total equity		1,951,403	175	1,951,578

(b) Balance Sheet as at 31 December, 2004

	Notes	As per AGAAP $'000	Adjustments $'000	AIFRS $'000
Current assets				
Cash assets	(f)	245,022	863	245,885
Receivables	(f)	8,095	(863)	7,232
Investments	(a)	2,209	39	2,248
Total current assets		255,326	39	255,365
Non-current assets				
Receivables		2,572	-	2,572
Investments		2,364,697	-	2,364,697
Plant and equipment		430	-	430
Deferred tax assets	(g)	365	174	539
Total non-current assets		2,368,064	174	2,368,238
Total assets		2,623,390	213	2,623,603
Current liabilties				
Payables		249	-	249
Derivative financial instruments		2,410 [1]	-	2,410
Current tax liability		6,478 [1]	-	6,478
Provisions		504	-	504
Total current liabilities		9,641	-	9,641
Non-current liabilities				
Payables		651	-	651
Deferred tax liability	(a)	357,839 [1]	12	357,851
Provisions		62	-	62
Total non-current liabilities		358,552	12	358,564
Total liabilities		368,193	12	368,205
Net assets		2,255,197	201	2,255,398
Equity				
Contributed equity	(g)	1,085,917	174	1,086,091
Reserves	(c)	1,065,254	12	1,065,266
Retained profits	(a),(c)	104,026 [1]	15	104,041
Total equity		2,255,197	201	2,255,398

[1] Balance has been adjusted for the change in accounting policy as disclosed in note 1(c).

(c) Balance Sheet as at 30 June, 2005

	Notes	As per AGAAP $'000	Adjustments $'000	AIFRS $'000
Current assets				
Cash assets	(f)	207,405	307	207,712
Receivables	(f)	23,380	(307)	23,073
Total current assets		230,785	-	230,785
Non-current assets				
Receivables		2,478	-	2,478
Investments		2,555,781	-	2,555,781
Plant and equipment		472	-	472
Deferred tax assets	(g)	359	164	523
Total non-current assets		2,559,090	164	2,559,254
Total assets		2,789,875	164	2,790,039
Current liabilties				
Payables		4,059	-	4,059
Derivative financial instruments		954	-	954
Current tax liability		9,274	-	9,274
Provisions		477	-	477
Total current liabilities		14,764	-	14,764
Non-current liabilities				
Payables		501	-	501
Deferred tax liability		391,434	-	391,434
Provisions		68	-	68
Total non-current liabilities		392,003	-	392,003
Total liabilities		406,767	-	406,467
Net assets		2,383,108	164	2,383,272
Equity				
Contributed equity	(g)	1,120,674	164	1,120,838
Reserves	(c)	1,150,783	73	1,150,856
Retained profits	(c)	111,651	(73)	111,578
Total equity		2,383,108	164	2,383,272

c) Notes to the reconciliations

(a) Trading portfolio measured at fair market value

Under previous AGAAP, trading investments were individually valued at the lower of cost or market value. Under AIFRS, the trading investments are individually valued at fair market value with all increments and decrements being included in operating profit.

(i) At 31 December, 2004
Revenue from ordinary activities and current investments each increased by $38,980, retained profits increased by $27,286 and deferred tax liability by $11,694.

(b) Cost of trading investments

Under AGAAP, the cost of trading investments was disclosed separately in the Statement of Financial Performance.

Under AIFRS, the cost of trading investments sold during the period are netted off against the proceeds of sale of trading investments in operating revenue in the Income Statement.

(i) At 31 December, 2004
Cost of trading investments totalled $1,199,084.

(ii) At 30 June, 2005
Cost of trading investments totalled $4,547,289.

(c) 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.

(i) At 31 December, 2004
There has been a decrease in retained profits (performance rights expense) of $12,437 and a corresponding increase in reserves.

(ii) At 30 June, 2005
There has been a decrease in retained profits (performance rights expense) of $73,276 and a corresponding increase in reserves.

(d) Realised gains on long-term investments included in profit attributable to members of the Company

Under AIFRS, the revaluation adjustment relating to realised long-term investments standing in investment revaluation reserve at the time of realisation is included in the profit attributable to members of the Company before being transferred to the realised capital profits reserve. Previously under AGAAP, the net realised gain was transferred from the investment revaluation reserve to the realised capital profits reserve.

(i) At 31 December, 2004
Net realised gains (after tax) of $6,212,032 have been included in the Income Statement before being transferred to realised capital profits reserve.

(ii) At 30 June, 2005
Net realised gains (after tax) of $15,777,207 have been included in the Income Statement before being transferred to realised capital profits reserve.

(e) Revaluation of long-term investments in Income Statement

Under AGAAP, the increase in the investment revaluation reserve was included in the Statement of Financial Performance.

Under AIFRS, the revaluation increments are not reflected in the Income Statement and are now included in the Statement of Changes in Equity.

(i) At 31 December, 2004
Increase in investment revaluation reserve totalled $258,992,864.

(ii) At 30 June, 2005
Increase in investment revaluation reserve totalled $344,522,077.

(f) Revaluation of cash assets in Balance Sheet

Under AGAAP, bank accepted bills and promissory notes were held in the Balance Sheet at cost with the amortised interest carried as a current receivable.

Under AIFRS, these financial assets are carried at their amortised cost using the effective interest method.

(i) At 1 July, 2004
Restated balances for cash assets and receivables have been adjusted by $94,329.

(ii) At 31 December, 2004
Restated balances for cash assets and receivables have been adjusted by $862,870.

(iii) At 30 June, 2005
Restated balances for cash assets and receivables have been adjusted by $306,983.

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

Under AGAAP, the transaction costs arising on the issue of equity instruments were deducted from contributed equity and no related tax benefit recognised. Under AIFRS, the expenses incurred in issuing equity instruments are deducted from contributed equity net of any tax benefit. The tax benefit is claimed over a five year period and gives rise to a deferred tax asset.

(i) At 1 July, 2004
Contributed equity increased by $174,831 with a corresponding increase in deferred tax asset.

(ii) At 31 December, 2004
Contributed equity increased by $174,230 with a corresponding increase in deferred tax asset.

(iii) At 30 June, 2005
Contributed equity has been increased by $163,922 with a corresponding increase in deferred tax assets.

DIRECTORS' DECLARATION

The Directors of Argo Investments Limited declare that the financial statements and notes set out on pages 4 to 20:

(a) comply with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) give a true and fair view of the financial position of the Company as at 31 December, 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 6th day of February, 2006

Signed in accordance with a resolution of the Directors

C.L. Harris
Chairman

PRICEWATERHOUSECOOPERS

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Independent review report to the members of Argo Investments Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Argo Investments Limited:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Argo Investments Limited as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Argo Investments Limited (the Company), for the half-year ended 31 December 2005.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows.

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Independent review report to the members of Argo Investments Limited (continued)

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

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

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

DR Clark
Partner

Adelaide
6 February 2006