Argo Investments Limited

ABN 35 007 519 520

Appendix 4D

Half-year Report
for the period ended 31 December, 2009
(previous corresponding period being the half-year ended 31 December, 2008)

ARGO INVESTMENTS LIMITED ABN 35 007 519 520

RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER, 2009

(Comparative figures being the half-year ended 31 December, 2008)

				$A'000
Revenue from operating activities	down	26.3%	to	74,270
Net operating profit before net realised gains on long-term Investments	down	23.6%	to	71,644 (1)
Net realised gains on sale of long-term investments	down	35.9%	to	11,077
Profit for the half-year	down	14.7%	to	82,721

Dividend

Interim fully franked dividend payable 3 March, 2010 (previous corresponding period 14 cents fully franked)	12 cents
The Company's Dividend Reinvestment Plan will operate for this dividend. The Directors have resolved that the shares will be allotted at a discount of 2.5% from the market price of Argo shares which will be the weighted average ex dividend market price of the shares sold on the ASX on the record date and during the three business days preceding the record date.	
The record date for determining entitlements to the interim dividend and participation in the Dividend Reinvestment Plan	17 February, 2010
Final fully franked dividend for year ended 30 June, 2009 paid 4 September, 2009	13 cents

Net Asset Backing

Net Tangible Asset Backing per Argo share was $6.56 as at 31 December, 2009, compared with $4.98 as at 31 December, 2008.

Brief explanation of any of the figures reported above:

(1) Operating profit mainly consists of dividends, trading, interest and trust distributions less associated expenses of operation. Due to the Company's long-term investment philosophy, the Directors believe that this is the best measure of profitability.

Media Release
1 February 2010

Argo's diverse portfolio rebounds by $1 billion as equity markets recover

One of Australia's leading investment companies, Argo Investments Limited (ASX: "ARG"), today reported a $1 billion rebound in the value of its diverse investment portfolio of Australian stocks, following the strong recovery in share market prices during 2009.

Argo said today that the value of its portfolio was $3.9 billion at 31 December 2009 compared with $2.9 billion a year earlier, providing a total return of 39% from the Company's portfolio for the past calendar year.

Argo's Managing Director, Mr Rob Patterson, said income from dividends continued to fall in the half year under review as some companies reduced or cancelled their dividends due to either lower earnings or to preserve cash to see them through the uncertain economic environment.

"Interest income also fell significantly due to lower interest rates earned on our cash during the period," he said.

Announcing a first half result ahead of previous guidance, Argo reported a 23.6% decline to $71.6 million in operating profit after tax and before net realised gains on long-term investments for the six ended 31 December 2009 – down from the record $93.8 million profit in the previous corresponding period.

Directors had previously forecast a fall in profit of between 25% and 28% for the six months.

The latest first half result represented operating earnings per share of 12.2 cents compared with 16.3 cents in the previous corresponding period.

Interim Dividend

Argo is distributing $70.4 million of its $71.6 million first half profit to shareholders with a fully franked interim dividend of 12 cents per share (previously 14 cents per share), in line with guidance provided last year.

The fully franked interim dividend will be paid on 3 March, 2010. The Company's shares will trade ex-dividend on 11 February 2010 and the record date to establish shareholder dividend entitlements is 17 February 2010.

The latest interim takes Argo into its 64th successive year of paying dividends to shareholders.

Investments

Mr Patterson said that with cash reserves of about $160 million and no debt, Argo remains ready to take advantage of opportunities as they present themselves in the share market.

"In view of the substantial rise in the share market, very few investment purchases have been made by the Company in the half-year to 31 December 2009. However, we have continued to support a number of capital raisings made by existing investments, including $4.9 million in Woodside Petroleum Ltd. and $4.8 million in National Australia Bank Ltd," he said.

"During the reporting period, ABB Grain Ltd was taken over and our holding in Bendigo and Adelaide Bank Ltd. was sold. We have also reduced our holdings in James Hardie Industries N.V. and Macquarie Group Ltd."

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

"For the last 10 years, Argo's investment portfolio has produced a compound annual return of 10.7% as measured by the movement in net asset backing per share plus dividends paid. This return is after payment of all administration costs and tax and compares with a return of 8.8% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items," he said.

Financial Reporting

Argo's latest first half result based on the AIFRS accounting requirements was a profit of $82.7 million, including net realised gains on the sale of long-term investments after tax to 7 December 2009 of $11.1 million.

Mr Patterson said the Company adopted Accounting Standard AASB 9 as at 7 December 2009, being the earliest allowable date for adoption. After that date, realised gains on the sale of long-term investments are accounted for through the capital profits reserve, rather than as part of profit.

"The Directors are pleased that there are no impairment provisions for the Company's long-term investments in the new Accounting Standard AASB 9. Under the previous Accounting Standard AASB 139, an impairment charge was required to be booked through the Income Statement where there was objective evidence of impairment, even though no loss had been realised," he said.

Outlook

Argo's Chairman, Mr Chris Harris, said that due to the resilience of the Australian and Chinese economies and with some recovery in the rest of the world, the Company expects to see a return to growth in Australian company profits and dividends in the period ahead.

He noted that dividends may take longer to recover due to a combination of dilution from equity raisings, higher funding costs and a lower risk tolerance for high levels of debt on company balance sheets.

"The global and Australian economic data continues to support improving economic conditions, with both consumer and business confidence levels continuing to rise. However, the pace of the recovery in 2010 is uncertain, particularly in the US which has an ongoing weak housing market and high unemployment," Mr Harris said.

"The challenge for 2010 and beyond is for the global economy to return to more normal levels of activity," he said.

"Following the success of the unprecedented stimulus provided by governments globally to support their economies, there are two main problems. These governments are now heavily indebted and are relying on low funding costs to service the debt. Also, as the stimulus is wound back and restocking of the global inventory chain is completed, the growth outlook for the global economy remains unclear.

"The Australian economy continues to be a standout in the OECD on any number of measures. This has caused the Reserve Bank of Australia (RBA) to begin removing the emergency setting of low interest rates. The RBA has increased interest rates, with three 25 basis point rises since October 2009, taking the cash rate to 3.75% and is likely to continue to raise rates to a more neutral setting.

"China has once again surprised with strong GDP growth recorded in 2009. The demand for commodities has been unprecedented as China has re-stocked or stockpiled, taking advantage of reduced prices resulting from weak demand from the Western World. Australia has benefited and experienced record export volumes of a number of commodities to China."

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will operate for the 12 cents per share dividend payable on 3 March 2010.

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 terms and conditions of a Share Purchase Plan will be announced to the Australian Securities Exchange shortly and the offer documents mailed to shareholders on 3 March 2010.

Media contact: -

Rob Patterson
Managing Director
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, 2009.

The Company's objective is to maximise long-term 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, operating earnings per share, dividends paid to shareholders, shareholders' equity, asset backing per share, total portfolio return and control of management costs.

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

Operating profit after tax and before net realised gains on sale of long-term investments fell 23.6% to $71,643,706, compared with the record $93,836,491 in the previous corresponding half-year. This outcome is an improvement on the guidance provided on 17 September, 2009.

Income from dividends continued to fall in the period under review as some companies reduced or cancelled their dividends due to either lower earnings or to preserve cash to see them through the uncertain economic environment. Interest income also fell significantly due to lower interest rates earned on our cash during the period.

Operating earnings per share was 12.2 cents, compared with 16.3 cents in the previous corresponding half-year.

The AIFRS accounting result was a profit of $82,720,614 and includes net realised gains on the sale of long-term investments after tax to 7 December, 2009 of $11,076,908. The Company adopted Accounting Standard AASB 9 as at 7 December, 2009, being the earliest available date for adoption. After that date, realised gains on the sale of long-term investments are accounted for through the Capital Profits Reserve, rather than as part of profit.

For the previous corresponding half-year, the AIFRS accounting result was a profit of $96,974,784 which included net realised gains on the sale of long-term investments after tax of $17,271,604 and an unrealised impairment revaluation charge after tax of $14,133,312.

The Directors are pleased that there are no impairment provisions for the Company's long-term investments in the new Accounting Standard AASB 9. Under the previous Accounting Standard AASB 139, an impairment charge was required to be booked through the Income Statement where there was objective evidence of impairment, even though no loss had been realised.

In line with the guidance provided, a fully franked interim dividend of 12 cents per share (last corresponding period 14 cents per share) has been declared.

The interim dividend absorbs $70,412,372 compared with $81,081,790 in the previous corresponding period and will be paid on 3 March, 2010.

The Dividend Reinvestment Plan raised $14,806,189 of new capital for investment during the half-year and resulted in the allotment of 2,335,361 shares at $6.34 per share.

The Company has an on-market share buy-back facility in place and for the six months ended 31 December, 2009, no Company 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
Ian Rutledge Johnson	Director since 2006
Geoffrey Ian Martin	Director since 2004
Robert John Patterson (Managing Director)	Director since 1983 - appointed Managing Director 1992

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

Adelaide
1 February 2010

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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 2009, 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

DR Clark
Partner
PricewaterhouseCoopers

Adelaide
1 February 2010

ARGO INVESTMENTS LIMITED

INCOME STATEMENT
for the half-year ended 31 December, 2009

	Note	2009 $'000	2008 $'000
Dividends and distributions		71,224	92,968
Interest		2,407	7,091
Other revenue		639	703
Total revenue		74,270	100,762
Net gains on trading investments		7,293	2,992
Income from operating activities		81,563	103,754
Administration expenses		(3,098)	(3,078)
Operating profit before income tax expense and realised gains on sale of long-term investments		78,465	100,676
Income tax expense thereon *		(6,821)	(6,839)
Net operating profit before net realised gains on sale of long-term investments		71,644	93,837
Realised gains on sale of long-term investments before income tax expense		16,142	25,053
Income tax expense thereon *		(5,065)	(7,782)
Net realised gains on sale of long-term investments		11,077	17,271
Unrealised impairment revaluation charge on long-term investments before income tax benefit		-	(20,191)
Income tax benefit thereon *		-	6,057
Net unrealised impairment revaluation charge on long-term investments		-	(14,134)
Profit for the half-year		82,721	96,974
* Total income tax expense		(11,886)	(8,564)

	Note	2009 cents	2008 cents
Basic and diluted earnings per share including net realised gains on sale of long-term investments	2	14.1	16.9

Information on earnings per share, including operating profit before net realised gains on sale of long-term investments, can be found in note 2.

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 31 December, 2009

	2009 $'000	2008 $'000
Profit for the half-year	82,721	96,974
Other comprehensive income		
Net revaluation/(devaluation) of long-term investments	515,030	(729,662)
Net realised gains on sale of long-term investments transferred to the Income Statement from the investment revaluation reserve	(11,077)	(17,271)
Net unrealised impairment revaluation charge on long-term investments transferred to the Income Statement from the investment revaluation reserve	-	14,134
Other comprehensive income for the half-year	503,953	(732,799)
Total comprehensive income for the half-year	586,674	(635,825)

(To be read in conjunction with the accompanying notes)

ARGO INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December, 2009

	31 December 2009 $'000	30 June 2009 $'000
CURRENT ASSETS		
Cash and cash equivalents	160,831	89,961
Receivables	5,644	36,420
Investments	-	1,621
Total Current Assets	166,475	128,002
NON-CURRENT ASSETS		
Receivables	1,089	2,398
Investments	3,713,453	2,996,441
Plant and equipment	601	604
Total Non-Current Assets	3,715,143	2,999,443
TOTAL ASSETS	3,881,618	3,127,445
CURRENT LIABILITIES		
Payables	983	2,355
Derivative financial instruments	390	-
Current tax liabilities	5,814	49
Provisions	483	479
Total Current Liabilities	7,670	2,883
NON-CURRENT LIABILITIES		
Payables	501	501
Deferred tax liabilities	453,409	229,361
Provisions	167	145
Total Non-Current Liabilities	454,077	230,007
TOTAL LIABILITIES	461,747	232,890
NET ASSETS	3,419,871	2,894,555
SHAREHOLDERS' EQUITY		
Contributed equity	1,958,701	1,943,944
Reserves	1,248,196	744,993
Retained profits	212,974	205,618
TOTAL SHAREHOLDERS' EQUITY	3,419,871	2,894,555

(To be read in conjunction with the accompanying notes)

STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December, 2009

	Contributed Equity $'000	Reserves $'000	Retained Profits $'000	Total $'000
Balance at 1 July, 2009 (as reported)	1,943,944	744,993	205,618	2,894,555
Restatement on adoption of AASB 9				
Investment revaluation reserve	-	(191,847)	-	(191,847)
Impairment revaluation charge reserve	-	191,847	-	191,847
Restated balance	1,943,944	744,993	205,618	2,894,555
Profit for the half-year	-	-	82,721	82,721
Net revaluation of long-term investments	-	515,030	-	515,030
Net realised gains on sale of long-term investments transferred to the Income Statement	-	(11,077)	-	(11,077)
Total comprehensive income for the half-year	-	503,953	82,721	586,674
Net realised gains on sale of long-term investments transferred to capital profits reserve	-	11,077	(11,077)	-
Transactions with shareholders				
Dividend Reinvestment Plan	14,806	-	-	14,806
Cost of share issue net of tax	(49)	-	-	(49)
Executive performance rights reserve	-	(139)	-	(139)
Dividend paid	-	(11,688)	(64,288)	(75,976)
Total transactions with shareholders	14,757	(11,827)	(64,288)	(61,358)
Balance at 31 December, 2009	1,958,701	1,248,196	212,974	3,419,871
For the half-year ended 31 December, 2008				
Balance at 1 July, 2008	1,865,056	1,356,516	197,625	3,419,197
Profit for the half-year	-	-	96,974	96,974
Net devaluation of long-term investments	-	(729,662)	-	(729,662)
Net realised gain on sale of long-term investments transferred to the Income Statement	-	(17,271)	-	(17,271)
Net unrealised impairment revaluation charge on long term investments transferred to the Income Statement	-	14,134	-	14,134
Total comprehensive income for the half-year	-	(732,799)	96,974	(635,825)

(To be read in conjunction with the accompanying notes)

STATEMENT OF CHANGES IN EQUITY (continued)

	Contributed Equity $'000	Reserves $'000	Retained Profits $'000	Total $'000
Net realised gains on sale of long-term investments transferred to capital profits reserve	-	17,271	(17,271)	-
Net unrealised impairment revaluation charge on long-term investments transferred to impairment revaluation charge reserve	-	(14,134)	14,134	-
Transactions with shareholders				
Dividend Reinvestment Plan	18,322	-	-	18,322
Share Purchase Plan	33,779	-	-	33,779
Cost of share issues net of tax	(132)	-	-	(132)
Executive performance rights reserve	-	208	-	208
Dividend paid	-	(17,141)	(74,278)	(91,419)
Total transactions with shareholders	51,969	(16,933)	(74,278)	(39,242)
Balance at 31 December, 2008 (as reported)	1,917,025	609,921	217,184	2,744,130
Restatement on adoption of AASB 9				
Investment revaluation reserve	-	(15,965)	-	(15,965)
Impairment revaluation charge reserve	-	15,965	-	15,965
Restated balance	1,917,025	609,921	217,184	2,744,130

(To be read in conjunction with the accompanying notes)

STATEMENT OF CASH FLOWS
for the half-year ended 31 December, 2009

	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends and distributions received	85,648	119,267
Interest received	2,126	7,689
Other receipts	849	3,085
Payments for trading investments	(17,544)	(11,590)
Proceeds from trading investments	26,847	6,451
Other payments	(3,117)	(2,903)
Income tax refunded/(paid)	5,242	(21,894)
Net operating cash flows	100,051	100,105
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of long-term investments	67,007	30,608
Acquisitions of long-term investments	(35,047)	(156,672)
Executive share scheme repayments	133	164
Payments for fixed assets	(35)	(3)
Net investing cash flows	32,058	(125,903)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	-	33,779
Cost of share issues	(69)	(190)
Dividends paid - net of reinvestment	(61,170)	(73,097)
Net financing cash flows	(61,239)	(39,508)
Net increase/(decrease) in cash held	70,870	(65,306)
Cash at the beginning of the half-year	89,961	228,050
Cash at the end of the half-year	160,831	162,744

(To be read in conjunction with the accompanying notes)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER, 2009

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

The general purpose financial report for the half-year ended 31 December, 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

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, 2009 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of the following:

AASB 101 (revised) *Presentation of Financial Statements*

The Company has applied revised Accounting Standard AASB 101 *Presentation of Financial Statements* for the reporting period. This standard now requires information previously reported in the Statement of Changes in Equity to be presented in a new Statement of Comprehensive Income. The Statement of Comprehensive Income includes profit from the Income Statement and other comprehensive income that includes unrealised gains and losses on revaluation of long-term investments with the associated tax thereon. The changes in this standard have no impact on the Company's net assets or profit.

AASB 9 *Financial Instruments*

The Company has elected to adopt Accounting Standard AASB 9 *Financial Instruments* from 7 December, 2009, being the earliest allowable date of adoption. This new standard has been adopted because it includes requirements for the classification and measurement of financial assets which improve and simplify the approach when compared with the requirements of the previous Accounting Standard AASB 139 *Financial Investments:Recognition and Measurement*.

When adopting this standard, the Company has designated long-term investments held as at 7 December, 2009 as "fair value through comprehensive income". All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive Income. Under AASB 9, there is no recycling of the realised gains and losses to the Income Statement as was previously required by AASB 139. There is also no requirement to test the Company's long-term investments for impairment with the result that there is no transfer of unrealised impairment revaluation charge from the investment revaluation reserve to the Income Statement.

The transition provisions of AASB 9 require the standard to be applied retrospectively but it cannot be applied to long-term investments that were disposed of prior to the initial application date, which in the Company's case is 7 December, 2009. Therefore, investments that were sold prior to 7 December, 2009 have been accounted for under the previous standard AASB 139 where realised gains and losses on sales (as well as tax thereon) are included in the Income Statement and then transferred to capital profits reserve. After 7 December, 2009, all realised gains and losses on the sale of long-term investments net of tax are transferred from investment revaluation reserve to capital profits reserve.

The comparatives have been restated to remove the effect of the impairment provisions of AASB 139, but only for long-term investments that had not been disposed of prior to 7 December, 2009.

The investment revaluation reserve and the unrealised impairment revaluation charge reserve have had their balances restated upon adoption of AASB 9 on 7 December, 2009.

Movements in reserves are reflected in note 5 and note 7 provides information on the effect of changes in adopting AASB 9.

2. EARNINGS PER SHARE

	2009	**2008**
	number	number
	'000	'000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	585,932	575,359
Basic and diluted earnings per share	$'000	$'000
Profit for the half-year	82,721	96,974
	cents	cents
Basic and diluted earnings per share including net realised gains on sale of long-term investments	14.1	16.9
Basic and diluted operating earnings per share excluding net realised gains on sale of long-term investments	$'000	$'000
Net operating profit before net realised gains on sale of long-term Investments	71,644	93,837
	cents	cents
Basic and diluted operating earnings per share excluding net realised gains on sale of long-term investments	12.2	16.3

3. DIVIDENDS

	2009	**2008**
	$'000	$'000
Dividends paid during the half-year:		
Final dividend for the year ended 30 June, 2009 of 13 cents fully franked at 30% tax rate paid 4 September, 2009 (last corresponding period 16 cents fully franked at 30% tax rate)	75,976	91,419
Since the end of the half-year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the half-year:		
Interim dividend for the year ending 30 June, 2010 of 12 cents fully franked at 30% tax rate payable 3 March, 2010 (last corresponding period 14 cents fully franked at 30% tax rate)	70,412	81,082

	2009 No. of shares	2008 No. of shares	2009 $'000	2008 $'000
4. CONTRIBUTED EQUITY				
Issued and fully paid ordinary shares				
Opening balance	584,434,409	571,367,683	1,943,944	1,865,056
Dividend reinvestment plan	2,335,361	2,738,731	14,806	18,322
Share purchase plan	-	5,049,230	-	33,779
Cost of shares issued net of tax	-	-	(49)	(132)
Closing balance	586,769,770	579,155,644	1,958,701	1,917,025

5. RESERVES

	2009 $'000	2008 $'000
Executive Performance Rights Reserve	922	778
Investment Revaluation Reserve	987,001	311,972
Impairment Revaluation Charge Reserve	-	(14,134)
Capital Profits Reserve	260,273	311,305
	1,248,196	609,921

Movements in reserves during the half-year

	2009 $'000	2008 $'000
Executive Performance Rights Reserve		
Balance at beginning of the half-year	1,061	570
Rights lapsed	(414)	-
Accrued entitlement for unvested rights	275	208
Balance at end of the half-year	922	778
Investment Revaluation Reserve		
Balance at beginning of the half-year	677,667	1,044,771
Restatement on adoption of AASB 9	(191,847)	-
Restated balance	485,820	1,044,771
Revaluation/(devaluation) of long-term investments	738,360	(1,039,346)
Provision for tax (expense)/benefit on unrealised gains/(losses) on long-term investments	(223,330)	309,684
Realised gains on sale of long-term investments to 7 December, 2009 transferred to Income Statement	(16,142)	(25,053)
Income tax expense thereon transferred to Income Statement	5,065	7,782
Realised gains on sale of long-term investments after 7 December, 2009 transferred to capital profits reserve	(3,765)	-
Income tax expense thereon transferred to capital profits reserve	993	-
Unrealised impairment revaluation charge on long-term investments transferred to Income Statement	-	42,999
Income tax benefit thereon transferred to Income Statement	-	(12,900)
Restatement on adoption of AASB 9	-	(15,965)
Balance at end of the half-year	987,001	311,972

	2009 $'000	2008 $'000
Impairment Revaluation Charge Reserve		
Balance at beginning of the half-year	(205,606)	-
Transfer from retained profits	-	(30,099)
Restatement on adoption of AASB 9	191,847	15,965
Restated balance	(13,759)	(14,134)
Transfer to capital profits reserve	13,759	-
Balance at end of the half-year	-	(14,134)
Capital Profits Reserve		
Balance at beginning of the half-year	271,871	311,175
Transfer to provision for dividend	(11,688)	(17,141)
Transfer from retained profits	11,077	17,271
Transfer from investment revaluation reserve	2,772	-
Transfer from impairment revaluation charge reserve	(13,759)	-
Balance at end of the half-year	260,273	311,305
Total Reserves	1,248,196	609,921

6. SEGMENT REPORTING

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

7. EFFECT OF ADOPTING AASB 9 *FINANCIAL INSTRUMENTS*

The impact on comparative profit, other comprehensive income, earnings per share and shareholders' equity resulting from the adoption of AASB 9 is summarised below:

(a) Profit for the half-year, other comprehensive income and earnings per share

Profit, other comprehensive income, and basic and diluted earnings per share including net realised gains on sale of long-term investments for the half-year ended 31 December, 2008 have been adjusted to reflect the effect of removing the impairment provisions of AASB 139, but only for investments that had not been disposed of prior to 7 December, 2009.

The results of these changes are that the net unrealised impairment revaluation charge is reduced from $30,099,000 to $14,134,000, thus increasing the profit for the half-year from $81,009,000 to $96,974,000, reducing other comprehensive income from $748,764,000 to $732,799,000, and increasing basic and diluted earnings per share including net realised gains on sale of long-term investments from 14.1 cents to 16.9 cents.

These changes do not affect the balance of total comprehensive income nor the basic and diluted earnings per share excluding net realised gains on sale of long-term investments for the half-year ended 31 December, 2008.

(b) Shareholders' Equity

The retrospective adoption of AASB 9 as at 7 December, 2009 results in the reversal of most of the unrealised impairment charge net of tax ($191,847,000) reflected in the accounts for the year ended 30 June, 2009, with the remainder of the unrealised impairment revaluation charge net of tax ($13,759,000) being transferred to capital profits reserve as a result of the sale of impaired long-term investments in the period to 7 December, 2009.

The restatement of reserves is summarised below and all movements in reserves are reflected in Note 5.

Restatement of Shareholders' Equity on adoption of AASB 9

	Balance as previously reported 30 June, 2009 $'000	Reversal of impairment charge $'000	Restated balance 30 June, 2009 $'000
Contributed Equity	1,943,944	-	1,943,944
Executive Performance Rights Reserve	1,061	-	1,061
Investment Revaluation Reserve	677,667	(191,847)	485,820
Impairment Revaluation Charge Reserve	(205,606)	191,847	(13,759)
Capital Profits Reserve	271,871	-	271,871
Retained Profits	205,618	-	205,618
	2,894,555	-	2,894,555

DIRECTORS' DECLARATION

In the opinion of the Directors of Argo Investments Limited ("the Company"):

(a) the financial statements and notes set out on pages 4 to 14 are in accordance with the Corporations Act 2001, including:

 (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

 (ii) giving a true and fair view of the Company's financial position as at 31 December, 2009 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

C.L. Harris
Chairman

Adelaide
1 February, 2010

PRICEWATERHOUSECOOPERS

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Independent auditor's review report to the members of Argo Investments Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Argo Investments Limited, which comprises the statement of financial position as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Argo Investments Limited.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Argo Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. 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.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Argo Investments Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and C*orporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

DR Clark

DR Clark
Partner

Adelaide
1 February 2010