

**PetersMacGregor**  
INVESTMENTS LIMITED  
ABN 48 107 387 351

Half Year Information given to the ASX under listing rule 4.2A

For the period 1 July 2005 to 31 December 2005

This information must be read in conjunction with the most recent annual financial report of the company for the year ended 30 June 2005

Contents

- Results for announcement to the market
- Interim Financial Report for the half year ended 31 December 2005

## Results for announcement to the market for the period 1 July 2005 to 31 December 2005

### 1. Details of the reporting period

The reporting period is from 1 July 2005 to 31 December 2005.

The comparative reporting period is from 1 July 2004 to 31 December 2004.

Accounts have been prepared in accordance with the Australian Equivalent of International Financial Reporting Standards.

### 2. Results

- 2.1 Revenue from Ordinary Activities is up 26.3% to \$1,176,266.
- 2.2 Profit from Ordinary Activities after tax attributable to members was up 50% to \$660,146.
- 2.3 Net Profit attributable to members was up 50% to \$660,146.
- 2.4 A fully franked dividend was declared and paid during the reporting period of 1 cent per ordinary share (2004 nil). The directors have not currently proposed to pay a further dividend during the period.
- 2.5 Portfolio Performance:

The Portfolio's gross return before expenses and tax for the six month period to 31 December 2005 was 4.09% (2004 3.06%). Over the same period the MSCI World Index (Net return local) returned 12.01%. The net return after expenses and tax for this period was 2.3% (2004 1.55%). This figure excludes the value of any franking credits.

<b>Calculation of Returns</b>		
	6 months to 31 Dec 2005	6 months to 31 Dec 2004
	\$	\$
Revenue from investment activities including interest, dividends, gains and losses realised and unrealised on investments, foreign currency hedging contracts and foreign currency before expenses and tax	1,176,266	867,323
<b>Gross Return</b>	<b>4.09%</b>	<b>3.06%</b>
Net profit from ordinary activities after tax	660,146	438,792
<b>Net Return after expenses and tax effects</b>	<b>2.30%</b>	<b>1.55%</b>
Total Equity - weighted average daily balance before net profit after tax during the period	28,749,103	28,373,978

- 2.6 Explanation provided to enable figures to be understood as follows:

The investment principles of the company and its investment manager Peters MacGregor Capital Management Pty Ltd, (PMCM), remains unchanged. Using a disciplined value approach to share selection, the portfolio is built based on the manager's comprehensively researched assessment of intrinsic value of listed company shares. It will only invest when a significant discount of intrinsic value to market price exists, and each is assessed on a stock by stock basis. Investments are sold if at time of sale the intrinsic value is significantly below market value. In addition to quantitative factors, the manager selects investments on a number of qualitative factors including for example an assessment of the company's management stability and quality, its business model, and the industry in which the company operates.

The effects of foreign currency movements in so far as the valuation of investments made is hedged to the extent practical to remove the unintended effects of foreign currency movements.

## Results for announcement to the market (cont'd) for the period 1 July 2005 to 31 December 2005

The manager's investment style is long term and places great emphasis on maintenance of underlying capital value. The manager is not effected by or concerned with short term market fluctuations and whilst seeking to outperform the MSCI World Index (net return local) in the long term, the manager is not investing as an index fund and does not expect to track the index in the short term. The manager believes the share markets are fully valued at present and continues to find it difficult to find investments when market value is discounted to the extent their purchase discipline requires. Nonetheless during the reporting period the company acquired one further investment in US based Anheuser Busch (BUD) and increased its position in several others, ending the period with liquid cash assets of 35.3% of net assets, down from 58.14% at 30 June 2005, and 88.7% at 31 December 2004. At balance date the investments held by the company totalled nine, being six in USA, one in Canada, one in New Zealand and one in Australia.

The move to the Australian equivalent of the International Financial Reporting Standards has yielded a benefit in that the net profit after tax is the complete picture of the financial performance of the company, including after tax effects of movements in market values through unrealised gains and losses of the investments made, and without needing to consider any movements in reserves for items charged to or from reserves directly as occurred in the past.

Whilst the market continues to discount the share price of the company below net tangible asset backing per share, the directors believe the long term strategy of the value management style will become apparent to those continuing shareholders who take a long term view, and to whom the day to day fluctuations in market price are less relevant.

### 3. Net Tangible Assets Per Share

The net tangible assets backing per ordinary share after provision for tax on both realised and unrealised gains at 31 December 2005 was \$1.012 (2004 \$0.9932).

### 4. Interim Financial Reports

The financial information attached hereto is based on the half year interim financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This is the first reporting period that the Australian equivalent of the International Financial Reporting Standards have applied. Comparative period amounts have been amended as required and details of the effects and amendments are to be found in the notes to the attached accounts.

### 5. Compliance Statement

The interim financial report has been independently reviewed by the company auditors, and is not subject to a qualified independent review statement.

Signed by Lionel John Cansdale – Company Secretary

6<sup>th</sup> March 2006



## **Financial Report**

for the half year ended 31 December 2005

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## Directors' Report

Your directors present their report for the half year ended 31 December 2005.

### Directors

The names of the directors in office at any time during the half year are:

Mr Leslie Wayne Peters

Mr Lionel John Cansdale

Mr James Charles Craigie

Directors have been in office since the beginning of the financial period to the date of this report unless otherwise stated.

### Overview

The company was incorporated on 15 December 2003 and after a capital raising as per the prospectus dated 27 January 2004, the company listed on the Australian Stock Exchange Limited on 16 April, 2004. The company is a listed investment company.

The basis of investment remains unchanged which is to invest in a portfolio of permitted investments and to provide investors with the opportunity to invest in a long-term portfolio of international securities and gain access to the specific investment process and the funds management experience of Peters MacGregor Capital Management Pty Ltd.

### Objectives

The key focus of the company is capital growth. The investment objective as stated in the prospectus remains unchanged and is to exceed the average return of the MSCI World Index (net return local) over the long term (greater than 5 years) by 4%. The return of this index has approximated 8% since inception (33+ years ago). The performance of this index is historical and not necessarily an indication of future performance.

The Portfolio has a high level of concentration relative to other investment portfolios. It is not expected that actual performance of the Portfolio will track this index.

The investment manager follows a disciplined methodology of value investing whereby it assesses the intrinsic value of listed companies and tracks the price of their shares, buying only when the market price indicates a significant discount to intrinsic value, and selling only when the market price indicates a significant premium to the assessed value. The investment style has a long term focus on overall return.

The company may have significant cash balances invested at prevailing interest rates as it waits for investment opportunities to arise. The company does not borrow, and generally uses foreign currency hedging contracts to mitigate most of the risks of fluctuations in foreign currency movements with respect to the Australian dollar value of investments denoted in foreign currencies.

### Review of Operations

During the reporting period the company made one new investment being US based Anheuser Busch (BUD) and increased positions in several others. At balance date the company held nine investments in total, being six in the USA, one in Canada, one in New Zealand and one in Australia. The manager remains highly confident with the portfolio make-up and expects good returns over time.

Cash and short term Australian fixed interest investments represented 35.3% of the net assets of the company at 31 December 2005. (30 June 2005 58.14%); (31 December 2004 88.7%)

Net profit after tax expense for the period to 31 December 2005 was \$660,146 (2004 \$438,792). In accordance with Australian equivalent of the international accounting standards all revaluation increments and decrements on long term investments and currency hedging contracts, both realised and unrealised have been included in the income statement of net profit during the period. The comparatives for the period 1 July 2004 to 31 December 2004 have been adjusted to effect this treatment as detailed in note 2.

### Portfolio Performance:

The Portfolio's gross return before expenses and tax for the six month period to 31 December 2005 was 4.09% (2004 3.06%). Over the same period the MSCI World Index (Net return local) returned 12.01% (2004

**Directors' Report (Continued)**

6.51%). Our net return after expenses and tax for this period was 2.30% (2004 1.55%). This figure excludes the value of any franking credits.

<b>Calculation of Returns</b>		
	6 months to 31 Dec 2005	6 months to 31 Dec 2004
	\$	\$
Revenue from investment activities including interest, dividends, gains and losses realised and unrealised on investments, foreign currency hedging contracts and foreign currency before expenses and tax	1,176,266	867,323
<b>Gross Return</b>	<b>4.09%</b>	<b>3.06%</b>
Net profit from ordinary activities after tax	660,146	438,792
<b>Net Return after expenses and tax effects</b>	<b>2.30%</b>	<b>1.55%</b>
Total Equity - weighted average daily balance before net profit after tax during the period	28,749,103	28,373,978

The returns achieved were below the market benchmark for the six months with the relatively high cash position and lacklustre share price performance of the investments contributing significantly to this underperformance. The operational performance of our investments has however on average been above the manager's expectations and it believes that in time these improvements will be reflected in the share prices. Most share markets continue to appear fully valued or overvalued to the manager.

The company's investment time horizon however, is 5 to 10 years and it is this focus that is used in selecting stocks to add to the portfolio. Short term market fluctuations do not support or condemn our actions, and we pay little attention to them. Our goal is to find outstanding companies that we believe will be materially more valuable in 5 and 10 years time. We then want to acquire interests in these companies at material discounts to their underlying values. This is a process that requires discipline and patience for the investor, but we firmly believe in the long term strategy adopted by the manager and the research and methodology is consistent with its value investor style.

**Review of Financial Condition**

*Capital Structure and Treasury policy*

The company has no mandate to borrow. It finances investments from funds it has from time to time. When investments are liquidated any funds are held as short term interest bearing deposits. When investments are made in a currency other than Australian dollars, hedging contracts are generally taken out to remove the risks of currency fluctuations.

As the company's sole purpose is investment, apart from the directors it has no employees and office overheads having outsourced its investment management to Peters MacGregor Capital Management Pty Ltd and its accounting and other administrative functions to Cansdale & Co Chartered Accountants, or other consultants as required.

*Dividends and Capital Management*

**Dividends**

During the period in October 2005 the directors paid the previously declared fully franked dividend of 1 cent per share totalling \$290,213.

Shareholders participating in the dividend reinvestment program were issued 188,229 ordinary shares at \$0.9158 totalling \$172,380, with the remaining \$117,833 dividends paid in cash. The directors have not declared a dividend for the current period.

## Directors' Report (Continued)

### Share Buyback

During the period October to December 2005 the company repurchased a total 617,429 ordinary shares on market for a total \$562,530. The directors determined that the shares were trading well below reported net tangible assets and the repurchase of the shares was in the best interests of the company. Since 1 January until 20 February 2006 a further 354,012 ordinary shares have been repurchased for a total \$329,540.

### Share Options

The options issued with ordinary shares exercisable on or before 15 October 2005 for \$1.00 per share have expired.

Some 17,000 options were converted in total and 17,000 ordinary shares paid for and issued for the period 1 July 2004 to 31 December 2005. Whilst this was a disappointing result, the directors believe it was understandable given the share price was trading below the exercise price at the time.

### Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis.

The primary risk is investment risk. Investment management has been outsourced via a management agreement to Peters MacGregor Capital Management Pty Ltd who are experienced investment managers.

The board reviews on a regular basis the performance of the manager in accordance with the investment mandate.

### After balance date events

Values of the listed investments and foreign currency exchange rates vary daily, and net tangible assets of the company is reported at the end of each calendar month as required by ASX listing rules.

Since the end of the reporting period the company has sold its holding in one investment and purchased another investment. Its cash balance remains largely unchanged.

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 20.

Signed in accordance with a resolution of the Board of Directors



Leslie Wayne Peters  
Chairman of Directors



Lionel John Cansdale  
Company Secretary and Director

Dated this 6<sup>th</sup> day of March 2006

**Income Statement**  
 for the half year ended 31 December 2005

	Notes	31-Dec-05 \$	31-Dec-04 \$
<b>Revenues from ordinary activities</b>			
Interest received		372,671	713,180
Dividends received		176,260	7,368
Foreign currency exchange gains		6,300	-
Gain on investments at market valuation		927,401	-
Gain on currency hedging contracts		-	280,513
		<u>1,482,632</u>	<u>1,001,061</u>
<b>Expenses from ordinary activities</b>			
Auditor remuneration		2,700	990
Directors' remuneration and benefits		25,000	25,313
Investment management fees		151,737	146,713
Loss on currency hedging contracts		306,366	-
Loss on investments at market valuation		-	133,738
Other		85,707	67,461
		<u>571,510</u>	<u>374,215</u>
<b>Profit from ordinary activities before income tax</b>		911,122	626,846
Income tax expense relating to ordinary activities		(250,976)	(188,054)
		<u>660,146</u>	<u>438,792</u>
<b>Net profit from ordinary activities after related income tax expense attributable to shareholders of the company</b>		<u>660,146</u>	<u>438,792</u>
<b>Basic earnings per share</b>		\$ 0.0228	\$ 0.0151
<b>Diluted earnings per share</b>		\$ 0.0228	\$ 0.0151

The accompanying notes form part of these financial statements



**Balance Sheet**  
 as at 31 December 2005

	Notes	31-Dec-05 \$	30-Jun-05 \$
<b>Current assets</b>			
Cash assets		10,208,550	16,837,425
Receivables		46,701	164,228
Other		18,348	21,801
<b>Total current assets</b>		<u>10,273,599</u>	<u>17,023,454</u>
<b>Non-current assets</b>			
Investments		<u>19,552,433</u>	<u>12,342,615</u>
<b>Total non-current assets</b>		<u>19,552,433</u>	<u>12,342,615</u>
<b>Total assets</b>		<u>29,826,032</u>	<u>29,366,069</u>
<b>Current liabilities</b>			
Payables		312,783	55,015
Current tax liabilities		<u>374,351</u>	<u>326,710</u>
<b>Total current liabilities</b>		<u>687,134</u>	<u>381,725</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>194,905</u>	<u>25,135</u>
<b>Total non-current liabilities</b>		<u>194,905</u>	<u>25,135</u>
<b>Total liabilities</b>		<u>882,039</u>	<u>406,860</u>
<b>Net assets</b>		<u>28,943,993</u>	<u>28,959,209</u>
<b>Equity</b>			
Issued capital		27,692,691	28,077,840
Retained profits		<u>1,251,302</u>	<u>881,369</u>
<b>Total equity</b>		<u>28,943,993</u>	<u>28,959,209</u>

The accompanying notes form part of these financial statements

**Statement of Changes in Equity**

as at 31 December 2005

	Share Capital \$	Retained Profits \$	Total \$
<b>Balance at 1 July 2004</b>	28,065,840	308,138	28,373,978
Profit attributable to members	-	438,792	438,792
<b>Balance at 31 December 2004</b>	<u>28,065,840</u>	<u>746,930</u>	<u>28,812,770</u>
<b>Balance at 1 July 2005</b>	28,077,840	881,369	28,959,209
Profit attributable to members	-	660,146	660,146
Ordinary share capital subscribed			
- options taken up	5,000	-	5,000
- dividends reinvested	172,381	-	172,381
	<u>28,255,221</u>	<u>1,541,515</u>	<u>29,796,736</u>
Dividends paid or provided for	-	(290,213)	(290,213)
Ordinary share capital repurchased and cancelled	(562,530)	-	(562,530)
<b>Balance at 31 December 2005</b>	<u>27,692,691</u>	<u>1,251,302</u>	<u>28,943,993</u>

The accompanying notes form part of these financial statements

**Cash Flow Statement**  
 for the half year ended 31 December 2005

	Notes	31-Dec-05 \$	31-Dec-04 \$
<b>Cash flows from operating activities</b>			
Interest received		403,940	835,921
Dividends received		176,260	7,368
Gain on hedge contracts		36,418	4,007
Gain on foreign currency exchange		6,299	-
Payments to suppliers and employees		(264,398)	(230,028)
Income tax paid		<u>(33,577)</u>	<u>(2,211)</u>
<b>Net cash flows from / (used in) operating activities</b>		<u>324,942</u>	<u>615,057</u>
<b>Cash flows from investing activities</b>			
Purchase of listed investments		<u>(6,282,417)</u>	<u>(1,647,905)</u>
<b>Net cash flows from / (used in) investing activities</b>		<u>(6,282,417)</u>	<u>(1,647,905)</u>
<b>Cash flows from financing activities</b>			
Share options issued		5,000	-
Share capital purchased on market		(562,530)	-
Dividends paid in cash		<u>(113,871)</u>	<u>-</u>
<b>Net cash flows from / (used in) financing activities</b>		<u>(671,401)</u>	<u>-</u>
<b>Net increase (decrease) in cash held</b>		(6,628,876)	(1,032,848)
<b>Opening cash brought forward</b>		16,837,426	26,594,537
<b>Closing cash carried forward</b>		<u>10,208,550</u>	<u>25,561,689</u>

The accompanying notes form part of these financial statements

**Notes to the financial statements  
for the half year ended 31 December 2005**

**Note 1 Summary of significant accounting policies**

**(a) Basis of preparation**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by the company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

**(b) Comparatives**

The comparatives for the Income Statement and Cash Flow Statement are for the corresponding period 1 July 2004 to 31 December 2004. For the Balance Sheet they are as at 30 June 2005. When required by the accounting standards, comparative figures have been adjusted to conform in presentation for the current financial year.

**(c) Foreign currencies**

*Translation of foreign currency transactions*

All amounts are stated in Australian dollars.

Transactions of the entity conducted in foreign currencies are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

**(d) Cash and cash equivalents**

Cash on hand and in banks, and short-term deposits are stated at nominal value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash.

The company does not have a bank overdraft facility.

**(e) Receivables**

Receivables are recognised and carried at the amount recoverable less where applicable a provision for any uncollectible debts. Interest and other income owing to the company is taken up as income on an accruals basis.

**(f) Investments**

**f(i) Listed Investments**

Listed shares held by the company are considered long term investments and classified as non current assets. In accordance with AASB 139: Paragraph 9(b), the directors classify them as at fair value through profit and loss.

Unrealised revaluation increments and decrements required to recognise the carrying value of the investment at fair value in the Balance Sheet at reporting date are charged as income or expense in the Income Statement.

**Notes to the financial statements  
for the half year ended 31 December 2005**

**Note 1 (continued)**

**f(ii) Interest bearing Investments and Cash Deposits**

Interest bearing investments and cash deposits are considered short term investments and classified as cash in current assets.

Short term investments are shown at cost.

**(g) Payables**

Liabilities for trade creditors and other amounts owing by the company including amounts owing to related parties are shown at cost.

**(h) Issued Capital**

Issued capital from contributed equity is recognised at the monetary value of the consideration received by the company.

Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

The purchase price and associated costs of buying back for cancellation shares of the company on market are recognised directly in equity as a reduction of issued capital from contributed equity.

**(i) Taxes**

**i(i) Income tax**

Current tax for the period is calculated on profit from ordinary activities adjusted for non-assessable and non-deductible items and is based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax is accounted for using the comprehensive statement of financial position liability method whereby deferred tax assets and liabilities are recognised on all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax base.

Deferred tax relates to the movement in the net tax asset/liability for the period and is recognised as an expense or revenue in profit from ordinary activities, unless the deferred tax relates to an amount that is credited or debited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset or liability is recovered or settled.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only if it is probable that future taxable amounts will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be used.

**i(ii) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement of on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**Notes to the financial statements  
 for the half year ended 31 December 2005**

**Note 1 (continued)**

**(j) Derivative financial instruments**

*Forward exchange contracts*

The entity enters into forward exchange contracts where it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sale and purchase of investments in foreign currencies, to protect the entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months.

Forward exchange contracts are recognised at the date the contract is entered into and included in the balance sheet as a current asset or current liability valued at the estimated contract termination value based on the spot rate foreign currency valuation at the end of the reporting period. Exchange gains or losses on forward exchange contracts, either realised or accruing, are recognised in net profit.

**(k) Revenue Recognition**

Revenue from the sale of investments is recognised at the date a sale of investments takes place.

Interest income is recognised as it accrues and included in net operating profit.

Dividend income from listed investments is recognised in the Income Statement on the day on which the relevant investment is first quoted on an "ex dividend basis".

**Note 2 First time adoption of Australian equivalent to international financial reporting standards**

*Notes to the reconciliations of equity and profit and loss at 30 June 2005, 31 December 2004 and 1 July 2004*

Previously increments to the market value of long term investments were charged directly to a reserve and not recognised in the income statement. Decrements in value were similarly charged against a reserve or if none existed taken to account in the income statement. AASB139: Financial instruments – Recognition and Measurement permits the directors to classify long term listed investments as "at fair value through profit and loss assets". Unrealised increments and decrements required to recognise the carrying value of the investment at fair value in the balance sheet at reporting date are able to be charged as income or expense through the income statement. The impact is that earnings per share and diluted earnings per share will take account of such movements in value and in the directors' opinion will give a more complete and accurate earnings result for the company.

The effect of transferring the investments revaluation reserve as it existed at each prior balance date to retained earnings has not affected the net assets of the company. The effects are summarised as follows:

	<b>30 Jun 2005</b>	<b>31 Dec 2004</b>	<b>1 Jul 2004</b>
	\$	\$	\$
Increase/(Decrease) to net profit before tax	(220,700)	(133,738)	-
(Increase)/Decrease to income tax expense	66,210	40,121	-
Increase/(Decrease) to net profit after tax	<u>(154,490)</u>	<u>(93,617)</u>	<u>-</u>
Increase/(Decrease) in investment revaluation reserve	-	(60,873)	(154,490)
Increase/(Decrease) in retained earnings	-	60,873	154,490
Change to net assets at reporting date	<u>-</u>	<u>-</u>	<u>-</u>

**Notes to the financial statements  
for the half year ended 31 December 2005**

**Note 2 First time adoption of Australian equivalent to international financial reporting standards (cont.)**

(a) Reconciliation of equity at  
1 July 2004

	Previous GAAP at 1 July 2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalent to IFRS at 1 July 2004
	\$	\$	\$
<b>Current assets</b>			
Cash assets	26,594,537	-	26,594,537
Receivables	351,458	-	351,458
<b>Total current assets</b>	<u>26,945,995</u>	<u>-</u>	<u>26,945,995</u>
<b>Non-current assets</b>			
Investments	1,657,834	-	1,657,834
<b>Total non-current assets</b>	<u>1,657,834</u>	<u>-</u>	<u>1,657,834</u>
<b>Total assets</b>	<u>28,603,829</u>	<u>-</u>	<u>28,603,829</u>
<b>Current liabilities</b>			
Payables	97,205	-	97,205
Current tax liabilities	7,246	-	7,246
<b>Total current liabilities</b>	<u>104,451</u>	<u>-</u>	<u>104,451</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	125,400	-	125,400
<b>Total non-current liabilities</b>	<u>125,400</u>	<u>-</u>	<u>125,400</u>
<b>Total liabilities</b>	<u>229,851</u>	<u>-</u>	<u>229,851</u>
<b>Net assets</b>	<u>28,373,978</u>	<u>-</u>	<u>28,373,978</u>
<b>Equity</b>			
Contributed equity	28,065,840	-	28,065,840
Retained profits	153,648	154,490	308,138
Reserves	154,490	(154,490)	-
<b>Total Equity</b>	<u>28,373,978</u>	<u>-</u>	<u>28,373,978</u>

Notes to the financial statements  
for the half year ended 31 December 2005

**Note 2 First time adoption of Australian equivalent to international financial reporting standards (cont.)**

(b) Reconciliation of equity at  
31 December 2004

	Previous GAAP at 31 Dec 2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalent to IFRS at 31 Dec 2004
Note	\$	\$	\$
<b>Current assets</b>			
Cash assets	25,561,689	-	25,561,689
Receivables	448,380	-	448,380
<b>Total current assets</b>	<u>26,010,069</u>	<u>-</u>	<u>26,010,069</u>
<b>Non-current assets</b>			
Investments	4,893,378	-	4,893,378
<b>Total non-current assets</b>	<u>4,893,378</u>	<u>-</u>	<u>4,893,378</u>
<b>Total assets</b>	<u>30,903,447</u>	<u>-</u>	<u>30,903,447</u>
<b>Current liabilities</b>			
Payables	1,769,977	-	1,769,977
Current tax liabilities	259,059	-	259,059
<b>Total current liabilities</b>	<u>2,029,036</u>	<u>-</u>	<u>2,029,036</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	61,641	-	61,641
<b>Total non-current liabilities</b>	<u>61,641</u>	<u>-</u>	<u>61,641</u>
<b>Total liabilities</b>	<u>2,090,677</u>	<u>-</u>	<u>2,090,677</u>
<b>Net assets</b>	<u>28,812,770</u>	<u>-</u>	<u>28,812,770</u>
<b>Equity</b>			
Contributed equity	28,065,840	-	28,065,840
Retained profits	686,057	60,873	746,930
Reserves	60,873	(60,873)	-
<b>Total Equity</b>	<u>28,812,770</u>	<u>-</u>	<u>28,812,770</u>



**Notes to the financial statements  
for the half year ended 31 December 2005**

**Note 2 First time adoption of Australian equivalent to international financial reporting standards (cont.)**

(c) Reconciliation of equity at  
30 June 2005

	Previous GAAP at 30 June 2005	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalent to IFRS at 30 June 2005
Note	\$	\$	\$
<b>Current assets</b>			
Cash assets	16,837,425	-	16,837,425
Receivables	164,228	-	164,228
Other	21,801	-	21,801
<b>Total current assets</b>	<u>17,023,454</u>	<u>-</u>	<u>17,023,454</u>
<b>Non-current assets</b>			
Investments	12,342,615	-	12,342,615
<b>Total non-current assets</b>	<u>12,342,615</u>	<u>-</u>	<u>12,342,615</u>
<b>Total assets</b>	<u>29,366,069</u>	<u>-</u>	<u>29,366,069</u>
<b>Current liabilities</b>			
Payables	55,015	-	55,015
Current tax liabilities	326,710	-	326,710
<b>Total current liabilities</b>	<u>381,725</u>	<u>-</u>	<u>381,725</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	25,135	-	25,135
<b>Total non-current liabilities</b>	<u>25,135</u>	<u>-</u>	<u>25,135</u>
<b>Total liabilities</b>	<u>406,860</u>	<u>-</u>	<u>406,860</u>
<b>Net assets</b>	<u>28,959,209</u>	<u>-</u>	<u>28,959,209</u>
<b>Equity</b>			
Contributed equity	28,077,840	-	28,077,840
Retained profits	881,369	-	881,369
<b>Total Equity</b>	<u>28,959,209</u>	<u>-</u>	<u>28,959,209</u>

Notes to the financial statements  
for the half year ended 31 December 2005

Note 2 First time adoption of Australian equivalent to international financial reporting standards (cont.)

(d) Reconciliation of Income Statement for the half year ended 31 December 2004	Note	Previous GAAP half year at 31 Dec 2004 \$	Effect of transition to Australian equivalents to IFRS \$	Australian equivalent to IFRS half year ended 31 Dec 2004 \$
<b>Revenues from ordinary activities</b>				
Interest received		713,180	-	713,180
Dividends received		7,368	-	7,368
Gain on currency hedging		280,513	-	280,513
		1,001,061	-	1,001,061
<b>Expenses from ordinary activities</b>				
Auditor Remuneration		990	-	990
Directors remuneration and benefits		25,313	-	25,313
Investment management fees		146,713	-	146,713
Other		67,461	-	67,461
Loss on investments at market valuation	2(a)	-	133,738	133,738
		240,477	133,738	374,215
<b>Profit from ordinary activities before income tax</b>				
		760,584	(133,738)	626,846
Income tax expense relating to ordinary activities		(228,175)	40,121	(188,054)
<b>Net profit from ordinary activities after related income tax expense</b>				
		532,409	(93,617)	438,792
Increase/(decrease) in investment revaluation reserve		(93,617)	93,617	-
<b>Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity</b>				
		(93,617)	93,617	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>				
		438,792	-	438,792
<b>Basic earnings per share</b>				
		\$ 0.0184	\$ (0.0033)	\$ 0.0151
<b>Diluted earnings per share</b>				
		\$ 0.0184	\$ (0.0033)	\$ 0.0151

**Notes to the financial statements  
for the half year ended 31 December 2005**

**Note 2 First time adoption of Australian equivalent to international financial reporting standards (cont.)**

(e) Reconciliation of income statement for the year ended 30 June 2005	Note	Previous GAAP year ended 30 June 2005 \$	Effect of transition to Australian equivalents to IFRS \$	Australian equivalent to IFRS year ended 30 June 2005 \$
<b>Revenues from ordinary activities</b>				
Interest received		1,265,377	-	1,265,377
Dividends received		59,339	-	59,339
Gain on currency hedging		208,228	-	208,228
		<u>1,532,944</u>	-	<u>1,532,944</u>
<b>Expenses from ordinary activities</b>				
Directors' remuneration and benefits		50,000	-	50,000
Investment management fees		295,579	-	295,579
Unrealised decrease in market value of investments	2(a)	38,980	220,700	259,680
Other		114,367	-	114,367
		<u>498,926</u>	<u>220,700</u>	<u>719,626</u>
<b>Profit from ordinary activities before income tax</b>		1,034,018	(220,700)	813,318
Income tax expense relating to ordinary activities		<u>(306,297)</u>	<u>66,210</u>	<u>(240,087)</u>
<b>Net profit from ordinary activities after related income tax expense</b>		<u>727,721</u>	<u>(154,490)</u>	<u>573,231</u>
Increase/(decrease) in investment revaluation reserve		<u>(154,490)</u>	<u>154,490</u>	<u>-</u>
<b>Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity</b>		<u>(154,490)</u>	<u>154,490</u>	<u>-</u>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<u>573,231</u>	<u>-</u>	<u>573,231</u>
<b>Basic earnings per share</b>		\$ 0.0251	\$ (0.0053)	\$ 0.0198
<b>Diluted earnings per share</b>		\$ 0.0251	\$ (0.0053)	\$ 0.0198

**Notes to the financial statements  
 for the half year ended 31 December 2005**

	Notes	31-Dec-05 \$	31-Dec-04 \$
<b>Note 3 Dividends</b>			
Distributions declared and paid 10 October 2005 of 1 cent per ordinary share fully franked at the tax rate of 30% of which:			
Payable to shareholders in cash		117,833	-
Reinvested in ordinary shares by shareholder participants in the dividend reinvestment program at the rate of \$0.9158 per share.		172,380	-
Number of ordinary shares issued 188,299 (2004 NIL)			
Total dividends		290,213	-

**Note 4 Segment Information**

The company has its entire business operations and administration within Australia. Although it invests in foreign listed companies and may from time to time hold foreign currency or conduct transactions in foreign currencies, it is considered the investment operation is an Australian business. This position remained without change during the whole of the financial reporting period and up to the date of this report.

**Directors' declaration  
for the period ended 31 December 2005**

The directors of the company declare that:

- 1 The financial statements and notes, as set out on pages 4 to 16 are in accordance with the *Corporations Act 2001*:
  - (a) comply with the Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations: and
  - (b) give a true and fair view of the financial position as at 31 December 2005 and performance for the period 1 July 2005 to 31 December 2005 for the company.
- 2 In the directors' opinion there are reasonable grounds to believe 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 Board of Directors



Leslie Wayne Peters  
Chairman of Directors



Lionel John Cansdale  
Company Secretary and Director

Dated this 6<sup>th</sup> day of March 2006

**Independent review report to the members of  
Peters MacGregor Investments Limited  
ABN 48 107 387 351**

## Scope

### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Peters MacGregor Investments Ltd, 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 Accounting Standard AASB 134 Interim Financial Reporting and 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 of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investment Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, 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 is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 Interim Financial Reporting, and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of the company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

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**Independent review report to the members of  
Peters MacGregor Investments Limited  
ABN 48 107 387 351**

Continued

**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 Peters MacGregor Investments Limited is in not accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the period ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting in Australia and the Corporations Regulations 2001.
- (b) other mandatory financial reporting requirements in Australia.



**Hanrick Curran**  
Chartered Accountants



**Mark Sheridan**  
Partner

Dated this 6<sup>th</sup> day of March 2006.

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### Auditors' Independence Declaration

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

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Peters MacGregor Investments Limited.



**Hanrick Curran**  
Chartered Accountants



**Mark Sheridan**  
Partner

Dated in Brisbane this 3<sup>rd</sup> day of March 2006