

Australia & International Holdings Limited

Half Yearly Report

For the six months ended 31 December 2006

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Australia & International Holdings Limited

Directors' Report

For the Year Ended 31 December 2006

The directors present their report together with the consolidated financial report of the economic entity comprising Australia & International Holdings Limited ("the Company") and its controlled entities, for the half year ended 31 December 2006 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the half financial year are:

NAME & QUALIFICATIONS EXPERIENCE AND RESPONSIBILITIES

Mr. Bernard C. E. Rowley Fellow of Institute of Actuaries of Australia. Fellow of Australian Institute of Directors. Chairman of Directors.	Chairman, Queensland Power Trading Corporation (Enertrade) Chairman Cuna Mutual Group. Chairman, Burrell Stockbroking Pty Ltd Director of River City Motor Way. Previously Chief Executive, Suncorp Insurance & Finance 1986 - 1996. Director since 1998. Appointed Chairman 2002.
Mr. Christopher T. Burrell MFM, B.Com. (Hons), L.L.B. (Hons), F.C.A., SF Fin, M.S.D.I.A	Managing Director, Burrell Stockbroking, Stockbroking & Superannuation, since 1997. Former Partner, Coopers & Lybrand, Chartered Accountants for 15 years. Previous Director, Queensland, electricity retailer, ERGON. Former Member, Industrial Research & Development Committee within the Commonwealth Department of Industry, Science and Resources. Former State Councillor for the Securities Institute of Australia. Director since 1983. Chairman 1983 – 2002.
Mr. Roger J. Burrell B.Com., L.L.B., F Fin, FAICD, Diploma of Financial Services	Director and Chief Executive Officer of Access Funds Management Ltd, Director of Multiple Sclerosis Australia, Vice-President of Multiple Sclerosis Society of Queensland and Legal Consultant to DLA Phillips Fox, QM Properties Group and Property Solutions Group. Roger is also a former partner of national law firms Clayton Utz 1987-2000 and Phillips Fox 2000-2006. Director since 1987.
Mr. Ronald Higham B Bus, MFM, F.C.A., MACD	Former Partner PricewaterhouseCoopers. Director of Riverside Coal Transport Company Pty Ltd. Director of WH Heck & Sons Pty Ltd. Adjunct Professor with the University of Queensland Business School.
Mr. Frank J. Finn B.Com. (Hons), M.B.A. PhD. F.C.P.A., F Fin.	Professor of Finance, Director of Studies, Faculty of Business, Economics & Law, University of Queensland. Director since 1996.

Company Secretary

The company secretary is Chris Burrell. Details of his experience are noted on Page 1.

Australia & International Holdings Limited

Directors' Report (Cont'd)

For the Year Ended 31 December 2006

Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

DIRECTOR	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS HELD WHILE DIRECTOR IN OFFICE
C. T. Burrell	1	2
R. J. Burrell	2	2
F. J. Finn	2	2
B. C. E. Rowley	1	2
R. Higham	2	2

Company Operations and Results

Overview

The Company provides investors with a medium to long term investment vehicle with exposure to Australian and overseas listed equity investments. The primary objective is to provide returns from dividends and capital growth.

Performance Outcomes

The total return for AIH's shares for the half financial year ended 31 December 2006 was 5.20%. This comprised 5.0 cents of dividends plus the increase in net assets from \$3.46 to \$3.59.

For comparative purposes we look at a theoretical portfolio comprising:

1. A benchmark 25% overseas allocation, valued back to Australian dollars, and
2. A 75% domestic allocation.

The overseas benchmark can be found in the "MSCI" World (excluding Australia) Accumulation Index in local currency. For the half year ended 31 December 2006, this returned 5.78%. For the domestic benchmark, we use the All Ordinaries Accumulation Index, which returned 14.49%.

Therefore, a return on our theoretical portfolio for the half year ended 31 December 2006 is calculated as:

$(\text{Aust. asset weight} \times \% \text{chg. ASX All Ords Accum Index}) + (\text{Overseas asset weight} \times \% \text{chg. MSCI Index}) = (75\% \times 14.49\%) + (25\% \times 5.78\%) = 12.31\%$

For clarity we would emphasise that the returns from the All Ordinaries and the MSCI World indices are gross returns, whereas the return that shareholder's in Australia and International Holdings obtain is a net return after company costs and taxes. In addition, the returns from the accumulation indices are only partially franked, whereas the return that shareholders receive from AIH is fully franked.

Australia & International Holdings Limited

Directors' Report (Cont'd)

For the Year Ended 31 December 2006

The return generated over the six month period to 31 December 2006 reflects the portfolio weighting towards resource and energy stocks. We continue to hold the long term view that: (a) Australia has a comparative advantage in the resources sector, (b) despite a fall in commodity prices, volumes will pick up because of, (c) the future growth of developing countries such as China, and (d) current infrastructure projects coming on-line. In BHP's last set of stellar results one of the most frustrating things was that there was barely any increase in volumes. On energy, the price of oil came off and flowed though into share prices as world tensions eased. However, fossil fuels will continue to be in high demand, again as developing countries continue to grow, supply decreases, and periods of political instability are experienced in some major oil producing countries.

During the period a portfolio protection strategy using options was put in place in the trading subsidiary company. As it turned out this was unnecessary in view of the increase in values in the market. There was a cost in doing this, which we are attempting to recoup.

Principal Activities

	Consolidated	Consolidated
	31 December 2006	31 December 2005
	\$	\$
Operating Profit for the half year after income tax	211,117	174,303

The consolidated entity's principal activity during the year consisted of long term investing in publicly listed Australian and overseas companies.

State of Affairs

There were no significant changes in the state of affairs of the economic entity during the financial year.

Dividends Paid or Recommended

Details of dividends in respect of the current year are as follows:

A final, fully franked, ordinary dividend of 5 cents per share in respect of the year ended 30 June 2006 amounted to \$86,789 and was paid on 8th December 2006.

Events Subsequent to Balance Date

No matter or circumstance has arisen since 30 June 2006 that has significantly affected, or may significantly affect:

- a) the economic entity's operations in future years, or
- b) the results of those operations in future financial years, or
- c) The economic entity's state of affairs in future financial years.

Australia & International Holdings Limited

Directors' Report (Cont'd)

For the Year Ended 31 December 2006

Net Assets per Share

Net assets per share for the economic entity as at 31 December 2006 is \$3.59.

Likely Developments

The Company will continue to invest in publicly listed securities in Australia and overseas for the benefit of shareholders.

Indemnification and Insurance of Officers

The Company has agreed to indemnify the Directors and Officers of the Company against any liabilities that may arise as a result of their position in the Company except where the liability arises out of conduct involving lack of good faith.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half year ended 31 December 2006 has been received and can be found on page 5 of the directors' report.

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



C. T. Burrell

Director

Dated at Brisbane, 13 March 2007



B. C. E. Rowley

Director



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13 March 2007

The Board of Directors
Australia & International Holdings Limited
Level 12, Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australia & International Holdings Limited.

As lead review partner for the review of the consolidated financial report of Australia & International Holdings Limited and its controlled entities for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the review independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

Yours faithfully

Hacketts

Liam J Murphy
Review Partner

Australia & International Holdings Limited
Income Statement
For the Half Year Ended 31 December 2006

	Notes	Consolidated 31 December 2006 \$	31 December 2005 \$
Revenue	3	291,750	256,223
Accountancy and audit fees		(7,000)	(8,892)
Managed portfolio fees		(21,468)	(14,725)
Secretarial expenses		(12,000)	(12,000)
Legal expenses		(2,335)	(14,852)
Other expenses		(9,041)	(3,076)
Profit before income tax		<u>239,906</u>	<u>202,678</u>
Income tax (expense)/benefit		<u>(28,789)</u>	<u>(28,375)</u>
Profit for the period		<u>211,117</u>	<u>174,303</u>
Profit attributable to members of Australia & International Holdings Limited		<u>211,117</u>	<u>174,303</u>

The income statement of should be read in conjunction with the accompanying notes to the financial statements

Australia & International Holdings Limited

Balance Sheet as at 31 December 2006

		Consolidated 31 December 2006 \$	30 June 2006 \$
	Note		
Current Assets			
Cash and cash equivalents	4	733,109	187,293
Receivables		5,268	131,612
Other financial assets		891,158	961,772
Total Current Assets		<u>1,629,535</u>	<u>1,280,677</u>
Non-Current Assets			
Other financial assets		5,085,354	5,083,473
Deferred tax asset		1,699	1,699
Total Non-Current Assets		<u>5,087,053</u>	<u>5,085,172</u>
Total Assets		<u>6,716,588</u>	<u>6,365,849</u>
Current Liabilities			
Payables		15,346	115,982
Current tax liability		34,294	6,146
Total Current Liabilities		<u>49,640</u>	<u>122,128</u>
Non Current Liability			
Deferred tax liability		433,312	401,504
Total Non Current Liabilities		<u>433,312</u>	<u>401,504</u>
Total Liabilities		<u>482,952</u>	<u>523,632</u>
Net Assets		<u>6,233,636</u>	<u>5,842,217</u>
Equity			
Issued capital	5	3,941,498	3,779,193
Reserves		1,425,378	1,320,593
Retained Profits		866,760	742,431
Total Equity		<u>6,233,636</u>	<u>5,842,217</u>

The balance sheet should be read in conjunction with the accompanying notes to the financial statements.

Australia & International Holdings Limited
Statements of Cash Flows
For the Half Year Ended 31 December 2006

	Notes	Consolidated	
		31 December 2006 \$	31 December 2005 \$
Cash flows from operating activities			
Dividends received		133,347	91,081
Interest received		8,959	3,550
Trust distributions received		-	6,177
Income taxes (paid)/refunded		(672)	(19,411)
Other expenses paid/income received		13,559	31,628
Net cash provided by (used in) operating activities		155,193	113,025
Cash flows from investing activities			
Proceeds from sale of investments		1,342,707	608,215
Purchases of investments		(1,026,247)	(597,442)
Net cash provided by (used in) investing activities		316,460	10,773
Cash flows from financing activities			
Share application monies received		162,305	-
Loans (to)/from controlled entities		-	-
Dividends paid		(87,238)	(76,448)
Net cash provided by (used in) financing activities		75,067	(76,448)
Net (decrease)/increase in cash held		546,720	47,350
Cash at beginning of financial year		187,293	165,491
Effects of exchange rate fluctuations on the balances held in foreign currencies		(904)	(732)
Cash at end of period	4	733,109	212,109

The above statement of cash flows should be read in conjunction with the accompanying notes to the financial statements

Australia & International Holdings Limited

Statement of Changes in Equity

For the Half Year Ended 31 December 2006

	Note	Consolidated 31 December 2006 \$	31 December 2005 \$
Share capital			
Ordinary shares at beginning of period		3,779,193	3,287,869
Shares issued during period		162,305	-
Transaction costs		-	-
Balance of shares at end of period	5	3,941,498	3,287,869
 Asset revaluation reserve			
Asset revaluation reserve at beginning of period		1,320,593	699,419
Increase in asset revaluation reserve		104,785	346,090
Balance of asset revaluation reserve		1,425,378	1,045,509
 Retained earnings			
Retained earnings at beginning of period		742,431	590,283
Profit attributable to members of the entity		211,117	174,303
Dividend paid		(86,788)	(76,540)
Retained earnings at end of period		866,760	688,046
 Total equity at the end of the period		6,233,636	5,021,424

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Half Year Ended 31 December 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The half-year consolidated financial report is 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.

Australia & International Holdings Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia. The economic entity comprises the Company and its controlled entities, for the half year ended 31 December 2006.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Australia & International Holdings Limited during the half-year.

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

Reporting Basis and Convention

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of non-current assets.

The principal accounting policies adopted in the preparation of the financial report are consistent with the most recent annual financial report for the year ended 30 June 2006. Adoption of new or amending standards mandatory for the periods beginning on or after 1 July 2006 has not resulted in any changes to accounting policy.

The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(c) Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured.

Revenue from passive dividends and trust income is recognised as it is received.

Revenue from interest and other income is recognised as it is accrued.

Revenue from investments in shares held on trading account (at fair value through profit and loss) is recognised as fair value adjustments, being the increase / (decrease) in the fair value at balance date.

Revenue from sale of investments is recognised from the date of contract and is the difference between the sale price less selling costs and the cost of purchase or if revalued, the revalued amount.

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Half Year Ended 31 December 2006

NOTE 2: SEGMENT INFORMATION

Business segments

The consolidated entity is organised into the following divisions by investment portfolio type.

Australian long term shares

This portfolio is made up of blue chip quality shares in the ASX All Ordinaries Index.

Overseas long term shares

Long term shareholdings in stocks traded on stock exchanges with similar corporate governance regimes as Australia. This portfolio is primarily made up of shares in companies operating in the USA, UK and Europe.

Share trading portfolio

Comprises trading positions, including new floats where the long term investment criteria are not met and some overweight positions

Primary reporting – business segments – 31 December 2006

Six months ended 31 December 2006	Australian Long Term Shares	Overseas Long Term Shares	Share Trading Portfolio	Inter-segment allocations/ eliminations	Consolidated
	\$	\$	\$	\$	\$
Dividend income	118,154	15,193	-	-	133,347
Interest income	8,333	626	-	-	8,959
Trust income	-	-	-	-	-
Other income	-	1	-	-	1
Unrealised foreign exchange movements	-	369	-	-	369
Fair value movement in financial assets	-	-	33,070	-	33,070
Profit on trading in options	-	-	8,537	-	8,537
Profit on sale of investments	85,704	-	29,657	-	115,361
Total segment revenue	212,191	16,189	71,264	-	299,644
Segment result	208,020	13,122	68,313	-	289,455
Unallocated expenses					(49,549)
Profit from ordinary activities before income tax					239,906
Income tax (expense)/benefit					(28,789)
Profit from ordinary activities after income tax expense					211,117

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Half Year Ended 31 December 2006

NOTE 2: SEGMENT INFORMATION (CONT'D)

Primary reporting – business segments – 31 December 2005

Six months ended 31 December 2005	Australian Long Term Shares \$	Overseas Long Term Shares \$	Share Trading Portfolio \$	Inter-segment allocations/ eliminations \$	Consolidated \$
Dividend income	86,839	4,242	-	-	91,081
Interest income	3,211	339	-	-	3,550
Trust income	4,546	568	1,063	-	6,177
Other income	-	-	-	-	-
Unrealised foreign exchange movements	-	-	-	-	-
Fair value movement in financial assets	-	-	54,245	-	54,245
Profit on trading in options	-	-	4,523	-	4,523
Gain on sale of investments	67,380	7,068	33,177	-	107,625
Total segment revenue	161,976	12,217	93,008		267,201
Segment result	151,107	9,455	90,810		251,372
Unallocated expenses					(48,694)
Profit from ordinary activities before income tax					202,678
Income tax (expense)/benefit					(28,375)
Profit from ordinary activities after income tax expense					174,303

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Half Year Ended 31 December 2006

NOTE 3: REVENUE

	Consolidated	
	31 December 2006	31 December 2005
	\$	\$
OPERATING ACTIVITIES		
Net gain on sale of investments	123,898	112,150
Dividend income	133,346	91,081
Interest	8,961	3,550
Trust distributions	-	6,177
Trust distributions – BAET & BWET	-	-
	266,205	212,958
Revenue from outside operating activities		
Fair value adjustments on financial assets	33,070	54,245
Unrealised exchange gains	(903)	(732)
Other income	(6,622)	(10,248)
	25,545	43,265
Total revenue from ordinary activities	291,750	256,223

NOTE 4: CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2006	30 June 2005
	\$	\$
Cash at bank	652,053	107,019
AUD bank account – Rahn & Bodmer	190	800
USD bank account – Rahn & Bodmer	407	358
CHF Bank account – Rahn & Bodmer	6,518	14,811
EUR bank account – Rahn & Bodmer	2,155	1,865
Fortrend USD Bank Account	7,096	2,271
Quilter & Co Limited	64,690	60,169
	733,109	187,293

Australia & International Holdings Limited
Notes To and Forming Part of the Financial Statements
For the Half Year Ended 31 December 2006

	Consolidated			
	31 December 2006 <i>Shares</i>	30 June 2006 <i>Shares</i>	31 December 2006 \$	30 June 2006 \$
NOTE 5: ISSUED CAPITAL				
Share capital:				
Ordinary shares – fully paid	<u>1,735,783</u>	<u>1,688,428</u>	<u>3,941,498</u>	<u>3,779,193</u>
				31 December 2006 \$
<u>Details</u>	<u>Date</u>	<u>No. of shares</u>	<u>Issue Price</u>	
Opening balance	01/07/06	1,688,428		3,779,193
Shares issued for cash	24/09/06	38,535	\$3.42	131,790
Shares issued for cash	24/11/06	8,820	\$3.46	30,515
Dividend Reinvestment Plan (DRP) issue	08/12/06	8,700	\$3.47	30,222
Transfer shares purchased over the counter for the purpose of the DRP to participate under the DRP.	08/12/06	(8,700)	\$3.47	(30,222)
		<u>1,735,783</u>		<u>3,941,498</u>

NOTE 6: DIVIDENDS

A final, fully franked, ordinary dividend of 5 cents per share (2005: 5 cents) in respect of the year ended 30 June 2006 amounted to \$86,789 (2005: \$76,540) and was paid on 8th December 2006.

As at 31 December 2006, the directors had made no recommendation concerning dividends for the half year or any period thereafter.

NOTE 7: EVENTS OCCURRING AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

NOTE 8: CONTINGENT LIABILITIES

At the end of the financial year, to the knowledge of the directors, the company had no contingent liabilities or any pending

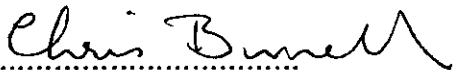
Australia & International Holdings Limited
Directors Declaration
For the Half Year Ended 31 December 2006

1. In the opinion of the directors of Australia & International Holdings Limited ("the company"):

- (a) the half year financial statements and notes, set out on pages 5 to 15, are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position of the economic entity as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; 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.

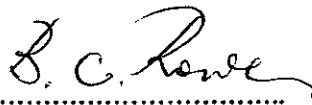
This declaration is made in accordance with a resolution of the directors.

Director.....



C.T Burrell

Director.....



B.C.E. Rowley

Dated at Brisbane, 13th March 2007

Independent Review Report To the Members of Australia & International Holdings Limited

Scope

We have reviewed the consolidated financial report of the economic entity for the half-year ended 31 December 2006, consisting of the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration. The economic entity comprises Australia & International Holdings Limited ("the Company") and its controlled entities, for the half year ended 31 December 2006.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report of the Company in accordance with the *Corporations Act 2001* and that complies with AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia. 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.

We conducted an independent review 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 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, and performance as represented by the results of its operations and cash flows, and so as to enable the Company to lodge the financial report with the Australian Securities and Investment Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Company's 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. We have given the Directors of the Company a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

Statement

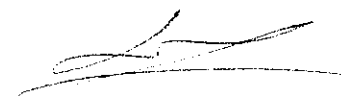
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year report of Australia & International Holdings Limited is not in accordance with:

- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.



HACKETTS CHARTERED ACCOUNTANTS

Dated: Brisbane, 13 March 2007



Liam Murphy

Partner