

**AUSTRALIA & INTERNATIONAL HOLDINGS LIMITED**

**A.C.N. 009 706 414**

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# Australia & International Holdings Limited

## Directors' Report

### For the Year Ended 30<sup>th</sup> June 2004

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The directors present their report together with the financial report of Australia & International Holdings Limited (the Company) and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2004 and the auditor's report thereon.

#### Directors

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

Name and qualifications	Experience and special responsibilities
Mr Bernard C. E. Rowley Fellow of Institute of Actuaries  Chairman of Directors	Chairman – Queensland Power Trading Corporation (Enertrade) Chairman – Cuna Mutual Group Limited Chairman – Burrell Stockbroking Pty Ltd Prev. Chief Executive – Suncorp Insurance & Finance Director since 1998. Appointed Chairman 2002.
Mr Christopher T. Burrell B.Com. (Hons), L.L.B (Hons), M.F.M, F.C.A, A.S.I.A	Managing Director – Burrell Stockbroking, Stockbrokers & Investment Advisors, since 1997. Former Partner – Coopers & Lybrand, Chartered Accountants for 15 years. Prev. 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., A.S.I.A	Partner – Phillips Fox Lawyers Director since 1987
Professor Frank J Finn B.Com. (Hons), M.B.A. PhD., F.C.P.A, A.S.I.A.	Commonwealth Bank Professor of Banking & Finance. School of Business, University of Queensland. Director since 1996.
Mr Paul W. J. McManus F.C.A., A.S.C.P.A., F.C.I.S.	Director – Queensland & Oil Shale Mining Superannuation Fund. Former Director – Coal Mining Industry Long Service Leave Funding Corporation. Former Trust Secretary & Treasurer of a Coal Mining & Investment Company Group. Prev. Partner of Peat Marwick Mitchell & Co and its predecessor firm for 11 years Director since 1999.

# Australia & International Holdings Limited

## Directors' Report (Cont'd)

### For the Year Ended 30<sup>th</sup> June 2004

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#### 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	Board Meetings Held	Board Meetings Attended
C. T. Burrell	2	2
R. J. Burrell	2	1
F. J. Finn	2	2
P. W. J. McManus	2	2
B. C. E. Rowley	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 financial year ended 30<sup>th</sup> June 2004 was 17.03%. This comprised 9.0 cents of dividends plus the increase in net assets from \$2.29 to \$2.59. This compares to the ASX All Ordinaries Accumulation Index, which returned 22.37% over the same period.

A more appropriate benchmark for the performance of the consolidated entity would incorporate:

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 "MCSI" World (excluding Australia) Accumulation Index in local currency. For the year ended 30<sup>th</sup> June 2004, this returned 17.56%. For the domestic benchmark, we again use the All Ordinaries Accumulation Index.

Therefore, a return on our hypothetical benchmark for the year ended 30<sup>th</sup> June 2004 is calculated as:

$$\begin{aligned} & (\text{Aust. Asset weight} \times \% \text{chg. ASX All Ords Accum Index}) + (\text{Overseas asset weight} \times \% \text{chg. MCSI Index}) \\ &= (75\% \times 22.37\%) + (25\% \times 17.56\%) \\ &= 21.17\%. \end{aligned}$$

Relative to this benchmark, AIH's total return for FY04 of 17.03%, constituted an underperformance of -4.14%.

However, the three year capital and income performance of AIH is 2.72% greater than the above benchmark. This remains a credible performance.

# **Australia & International Holdings Limited**

## **Directors' Report (cont'd)**

### **For the Year ended 30<sup>th</sup> June 2004**

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#### **Principal Activities**

The principal activity of the consolidated entity 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.

In February 2004, the company raised a total of \$55,920 from a share purchase plan. Subscriptions under the plan were for 22,732 shares at \$2.46 per share.

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

A final, fully franked, ordinary dividend of 4.5 cents per share in respect of the year ended 30<sup>th</sup> June, 2003 amounted to \$63,529 and was paid on 29<sup>th</sup> December 2003.

An interim, fully franked, ordinary dividend of 4.5 cents per share amounted to \$65,076 and was paid on 25<sup>th</sup> June 2004.

#### **Significant Events after Balance Date**

No matter or circumstance has arisen since 30<sup>th</sup> June, 2004 that has significantly affected, or may significantly affect:

- a) the economic entity's operation 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.

#### **Net Assets Per Share**

Net assets per share for the economic entity as at 30<sup>th</sup> June 2004 is **\$2.59** (2003 \$ 2.29).

#### **Likely Developments**

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

The Directors are considering a fund raising under a prospectus. The funds will be used for further investments over the next six months.

#### **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.

Full details relating to the Directors are set out in Note 18.

# **Australia & International Holdings Limited**

## **Directors' Report (cont'd)**

### **For the Year Ended 30<sup>th</sup> June 2004**

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#### **Indemnification of Directors and Officers (cont'd)**

With the exception of the foregoing, since 30<sup>th</sup> June 2003, no director of the Company has received, or has become entitled to receive, a benefit because of a contract that the directors, or a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during the year ended 30<sup>th</sup> June 2004 or at any other time) with:

- a) the Company; or
- b) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received , or became entitled to receive, the benefit.

Signed in accordance with a resolution of the Board of Directors:

C. T. Burrell

B. C. E. Rowley

Director

Director

Brisbane,      October 2004

# Australia & International Holdings Limited

## Statement of Financial Performance

### For the Year Ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Revenue from Ordinary Activities</b>	<b>3</b>	<b>1,812,974</b>	944,035	<b>453,621</b>	79,556
Profit from ordinary activities before income tax		<b>316,453</b>	2,661	<b>189,228</b>	5,514
<b>Income tax (expense)/benefit</b>	<b>5</b>	<b>(52,096)</b>	11,759	<b>(17,411)</b>	9,572
<b>Profit from ordinary activities after income tax attributable to members of Australia &amp; International Holdings Limited</b>		<b>264,357</b>	14,420	<b>171,817</b>	15,086
Net increase/(decrease) in asset revaluation reserve		<b>371,538</b>	(247,738)	<b>317,564</b>	(264,644)
Net increase/(decrease) in capital profits reserve		<b>(71,919)</b>	(7,997)	<b>72,408</b>	2,864
<b>Total revenues, expenses and valuation adjustments attributable to members of Australia &amp; international Holdings Limited recognised directly in equity</b>		<b>299,619</b>	(255,735)	<b>389,972</b>	(261,780)
<b>Total changes in equity other than those resulting from transactions with owners as owners.</b>		<b>563,976</b>	(241,315)	<b>561,789</b>	(246,694)

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

# Australia & International Holdings Limited

## Statement of Financial Position as at 30 June 2004

	Note	Consolidated		Parent	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash Assets	4	471,982	74,743	47,970	9,024
Receivables	5	60,208	13,714	223,858	49,622
Current tax benefits		-	16,180	2,716	13,739
Other financial assets	6	555,380	280,793	-	-
<b>Total Current Assets</b>		<b>1,087,570</b>	<b>385,429</b>	<b>274,544</b>	<b>72,385</b>
<b>Non-Current Assets</b>					
Receivables	7	-	-	1,421,423	1,294,155
Other financial assets	8	2,823,327	2,863,248	2,233,269	1,919,355
Deferred tax asset	9	945	1,096	945	1,096
Other	3(b)	3,492	3,492	-	-
<b>Total Non-Current Assets</b>		<b>2,827,764</b>	<b>2,867,836</b>	<b>3,655,637</b>	<b>3,214,606</b>
<b>Total Assets</b>		<b>3,915,334</b>	<b>3,253,265</b>	<b>3,930,181</b>	<b>3,286,991</b>
<b>Current Liabilities</b>					
Payables		10,872	16,654	13,263	18,255
Current Tax Liability	3(b)	17,454	-	-	-
<b>Total Current Liabilities</b>		<b>28,326</b>	<b>16,654</b>	<b>13,263</b>	<b>18,255</b>
<b>Non Current Liability</b>					
Deferred Tax Liability	3(c)	113,340	5,099	112,452	4,240
<b>Total Non Current Liabilities</b>		<b>113,340</b>	<b>5,099</b>	<b>112,452</b>	<b>4,240</b>
<b>Total Liabilities</b>		<b>141,666</b>	<b>21,753</b>	<b>125,715</b>	<b>22,495</b>
<b>Net Assets</b>		<b>3,773,668</b>	<b>3,231,512</b>	<b>3,804,466</b>	<b>3,264,496</b>
<b>Equity</b>					
Contributed Equity	13	3,085,478	2,978,694	3,085,478	2,978,694
Reserves		328,735	29,116	405,157	15,184
Retained Profits	14	359,455	223,702	313,831	270,618
<b>Total Equity</b>		<b>3,773,668</b>	<b>3,231,512</b>	<b>3,804,466</b>	<b>3,264,496</b>

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

# Australia & International Holdings Limited

## Statements of Cash Flows

### For the Year Ended 30 June 2004

	Notes	Consolidated		Parent	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Dividends received		169,352	117,631	47,545	21,397
Interest received		7,376	4,807	2,371	561
Trust distributions received		10,131	12,047	-	-
Income taxes (paid)/refunded		(20,037)	(18,333)	(8,130)	(5,321)
Other expenses paid/income received		(60,814)	(54,119)	(59,185)	(51,804)
<b>Net cash provided by (used in) operating activities</b>		<b>106,008</b>	<b>62,032</b>	<b>(17,399)</b>	<b>(35,167)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of investments		1,560,485	894,845	179,345	1,563
Purchases of investments		(1,249,187)	(1,141,942)	(24,485)	1,046
<b>Net cash provided by (used in) investing activities</b>		<b>311,298</b>	<b>(247,097)</b>	<b>154,860</b>	<b>2,609</b>
<b>Cash flows from financing activities</b>					
Share application monies received		106,784	268,601	106,784	268,601
Loans (to)/from controlled entities		-	-	(77,646)	(111,630)
Dividends paid		(128,159)	(123,584)	(128,158)	(123,584)
<b>Net cash provided by (used in) financing activities</b>		<b>(21,375)</b>	<b>145,017</b>	<b>(99,020)</b>	<b>33,386</b>
<b>Net (decrease)/increase in cash held</b>		<b>395,931</b>	<b>(40,048)</b>	<b>38,441</b>	<b>828</b>
<b>Cash at beginning of financial year</b>		<b>74,743</b>	<b>118,985</b>	<b>9,024</b>	<b>8,881</b>
Effects of exchange rate fluctuations on the balances held in foreign currencies		1,308	(4,193)	504	(685)
<b>Cash at end of financial year</b>	<b>4</b>	<b>471,982</b>	<b>74,743</b>	<b>47,970</b>	<b>9,024</b>

The above statement of cash flows 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 Year Ending 30 June 2004**

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#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These 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.

##### **(b) Principles of Consolidation**

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

Where the entity began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions between controlled entities included in the consolidated financial statements have been eliminated.

##### **(c) Revenue Recognition**

###### *Interest Income*

Interest income is recognised on an accrual basis.

###### *Dividend Income*

Dividend income from investments is recognised when received.

###### *Other Revenues*

Revenue recognition policies for investments are described in Accounting Policy Note 1(f).

##### **(d) Foreign Currency**

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss account in the financial year in which the exchange rates change.

# **Australia & International Holdings Limited**

## **Notes To and Forming Part of the Financial Statements**

### **For the Year Ending 30 June 2004**

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#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

##### **(e) Income Tax**

The consolidated entity adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a deferred tax liability.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

##### **(f) Investments**

###### *Securities*

All interests in listed securities are shown in the Company's accounts at net market value. The basis of determining net market value of quoted investments is at market value as quoted on the relevant stock exchange less an allowance for realisation costs. Unquoted investments are valued at the lower of cost or their estimated market value less an allowance for realisation costs.

###### *Controlled Entities*

The company's investments in Australian & International Trust & Burrells World Equities Trust and interests in listed securities are shown in the Company's accounts at net market value. The basis of determining net market value of quoted investments is at market value as quoted on the relevant stock exchanges less an allowance for realisation costs. Unquoted investments are valued at the lower of cost or their estimated market value less an allowance for realisation costs.

The investment of Australian & International Trust in its controlled entity, Australian Index Fund Pty Ltd is at cost, but on consolidation the investments owned are shown at net market value as the principal activity of the subsidiary consists of share trading and overweight investment positions. Unrealised changes in the net market value of these investments are brought to account in determining the profit or loss for the year.

###### *Revaluation of Investments in and out of Controlled Entities*

Revaluation increments arising from revaluations are credited directly to the Asset Revaluation Reserve after deducting a provision for potential deferred capital gains tax liability, if applicable. Where there is a revaluation decrement this will be credited to the Profit & loss unless reversing an increment.

##### **(g) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity, at balance date.

# **Australia & International Holdings Limited**

## **Notes To and Forming Part of the Financial Statements**

### **For the Year Ended 30 June 2004**

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#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

##### **(h) Derivatives**

The consolidated entity used equity options in the management of its investment portfolio.

##### **(i) Cash**

For the purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

#### **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 is not met and some overweight positions.

##### **Geographical segments**

The economic entity operated predominantly in Australian and overseas markets as described above. Directors are of the opinion that the disclosure required of the secondary geographical segment are adequately covered by business segment reporting.

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

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#### NOTE 2: SEGMENT INFORMATION (Cont'd)

##### Primary reporting – business segments

2004	Australian Long Term Shares \$	Overseas Long Term Shares \$	Share Trading Portfolio \$	Inter-segment allocations/ eliminations \$	Consolidated \$
Proceeds from sale of investments	1,119,190	12,790	442,832		1,574,812
Dividend income	142,885	14,925	10,698		168,508
Interest income	5,439	740	1,197		7,376
Trust income	10,131				10,131
Other income	86	205	50,548		50,839
Unrealised foreign exchange movements		1,308			1,308
Total segment revenue	<u>1,277,731</u>	<u>29,968</u>	<u>505,275</u>		<u>1,812,974</u>
Segment result	<u>226,847</u>	<u>18,597</u>	<u>125,426</u>		<u>370,870</u>
Unallocated expenses					<u>(54,517)</u>
Profit from ordinary activities before income tax					316,453
Income tax (expense)/benefit					<u>(52,096)</u>
Profit from ordinary activities after income tax expense					<u>264,357</u>
Segment assets	<u>2,599,890</u>	<u>669,338</u>	<u>645,161</u>		<u>3,914,389</u>
Unallocated assets					945
Total assets					<u>3,915,334</u>
Segment liabilities	<u>35</u>	<u>-</u>	<u>-</u>		<u>35</u>
Unallocated liabilities					141,633
Total liabilities					<u>141,668</u>
Net cash inflow from operating activities	<u>159,277</u>	<u>14,728</u>	<u>11,895</u>	<u>(79,892)</u>	<u>106,008</u>

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

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#### NOTE 2: SEGMENT INFORMATION (Cont'd)

##### Primary reporting – business segments

2003	Australian Long Term Shares \$	Overseas Long Term Shares \$	Share Trading Portfolio \$	Inter-segment allocations/ eliminations \$	Consolidated \$
Proceeds from sale of investments	356,467	13,860	443,382		813,709
Dividend income	95,595	13,767	7,513		116,875
Interest income	1,727	594	2,486		4,807
Trust income	12,047	634			12,681
Other income	150				150
Unrealised foreign exchange movements		(4,185)			(4,185)
Total segment revenue	465,986	24,670	453,381		944,037
Segment result	58,324	7,417	(5,321)		60,420
Unallocated expenses					(57,759)
Profit from ordinary activities before income tax					2,661
Income tax (expense)/benefit					11,759
Profit from ordinary activities after income tax expense					14,420
Segment assets	2,433,656	495,836	306,497		3,235,989
Unallocated assets					17,276
Total assets					3,253,265
Segment liabilities	35	-	-		35
Unallocated liabilities					21,718
Total liabilities					21,753
Net cash inflow from operating activities	107,961	14,589	9,577	(70,095)	62,032

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

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#### NOTE 3: REVENUE

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Revenue from operating activities</b>				
Proceeds from sale of investments	442,831	443,382	-	-
Dividends	168,509	116,874	47,545	21,397
Interest	7,376	4,807	2,371	561
Trust distributions	10,131	12,681	-	-
Trust distributions – BAET & BWET	-	-	223,858	49,622
	<u>628,847</u>	<u>577,745</u>	<u>273,774</u>	<u>71,580</u>
<b>Revenue from outside operating activities</b>				
Proceeds from sale of long term investments	1,131,980	370,326	179,343	8,661
Unrealised exchange gains	1,308	(4,185)	504	(685)
Realised exchange gains	-	-	-	-
Other income	50,839	150	-	-
	<u>1,184,127</u>	<u>366,291</u>	<u>179,847</u>	<u>7,976</u>
<b>Total revenue from ordinary activities</b>	<u>1,812,974</u>	<u>944,035</u>	<u>453,621</u>	<u>79,556</u>

#### NOTE 4: OPERATING PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

##### Net gains and expenses

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

##### Net gains/(losses)

Net gains/(losses) on disposal				
Investment portfolio	70,974	(43,522)	(31,304)	(1,301)
Share trading portfolio	(26,182)	(17,387)	-	-
Foreign exchange gains and losses	1,308	(4,185)	504	(685)

##### Expenses from ordinary activities

Auditors remuneration				
Audit of the financial statements	10,500	5,500	10,500	5,500
Other services	-	-	-	-
	<u>10,500</u>	<u>5,500</u>	<u>10,500</u>	<u>5,500</u>
Legal fees	-	15,498	-	15,298
Secretarial fees	26,400	29,640	26,400	29,640
Managed portfolio fees	7,854	7,416	7,464	6,331
Other expenses from ordinary activities	10,914	8,531	9,384	7,311
<b>Total expenses from ordinary activities</b>	<u>55,668</u>	<u>66,585</u>	<u>53,748</u>	<u>64,080</u>

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

	Consolidated		Parent entity	
NOTE 5: INCOME TAX	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Income tax expense				
The prima facie tax on operating profits is reconciled to income tax provided in the financial statements as follows:				
	316,451	2,661	189,225	5,514
Prima facie tax payable at 30% (2003-30%)	94,935	798	56,768	1,654
Tax Effect of Permanent differences:				
---Other	(52,777)	(14,029)	(49,364)	(12,712)
Over/Underprovision from previous year	9,938	1,472	10,007	1,486
<b>Income tax benefit attributed to operating profit</b>	<b>52,096</b>	<b>(11,759)</b>	<b>17,411</b>	<b>(9,572)</b>
(b) Current tax liabilities				
Movements during the year:				
Balance at the beginning of the year	(16,180)	16,768	(13,739)	4,345
Income tax paid/refunded	(20,032)	(18,332)	(8,131)	(5,322)
Adjustment to previous tax expense	9,938	1,472	10,007	1,486
Transfer to/from deferred tax liability	2,116	(4,241)	2,116	(4,240)
Current year's income tax expense/(recovery) on operating profit	41,612	(11,847)	7,031	(10,008)
	17,454	(16,180)	(2,716)	(13,739)
(c) Deferred tax liabilities				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on:				
Deferred company fund instalment	2,125	4,240	2,125	4,240
Unrealised foreign exchange gains	1,110	859	222	-
Unrealised capital gains	110,105	-	110,105	-
<b>Total Deferred Tax Liability</b>	<b>113,340</b>	<b>5,099</b>	<b>112,452</b>	<b>4,240</b>
(d) Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on:				
Unrealised foreign exchange losses	945	1,096	945	1,096
<b>Total Deferred Tax Asset</b>	<b>945</b>	<b>1,096</b>	<b>945</b>	<b>1,096</b>
NOTE 6: CASH ASSETS				
Cash at bank	433,764	27,980	38,434	2,112
AUD bank account – Rahn & Bodmer	(39)	(192)	-	-
USD bank account – Rahn & Bodmer	(37)	(46)	-	-
CHF Bank account – Rahn & Bodmer	3,335	2,608	-	-
EUR bank account – Rahn & Bodmer	259	9,060	-	-
Bear Stearns Securities Corporation	-	578	-	115
Quilter & Co Limited	34,700	34,755	9,536	6,797
	471,982	74,743	47,970	9,024

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

<b>NOTE 7: CURRENT ASSETS - OTHER FINANCIAL ASSETS</b>	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Quoted investments at market value	<b>355,380</b>	280,793	-	-
Other investments at cost	<b>200,000</b>	-	-	-
	<b>555,380</b>	280,793	-	-

#### **NOTE 8: RECEIVABLES**

<b>(a) Current</b>				
Distributions receivable – Controlled entities	-	-	<b>223,858</b>	49,622
Debtors	<b>60,208</b>	13,714	-	-
	<b>60,208</b>	13,714	<b>223,858</b>	49,622
<b>(b) Non-current</b>				
Loans to controlled entities	-	-	<b>1,421,423</b>	1,294,155

#### **NOTE 9: NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS**

<b>Investments traded on organised markets</b>				
Shares in other corporations – at market value	<b>2,823,327</b>	2,863,248	<b>396,479</b>	538,608
<b>Other (non-traded) investments</b>				
Investments in controlled entities – at market value	-	-	<b>1,836,790</b>	1,380,747
<b>Total investments – at market value</b>	<b>2,823,327</b>	2,863,248	<b>2,233,269</b>	1,919,355

#### **NOTE 10: CONTRIBUTED EQUITY**

	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
<b>Share capital:</b>				
Ordinary shares – fully paid	<b>1,454,777</b>	1,411,789	<b>3,085,478</b>	2,978,694

<b>Details</b>	<b>Date</b>	<b>No. of shares</b>	<b>Issue Price</b>	<b>\$</b>
Opening balance	01/07/02	1,297,075		2,710,092
Rights issue	27/11/02	31,733	\$2.40	76,161
Share top up plan	27/11/02	21,500	\$2.40	51,600
Shares issued for cash	04/12/02	4,167	\$2.40	10,000
Dividend reinvestment plan	20/12/02	15,241	\$2.43	36,976
Shares issued for cash	15/01/03	2,250	\$2.40	5,400
Shares issued for cash	09/04/03	22,522	\$2.22	50,000
Dividend reinvestment plan	30/06/03	17,301	\$2.22	38,465
Dividend reinvestment plan	29/12/03	10,355	\$2.46	24,904
Shares issued for cash	13/02/04	22,732	\$2.46	55,920
Dividend reinvestment plan	25/06/04	10,101	\$2.57	25,960
		<u>1,454,777</u>		<u>3,085,478</u>



# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

<b>NOTE 11: RESERVES AND RETAINED PROFITS</b>	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(a) Reserves</b>				
General reserve	-	-	-	-
Asset revaluation reserve	361,765	(9,773)	241,528	(76,036)
Capital profits/(losses) reserve	(33,030)	38,890	163,629	91,221
	<u>328,735</u>	<u>29,116</u>	<u>405,157</u>	<u>15,184</u>
<b>Movements:</b>				
Asset revaluation reserve				
Opening balance	(9,773)	237,965	(76,036)	188,608
Revaluation of investments	299,619	(255,735)	389,973	(261,780)
Transfers to Capital Profits Reserve	71,919	7,997	(72,408)	(2,864)
Closing balance	<u>361,765</u>	<u>(9,773)</u>	<u>241,528</u>	<u>(76,036)</u>
Capital profits reserve				
Opening balance	38,890	46,886	91,221	88,357
Realisation of capital profits/(losses)	(71,920)	(7,997)	72,408	2,864
Closing balance	<u>(33,030)</u>	<u>38,890</u>	<u>163,629</u>	<u>91,221</u>
<b>(b) Retained profits</b>				
Retained profits at the beginning of the financial year	3,231,513	3,327,930	3,264,498	3,366,294
Total changes in equity recognised in the statement of financial performance	563,976	(241,315)	561,789	(246,694)
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	106,784	268,602	106,784	268,602
Dividends paid or provided	(128,605)	(123,704)	(128,605)	(123,704)
Total equity at the end of the financial year	<u>3,773,668</u>	<u>3,231,513</u>	<u>3,804,466</u>	<u>3,264,498</u>

#### NOTE 13: CONTROLLED ENTITIES

	<b>Class of Share</b>	<b>Interest Held</b>	
		<b>2004</b>	<b>2003</b>
		<b>%</b>	<b>%</b>
<b>Controlled entities:</b>			
Australian Index Fund Pty Ltd	ORD	100	100
Australia & International Holdings (No.2) Pty Ltd	ORD	100	100
Burrell Australian Equities Trust	UNITS	100	100
Burrell World equities Trust	UNITS	100	100

Both Australian Index Fund Pty Ltd and Australia & International Holdings (No.2) Pty Ltd are Australian controlled entities and are considered small proprietary companies as defined by the Corporations Law and are not required to be audited for statutory purposes.

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

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#### NOTE 14: DIVIDENDS

	Parent entity 2004	2003
	\$	\$

Final dividend of 4.5 cents (2003 – 4.5 cents) per fully paid share paid on 29 December 2003 (2003 – 20 December 2002)

Franked @ 30% - 4.5 cents per share

	63,529	60,952
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Interim dividend of 4.5 cents (2003 – 4.5 cents) per fully paid share paid on 25 June 2004 (2003 – 30 June 2003)

Franked @ 30% - 4.5 cents per share

	65,076	62,752
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	128,605	123,704
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Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2004 and 30 June 2003 were as follows:

Paid in cash

	77,741	72,489
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Satisfied by issue of shares

	50,864	51,215
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	128,605	123,704
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#### Dividend franking account:

The franked portion of the final dividends recommended after 30 June 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2005.

Franking credits available for subsequent financial years based on a tax rate of 30%

	100,282	77,671
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#### NOTE 15: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

##### (A) Interest Rate Risk

The economic entity is exposed to interest rate risk on its cash holdings, which are generally subject to floating interest rates.

The effective weighted average interest rate at balance date is 4.0% (2003 1.5%).

##### (B) Foreign Exchange Risk

The economic entity holds some investments and cash denominated in foreign currencies. These assets are not subject to any hedging arrangements. Fluctuations in exchange rates impact on the value of these investments and any movements in the value of investments caused by foreign exchange fluctuations are taken to the profit and loss account as either realised or unrealised gains or losses.

##### (C) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparts failed to perform as contracted.

The economic entity minimizes credit risk by undertaking transactions with recognised financial intermediaries with acceptable credit ratings determined by a recognized ratings agency.

##### (D) Net Fair Values of Financial Assets and Liabilities

The carrying value of financial assets and liabilities approximates net fair value. The carrying value of listed shares is determined by valuing them at the current market bid price, adjusted for transactions costs necessary to realise the asset.

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

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	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>NOTE 16: RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>				
Operating profit after tax	264,357	14,420	171,817	15,086
Net (gain)/loss on sale of investments	(44,792)	60,909	31,304	1,301
Net (gain)/loss on share trading and provision	(19,858)	(14,412)	-	-
Net exchange differences	(1,308)	4,185	(504)	685
Changes in operating assets and liabilities:				
<b>(Decrease)/Increase in assets/liabilities</b>				
(Increase)/decrease in debtors	(48,774)	122	549	-
(Increase) in receivables from controlled entities	-	-	(223,858)	(49,622)
(Decrease)/increase in provision for income tax	33,390	(32,948)	11,025	(18,083)
(Increase)/decrease in future income tax benefit	-	5,974	-	5,974
Increase in provision for deferred income tax	(1,712)	(3,117)	(1,743)	(2,783)
Increase/(decrease) in accrued expenses	(5,989)	10,785	(5,989)	10,785
(Decrease)/increase in creditors	-	1,526	-	1,490
(Decrease)/increase in provision for diminution	(69,307)	14,588	-	-
<b>Net cash inflow from operating activities</b>	<b>106,008</b>	<b>62,032</b>	<b>(17,399)</b>	<b>(35,167)</b>

#### NOTE 17: COMMITMENTS AND CONTINGENT LIABILITIES

There are no outstanding commitments for expenditure and the directors are not aware of any contingent liabilities that are likely to have a material effect on the results of the entity as disclosed in these financial statements.

#### NOTE 18: RELATED PARTIES

##### Directors

The names of each person holding the position of director of Australia & International Holdings Limited during the financial year were:

C. T. Burrell	B. C. E. Rowley
R. J. Burrell	P. W. J. McManus
F. J. Finn	

##### Directors holdings of shares:

Director:	2004 <u>No.</u>	2003 <u>No.</u>
Mr C. T. Burrell	435,418	424,970
Mr C. T. Burrell (Non-beneficially)	181,582	181,582
Mr R. J. Burrell	78,169	78,169
Professor F. J. Finn	27,799	24,833
Mr P. W. J. McManus	12,937	10,905
Mr B. C. E. Rowley	27,304	25,369

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

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#### NOTE 18: RELATED PARTIES (Cont'd)

##### Transactions of directors and director-related entities concerning shares or share options

Aggregate numbers of shares of Australia & International Holdings Limited acquired or disposed of by the directors of the company and consolidated entity or their director-related entities from the company:

	2004 No.	2003 No.
<b>Acquisitions</b>		
Ordinary shares, including shares issued under the Dividend Reinvestment plan, Rights issue and Share top-up plan.	76,698	41,038
<b>Disposals</b>	Nil	Nil

Transactions relating to dividends, issues of rights and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

##### Other transactions with directors and director-related entities

Mr C. T. Burrell is a director of Burrell Stockbroking, stock and sharebrokers. This firm provides stockbroking services to Australia & International Holdings Limited and its subsidiary, Australian Index Fund Pty Ltd. Brokerage paid by the economic entity to Burrell Stockbroking during the year amounted to \$28,268 (2003 \$15,894).

Mr R. J. Burrell was during the year a partner in the firm Phillips Fox, Lawyers. This firm renders legal advice to the economic entity in the ordinary course of business. There were no fees paid or accrued to Phillips Fox during the year by the economic entity (2003 \$8,786).

No other remuneration of benefit was received by any director of the economic entity during the financial year.

##### Wholly-Owned Group

Details of interests in wholly-owned entities are set out in Note 12. Details of dealings with these entities are set out below:

	<b>Parent entity</b> <b>2004</b>	2003
<i>Balances with Entities within the Wholly-Owned Group</i>	\$	\$
<b>Controlled Entity</b>		
Receivables – non-current		
Loan to Australian Index Fund Pty Ltd	476,836	415,336
Loan to Burrell Australian Equities Trust	412,157	349,315
Loan to Burrell World Equities Trust	532,430	529,504
	<b>1,421,413</b>	1,294,155

No interest was due to the company in relation to these receivables during the year.

##### Trusts

###### Investments – non-current

Investment in Burrell Australian Equities Trust	1,873,683	1,590,836
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# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2004

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<b>NOTE 18: RELATED PARTIES (Cont'd)</b>	<b>Parent entity</b>	
	<b>2004</b>	<b>2003</b>
	\$	\$
<b>Trusts (cont'd)</b>		
Distributions received or due and receivable by the Company from:		
Burrell Australian Equities Trust	<b>212,160</b>	45,535
Burrell World Equities Trust	<b>11,698</b>	4,087
	<b>223,858</b>	49,622

#### **NOTE 19: CORPORATE INFORMATION**

Australia & International Holdings Limited is a company limited by shares that is incorporated and domiciled in Australia.

The registered office of Australia & International Holdings Limited is located at:

Level 12, Riverside Centre  
123 Eagle Street, Brisbane, Queensland, 4000.

The principal activities of the company during the year were investing in equity markets.

#### **NOTE 20: EVENTS OCCURRING AFTER BALANCE DATE**

The directors were of the opinion that no matter or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect the operations, the results of those operations or the state of affairs of the economic entity in future financial years.

**AUSTRALIA & INTERNATIONAL HOLDINGS LIMITED**  
**DIRECTORS' DECLARATION**  
**FOR THE YEAR ENDED 30 JUNE 2004**

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In the opinion of the directors of Australia & International Holdings Limited (the Company):

- (a) the financial statements and notes, set out on pages 5 to 20, are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia 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 signed in accordance with a resolution of the directors.

Director.....  
C. T. Burrell

Director.....  
P. W. J. McManus

Dated at Brisbane,.....

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**INDEPENDENT AUDIT REPORT**  
**TO THE MEMBERS OF AUSTRALIA & INTERNATIONAL HOLDING LIMITED**  
**SEPARATE ATTACHMENT**

# Australia & International Holdings Limited

## Special Purpose Financial Report For the Year Ended 30 June 2004

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Income</b>				
Dividends received				
Dividends received – Australia	153,584	103,108	44,292	17,442
Dividends received – Overseas	14,925	13,767	3,252	3,955
Interest received				
Interest received – Australia	6,636	4,213	2,280	504
Interest received – Overseas	740	594	91	57
Trust distributions received	10,131	12,681	-	-
Trust distributions received – related entities	-	-	223,858	49,622
Other income	50,839	150	-	-
Net gains on sale of investments	44,792	(60,909)	(31,304)	(1,301)
Unrealised exchange gains/(losses)	1,308	(4,185)	504	(685)
Net gains and losses from share trading and provision	89,165	(173)	-	-
	<b>372,121</b>	<b>69,246</b>	<b>242,973</b>	<b>69,594</b>
<b>Less: Expenses</b>				
Accounting fees	3,240	2,000	3,240	2,000
Audit fees	10,500	5,500	10,500	5,500
Bank charges – Australia	107	518	14	42
Bank charges – Overseas	1,142	700	162	-
Filing fees	2,280	1,600	1,880	1,600
General expenses	1,211	930	1,208	901
Interest expense	57	15	-	-
Legal fees	-	15,498	-	15,298
Non-deductible expenses	417	308	417	308
Printing & stationery	900	900	900	900
Secretarial expenses	26,400	29,640	26,400	29,640
Cleaning	540	540	540	540
Electricity	480	480	480	480
Insurance	540	540	540	540
Managed portfolio fees	7,854	7,416	7,464	6,331
	<b>55,668</b>	<b>66,585</b>	<b>53,745</b>	<b>64,080</b>
<b>Operating profit before income tax</b>	<b>316,453</b>	<b>2,661</b>	<b>189,228</b>	<b>5,514</b>