

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 June 2006

The directors present their report together with the financial report of Australia & International Holdings Limited ("the Company") and the consolidated financial report of the economic entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the 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 Previously Chief Executive, Suncorp Insurance & Finance 1986 - 1996. Director since 1998. Appointed Chairman 2002. Director of River City Motor Way.
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.	Partner, Phillips Fox Lawyers. 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.
Mr. Paul W. J. McManus (Deceased - 22 August 2005) F.C.A., A.S.C.P.A., F.C.I.S.	Director of Queensland & Oil Shale Mining Superannuation Fund. Former Director of the Coal Mining Industry Long Service Leave Funding Corporation. Formerly Trust Secretary and Treasurer of a Coal Mining & Investment Company Group. Previous 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 June 2006

Company Secretary

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

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	2	2
R. J. Burrell	2	2
F. J. Finn	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 June 2006 was 19.73%. This comprised 12.0 cents of dividends plus the increase in net assets from \$2.99 to \$3.46.

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 year ended 30 June 2006, this returned 17.73%. For the domestic benchmark, we use the All Ordinaries Accumulation Index, which returned 24.2%.

Therefore, a return on our theoretical portfolio for the year ended 30 June 2006 is calculated as:

$$(\text{Aust. asset weight} \times \% \text{chg. ASX All Ords Accum Index}) + (\text{Overseas asset weight} \times \% \text{chg. MSCI Index}) = (75\% \times 24.2\%) + (25\% \times 17.73\%) = 22.58\%$$

For clarity we would emphasise that the returns from the All Ordinaries and the MSCI World indices are **gross returns**, whereas the return that you as a shareholder 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 30 June 2006

Principal Activities

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Operating Profit for the year after income tax	345,972	418,897	149,878	176,211

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.

In January 2006 AIH issued a prospectus to enable new and existing investors to participate in the benefits offered by an investment in the Company. An amount of \$450,987, net of costs was raised under the prospectus.

In addition \$40,337 was raised under the dividend reinvestment plan.

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 2005 amounted to \$76,540 and was paid on 8th December 2005.

An interim, fully franked, ordinary dividend of 5 cents per share amounting to \$92,216 was paid on 26th June 2006.

A special fully franked dividend of 2 cents per share amounting to \$25,068 was paid on 26th June 2006.

Events Subsequent to Balance Date

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

- the economic entity's operations in future years, or
- the results of those operations in future financial years, or
- 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 June 2006 is **\$3.46** (2005 \$2.99).

Likely Developments

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

Australia & International Holdings Limited

Directors' Report (Cont'd)

For the Year Ended 30 June 2006

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 at Note 18, in the Notes to and forming part of the Financial Statements for the year ended 30 June 2006.

With the exception of the foregoing, since 30 June 2005 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 June 2006 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.

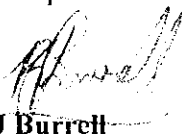
Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 22 to this report.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 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.



R J Burrell
Director

Dated at Brisbane, 8 November 2006



F J Finn
Director

8 November 2006

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

Auditor's Independence Declaration

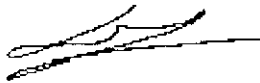
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australia & International Holdings Limited.

As lead audit partner for the audit of the financial report of Australia & International Holdings Limited and its consolidated entities for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

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

Yours faithfully

Hacketts



Liam J Murphy
Audit Partner

Australia & International Holdings Limited
Income Statement
For the Year Ended 30 June 2006

	Notes	Consolidated		Parent entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue	3	490,202	545,464	202,172	245,461
Accountancy and audit fees		(25,242)	(19,040)	(25,242)	(19,040)
Managed portfolio fees		(35,100)	(5,874)	(3,460)	(1,320)
Secretarial expenses		(20,000)	(20,200)	(20,000)	(20,200)
Legal expenses		(9,094)	(5,414)	(8,889)	(5,202)
Other expenses		(9,477)	(6,872)	(6,188)	(4,682)
Profit before income tax		391,289	488,064	138,393	195,017
Income tax (expense)/benefit	5(a)	(45,317)	(69,167)	11,485	(18,806)
Profit for the year		345,972	418,897	149,878	176,211
Profit attributable to members of Australia & International Holdings Limited		345,972	418,897	149,878	176,211

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 30 June 2006

	Note	Consolidated		Parent	
		2006	2005	2006	2005
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	6	187,293	165,491	26,011	11,629
Receivables	8(a)	131,612	103,357	176,095	223,330
Current tax benefits	5(c)	-	-	13,239	-
Other financial assets	7	961,772	806,831	-	-
Total Current Assets		1,280,677	1,075,679	215,345	234,959
Non-Current Assets					
Receivables	8(b)	-	-	2,174,285	1,713,467
Other financial assets	9	5,083,473	3,782,247	4,105,688	2,914,095
Deferred tax asset	5(e)	1,699	2,509	1,699	2,509
Total Non-Current Assets		5,085,172	3,784,756	6,281,672	4,630,071
Total Assets		6,365,849	4,860,435	6,497,017	4,865,030
Current Liabilities					
Payables		115,982	10,980	10,807	10,945
Current tax liability	5(b)	6,146	58,911	-	12,839
Total Current Liabilities		122,128	69,891	10,807	23,784
Non Current Liability					
Deferred tax liability	5(d)	401,504	212,973	400,803	212,308
Total Non Current Liabilities		401,504	212,973	400,803	212,308
Total Liabilities		523,632	282,864	411,610	236,092
Net Assets		5,842,217	4,577,571	6,085,407	4,628,938
Equity					
Issued capital	10	3,779,193	3,287,869	3,779,193	3,287,869
Reserves	11(a)	1,320,593	699,419	1,848,036	838,945
Retained Profits	11(b)	742,431	590,283	458,178	502,124
Total Equity	12	5,842,217	4,577,571	6,085,407	4,628,938

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 Year Ended 30 June 2006

	Notes	Consolidated		Parent	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash flows from operating activities					
Dividends received		176,830	133,854	18,511	18,689
Interest received		7,463	12,749	1,220	2,625
Trust distributions received		11,097	11,782	-	-
Income taxes (paid)/refunded		(97,205)	(31,228)	(13,783)	(6,933)
Other expenses paid/income received		(25,232)	(9,573)	(64,502)	(52,782)
Net cash provided by (used in) operating activities	16	72,953	117,584	(58,554)	(38,401)
Cash flows from investing activities					
Proceeds from sale of investments		2,296,900	1,576,906	15,523	38,899
Purchases of investments		(2,648,364)	(2,045,905)	(2,819)	(18,113)
Net cash provided by (used in) investing activities		(351,464)	(468,999)	12,704	20,786
Cash flows from financing activities					
Share application monies received		491,325	202,121	491,324	202,121
Loans (to)/from controlled entities		-	-	(237,757)	(68,186)
Dividends paid		(193,787)	(151,524)	(193,787)	(151,524)
Net cash provided by (used in) financing activities		297,538	50,597	59,780	(17,589)
Net (decrease)/increase in cash held		19,027	(300,818)	13,930	(35,204)
Cash at beginning of financial year		165,491	471,982	11,629	47,970
Effects of exchange rate fluctuations on the balances held in foreign currencies		2,775	(5,673)	452	(1,137)
Cash at end of financial year	6	187,293	165,491	26,011	11,629

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 Year Ended 30 June 2006

Parent:	Share capital \$	Capital profit reserve \$	Asset revaluation reserve \$	Retained profits \$	Total \$
As at 1st July, 2004	3,085,478	163,629	241,528	313,831	3,804,466
Reallocation of capital profit reserve	-	(163,629)	-	163,629	-
Issue of shares	202,391	-	-	-	202,391
Profit attributable to members	-	-	-	176,211	176,211
Dividends paid or provided	-	-	-	(151,547)	(151,547)
Increase in asset revaluation reserve	-	-	597,417	-	597,417
As at 30th June 2005	3,287,869	-	838,945	502,124	4,628,938
Issue of shares	526,636	-	-	-	526,636
Share application costs	(35,312)	-	-	-	(35,312)
Profit attributable to members	-	-	-	149,878	149,878
Dividends paid or provided	-	-	-	(193,824)	(193,824)
Increase in asset revaluation reserve	-	-	1,009,091	-	1,009,091
As at 30th June 2006	3,779,193	-	1,848,036	458,178	6,085,407
Consolidated:	\$	\$	\$	\$	\$
As at 1st July, 2004	3,085,478	(33,030)	361,765	359,455	3,773,668
Adoption of AASB 138	-	-	-	(3,492)	(3,492)
Reallocation of capital profit reserve	-	33,030	-	(33,030)	-
Issue of shares	202,391	-	-	-	202,391
Profit attributable to members	-	-	-	418,897	418,897
Dividends paid or provided	-	-	-	(151,547)	(151,547)
Increase in asset revaluation reserve	-	-	337,654	-	337,654
As at 30th June 2005	3,287,869	-	699,419	590,283	4,577,571
Issue of shares	526,636	-	-	-	526,636
Share application costs	(35,312)	-	-	-	(35,312)
Profit attributable to members	-	-	-	345,972	345,972
Dividends paid or provided	-	-	-	(193,824)	(193,824)
Increase in asset revaluation reserve	-	-	621,174	-	621,174
As at 30th June 2006	3,779,193	-	1,320,593	742,431	5,842,217

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 Year Ended 30 June 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Australia & International Holdings Ltd comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 124 *Related Party Disclosures*.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Australia & International Holdings Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Australia & International Holdings Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Australia & International Holdings Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in Note 22.

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 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.

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

(e) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(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.

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

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

(f) Investments (Cont'd)

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.

(h) Derivatives

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

(i) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

(j). Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

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

(j). Financial Instruments (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories.

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 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.

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.

Primary reporting – business segments

2006	Australian Long Term Shares	Overseas Long Term Shares	Share Trading Portfolio	Inter-segment allocations/ eliminations	Consolidated
	\$	\$	\$	\$	\$
Dividend income	144,012	19,470	13,348	-	176,830
Interest income	3,301	764	3,398	-	7,463
Trust income	8,853	568	1,675	-	11,097
Other income	169	-	61,238	-	61,407
Unrealised foreign exchange movements	-	2,775	-	-	2,775
Fair value movement in financial assets	-	-	50,901	-	50,901
Profit on trading in options	-	-	14,679	-	14,679
Profit on sale of investments	33,480	19,951	111,619	-	165,050
Total segment revenue	189,816	43,528	256,858	-	490,202
Segment result	189,585	40,230	250,895	-	480,710
Unallocated expenses					(89,421)
Profit from ordinary activities before income tax					391,289
Income tax (expense)/benefit					(45,317)
Profit from ordinary activities after income tax expense					345,972
Segment assets	4,250,535	1,155,934	957,681		6,364,150
Unallocated assets					1,699
Total assets					6,365,849

Australia & International Holdings Limited
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2006

NOTE 2: SEGMENT INFORMATION (Cont'd)

	Australian Long Term Shares	Overseas Long Term Shares	Share Trading Portfolio	Inter-segment allocations/ eliminations	Consolidated
Segment liabilities	(35)	(105,155)	-	-	(105,190)
Unallocated liabilities					(418,442)
Total liabilities					(523,632)
Net cash inflow from operating activities	230,342	17,503	18,421	(193,313)	72,953
Primary reporting – business segments					
2005	\$	\$	\$	\$	\$
Dividend income	101,401	20,506	12,251	-	134,158
Interest income	7,587	812	4,046	-	12,445
Trust income	11,782	-	-	-	11,782
Other income	-	-	84,485	-	84,485
Unrealised foreign exchange movements	-	(5,670)	-	-	(5,670)
Fair value movement in financial assets			113,708		113,708
Gain on sale of investments	106,427	4,070	12,844		123,341
Total segment revenue	227,197	19,718	227,334	-	474,249
Segment result	289,018	18,230	235,069	-	542,317
Unallocated expenses					(54,253)
Profit from ordinary activities before income tax					488,064
Income tax (expense)/benefit					(69,167)
Profit from ordinary activities after income tax expense					418,897
Segment assets	3,134,273	849,663	877,482	-	4,861,418
Unallocated assets					2,509
Total assets					4,863,927
Segment liabilities	(35)	-	-	-	(35)
Unallocated liabilities					(282,829)
Total liabilities					(282,864)
Net cash inflow from operating activities	170,765	19,881	16,247	(89,309)	117,584

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

NOTE 3: REVENUE

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
Operating activities				
Net gain on sale of investments	179,729	194,557	6,713	2,221
Dividend income	176,830	133,853	18,511	18,688
Interest	7,463	12,749	1,220	2,625
Trust distributions	11,097	11,782	-	-
Trust distributions – BAET & BWET	-	-	175,275	223,061
	375,119	352,941	201,719	246,595
Revenue from outside operating activities				
Fair value adjustments on financial assets	50,901	113,708	-	-
Unrealised exchange gains	2,775	(5,670)	453	(1,134)
Other income	61,407	84,485	-	-
	115,083	192,523	453	(1,134)
Total revenue from ordinary activities	490,202	545,464	202,172	245,461

NOTE 4: PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX

Expenses

Foreign exchange losses	-	(5,670)	-	(1,134)
Auditors remuneration				
Audit of the financial statements	10,000	9,600	10,000	9,600
Other services	-	-	-	-
	10,000	9,600	10,000	9,600

NOTE 5: TAX

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) The components of tax expense / (benefit) comprise:				
Current tax	43,704	66,243	(11,202)	17,049
Deferred tax	1,613	771	(283)	57
Overprovision in respect of previous years	-	2,153	-	1,700
	45,317	69,167	(11,485)	18,806

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

NOTE 5: TAX (Continued)	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)	117,387	146,419	41,518	58,505
Add: tax effect of				
Non-deductible entertainment and fines	62	468	-	-
Underprovision from previous year	-	2,153	-	1,700
	117,387	148,572	41,518	60,205
Less: tax effect of				
Fair value adjustments on financial assets	(15,270)	(19,169)	-	(13,474)
Imputation credits	(42,663)	(35,506)	(50,990)	(27,925)
Capital profits not subject to income tax	(11,499)	(24,122)	(2,013)	-
Other	(2,638)	(608)	-	-
Income tax expense attributable to entity	45,317	69,167	(11,485)	18,806
The weighted average effective tax rates are as follows:	12%	14%	(8.3%)	10%
There has been no significant change in the tax rate for the consolidated entity. The change in the effective tax rate for the parent entity is due to significant capital profits and imputation credits in the current financial year.				
(c) Current tax liabilities				
Movements during the year:				
Balance at the beginning of the year	58,911	17,454	12,839	(2,716)
Income tax (paid)/refunded	(97,205)	(31,237)	(13,783)	(6,930)
Adjustment to previous tax expense	(877)	3,527	(810)	3,679
Current year's income tax expense/(recovery) on operating profit	45,317	69,167	(11,485)	18,806
	6,146	58,911	(13,239)	12,839
(d) Deferred tax liabilities				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on:				
Deferred company fund instalment	-	9	-	9
Unrealised foreign exchange gains	(2,533)	665	(476)	-
Unrealised capital gains	404,037	212,299	401,279	212,299
Total Deferred Tax Liabilities	401,504	212,973	400,803	212,308
Reconciliation: Deferred tax liabilities				
Gross movements				
The overall movement in the deferred tax account is as follows:				
Opening balance	212,973	112,728	212,308	138,301
Charged to the income statement	(3,207)	665	(476)	349
Charged to the income statement	191,738	99,580	188,971	73,667
Closing balance	401,504	212,973	400,803	212,308

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

NOTE 5: TAX (Continued)	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
The movement in deferred tax liability for each temporary difference during the year is as follows:				
Deferred company fund instalment	-	9	-	9
Financial asset revaluations				
Opening balance	212,299	112,719	211,959	138,292
Charged to financial asset revaluation reserve	191,738	100,245	188,844	73,667
Closing balance	404,037	212,973	400,803	211,959
Unrealised foreign exchange gains				
Opening balance	665	-	340	-
Charged to income statement	(3,198)	665	(476)	340
Closing balance	(2,533)	665	(136)	340
(e) Deferred tax assets				
Deferred tax assets comprises the estimated future benefit at the applicable rate of 30% on:				
Business related capital expenditure	1,699	2,509	1,699	2,509
Total Deferred Tax Assets	1,699	2,509	1,699	2,509
Reconciliation: Deferred tax assets				
Gross movements				
The overall movement in the deferred tax account is as follows:				
Business Related Capital Expenditure				
Opening balance	2,509	945	2,509	945
Charged to the income statement	(810)	1,564	(810)	1,564
Closing balance	1,699	2,509	1,699	2,509
NOTE 6: CASH AND CASH EQUIVALENTS	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash at bank	107,019	81,511	10,982	(1,232)
AUD bank account – Rahn & Bodmer	800	137	-	-
USD bank account – Rahn & Bodmer	358	152	-	-
CHF Bank account – Rahn & Bodmer	14,811	42,247	-	-
EUR bank account – Rahn & Bodmer	1,865	770	-	-
Fortrend USD Bank Account	2,271	-	-	-
Quilter & Co Limited	60,169	40,674	15,029	12,861
	187,293	165,491	26,011	11,629

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

NOTE 7: CURRENT ASSETS - OTHER FINANCIAL ASSETS

(a) Financial assets at fair value through profit and loss

Quoted investments at fair value (refer Note 1(j))	761,772	606,831	-	-
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(b) Financial assets – available for sale

Other investments at cost (refer Note 1(j))	200,000	200,000	-	-
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Total current other financial assets	961,772	806,831	-	-
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NOTE 8: RECEIVABLES

(a) Current

Distributions receivable – Controlled entities	-	-	175,275	223,061
Debtors	131,612	103,357	820	269
	131,612	103,357	176,095	223,330

(b) Non-current

Loans to controlled entities	-	-	2,174,285	1,713,467
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NOTE 9: NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

(a) Financial assets – available for sale

Shares in other corporations – at fair value (refer Note 1(j))	5,083,473	3,782,247	476,235	408,517
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(b) Financial assets – available for sale

Investments in controlled entities – at fair value (refer Note 1(j))	-	-	3,629,363	2,505,578
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Total non-current other financial assets	5,083,473	3,782,247	4,105,688	2,914,095
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Australia & International Holdings Limited
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2006

NOTE 10: ISSUED CAPITAL	Shares	Shares	2006 \$	2005 \$
Share capital:				
Ordinary shares – fully paid	1,688,428	1,530,795	3,779,193	3,287,869
Details	Date	No. of shares	Issue Price	\$
Opening balance	01/07/05	1,530,795		3,287,869
Shares issued for cash	09/02/06	150	\$3.27	491
Shares issued for cash	24/02/06	1,529	\$3.27	5,000
Shares issued for cash	01/03/06	3,000	\$3.27	9,810
Shares issued for cash	28/03/06	11,848	\$3.27	38,743
Shares issued for cash	29/03/06	19,000	\$3.27	62,130
Shares issued for cash	31/03/06	9,200	\$3.25	29,900
Shares issued for cash	31/03/06	12,500	\$3.27	40,875
Shares issued for cash	19/04/06	3,000	\$3.27	9,810
Shares issued for cash	22/04/06	786	\$3.27	2,570
Shares issued for cash	24/04/06	21,000	\$3.27	68,670
Shares issued for cash	28/04/06	21,150	\$3.27	69,161
Shares issued for cash	04/05/06	25,100	\$3.52	88,352
Shares issued for cash	30/05/06	8,287	\$3.52	29,170
Shares issued for cash	16/06/06	9,258	\$3.42	31,617
Dividend reinvestment plan	26/06/06	11,825	\$3.42	40,337
Share issue costs				(35,312)
		1,688,428		3,779,193
NOTE 11: RESERVES AND RETAINED PROFITS	2006 \$	2005 \$	2006 \$	2005 \$
(a) Reserves				
Asset revaluation reserve	1,320,593	699,419	1,848,036	838,945
Movements:				
Asset revaluation reserve				
Opening balance	699,419	361,765	838,945	241,528
Revaluation of investments	621,174	337,654	1,009,091	597,417
Closing balance	1,320,593	699,419	1,848,036	838,945
(b) Retained profits				
Retained profits at beginning of the financial year	590,283	322,933	502,124	477,460
Net profit attributable to members of Australia & International Holdings Limited	345,972	418,897	149,878	176,211
Dividends paid or provided for	(193,824)	(151,547)	(193,824)	(151,547)
Retained profits at the end of the financial year	742,431	590,283	458,178	502,124

AUSTRALIA & INTERNATIONAL HOLDINGS LIMITED

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

NOTE 12: EQUITY	2006	2005	2006	2005
	\$	\$	\$	\$
Retained profits at the beginning of the financial year	4,577,571	3,770,176	4,628,938	3,804,466
Total changes in equity recognised in the income statement incl. asset revaluation reserve	967,146	756,551	1,158,969	773,628
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	491,324	202,391	491,324	202,391
Dividends paid or provided	(193,824)	(151,547)	(193,824)	(151,547)
Total equity at the end of the financial year	<u>5,842,217</u>	<u>4,577,571</u>	<u>6,085,407</u>	<u>4,628,938</u>

NOTE 13: CONTROLLED ENTITIES

	Class of Share	Interest Held 2006 %	2005 %
Controlled entities:			
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.

NOTE 14: DIVIDENDS

	Parent entity 2006 \$	2005 \$
Final dividend of 5.0 cents (2005 – 5.0 cents) per fully paid share paid on 8 December 2005 (2005 – 15 December 2004)		
Franked @ 30% - 5.0 cents per share	76,540	74,917
Interim dividend of 5.0 cents (2005 – 5.0 cents) per fully paid share paid on 26 June 2006 (2005 – 30 June 2005)		
Franked @ 30% - 5.0 cents per share	92,216	76,630
Special dividend of 2.0 cents per fully paid share paid on 26 June 2006		
Franked @ 30%	25,068	-
	<u>193,824</u>	<u>151,547</u>
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2006 and 30 June 2005 were as follows:		
Paid in cash	153,487	126,086
Satisfied by issue of shares	40,337	25,461
	<u>193,824</u>	<u>151,547</u>

Dividend franking account:

The franked portion of the final dividends recommended after 30 June 2006 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 2007.

Franking credits available for subsequent financial years based on a tax rate of 30%	<u>98,127</u>	<u>104,329</u>
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Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

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 3.5% (2005 3.4%).

(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 minimises credit risk by undertaking transactions with recognised financial intermediaries with acceptable credit ratings determined by a recognised 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.

NOTE 16: RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Operating profit after tax	345,972	418,897	149,878	176,211
Net (gain)/loss on sale of investments	(165,050)	(185,333)	(6,713)	(2,221)
Net (gain)/loss on option trading and provision	(14,679)	(9,230)	-	-
Net exchange differences	(2,775)	5,673	(452)	1,134
Changes in operating assets and liabilities:				
(Increase)/decrease in debtors	12,448	(36,358)	(551)	(2,037)
(Increase)/decrease in receivables from controlled entities	-	-	(175,275)	(223,061)
(Increase)/decrease in future income tax benefit	810	(1,563)	810	(1,563)
(Decrease)/increase in accrued expenses	(175)	(300)	(173)	(300)
(Decrease)/increase in provision for income tax	(52,734)	41,841	(26,078)	15,552
(Decrease)/increase in provision for deferred income tax	36	(2,339)	-	(2,116)
(Decrease)/increase in provision for diminution	(50,900)	(113,704)	-	-
Net cash inflow from operating activities	72,953	117,584	(58,554)	(38,401)

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

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	

<u>Directors holdings of shares:</u>	2006	2005
Director:	<u>No.</u>	<u>No.</u>
Mr C. T. Burrell	150,813	446,296
Mr C. T. Burrell (Non-beneficially)	503,294	181,582
Mr R. J. Burrell	78,169	78,169
Professor F. J. Finn	29,846	28,804
Mr P. W. J. McManus	14,795	14,795
Mr B. C. E. Rowley	29,314	28,291

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:

	2006	2005
	<u>No.</u>	<u>No.</u>
Acquisitions		
Ordinary shares, including shares issued under the Dividend Reinvestment plan, Rights issue and Share top-up plan.	11,825	14,728
Disposals	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 and Mr B C E Rowley are directors 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 \$35,100 (2005: \$41,958).

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. The fees paid or accrued to Phillips Fox during the year by the economic entity were \$18,607 (2005: \$643).

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

NOTE 18: RELATED PARTIES (Cont'd)

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 13. Details of dealings with these entities are set out below:

<i>Balances with Entities within the Wholly-Owned Group</i>	Parent entity	
	2006	2005
	\$	\$
Controlled Entity		
Receivables – non-current		
Loan to Australian Index Fund Pty Ltd	557,249	545,249
Loan to Australian and International Trust	913,978	578,797
Loan to Burrell World Equities Trust	703,058	589,421
	<u>2,174,285</u>	<u>1,713,467</u>

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	3,174,899	2,348,539
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Distributions received or due and receivable by the Company from:

Burrell Australian Equities Trust	145,188	214,196
Burrell World Equities Trust	30,087	8,865
	<u>175,275</u>	<u>223,061</u>

NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION

No remuneration or other benefits were received by any directors or specified executives of the consolidated entity in either the current or prior financial years.

NOTE 20: 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:

Christie Corporate Building, Suite 6, Level 4
320 Adelaide Street, Brisbane, Queensland, 4000.

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

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

NOTE 21: EVENTS OCCURRING AFTER BALANCE DATE

The directors were of the opinion that no matter or circumstance has arisen since 30 June 2006 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.

NOTE 22. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Previous AGAAP \$	Parent Effect of transition \$	AIFRS \$	Previous AGAAP \$	Consolidated Effect of transition \$	AIFRS \$
Current Assets						
Cash assets	47,970	-	47,970	471,982	-	471,982
Receivables	223,858	-	223,858	60,208	-	60,208
Current tax benefits	2,716	-	2,716	-	-	-
Other financial assets	-	-	-	555,380	-	555,380
Total Current Assets	274,544	-	274,544	1,087,570	-	1,087,570
Non-Current Assets						
Receivables	1,421,423	-	1,421,423	-	-	-
Other financial assets	2,233,269	-	2,233,269	2,823,327	-	2,823,327
Deferred tax asset	945	-	945	945	-	945
Other (A)	-	-	-	3,492	(3,492)	-
Total Non-Current Assets	3,655,637	-	3,655,637	2,827,764	(3,492)	2,824,272
Total Assets	3,930,181	-	3,930,181	3,915,334	(3,492)	3,911,842
Current Liabilities						
Payables	13,263	-	13,263	10,872	-	10,872
Current tax liability	-	-	-	17,454	-	17,454
Total Current Liabilities	13,263	-	13,263	28,326	-	28,326
Non Current Liability						
Deferred tax liability	112,452	-	112,452	113,340	-	113,340
Total Non Current Liabilities	112,452	-	112,452	113,340	-	113,340
Total Liabilities	125,715	-	125,715	141,666	-	141,666
Net Assets	3,804,466	-	3,804,466	3,773,668	(3,492)	3,770,176
Equity						
Contributed Equity	3,085,478	-	3,085,478	3,085,478	-	3,085,478
Reserves (B)	405,157	(163,629)	241,528	328,735	33,030	361,765
Retained Profits	313,831	163,629	477,460	359,455	(36,522)	322,933
Total Equity	3,804,466	-	3,804,466	3,773,668	(3,492)	3,770,176

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

Note 22. Impacts of Adopting Australian Equivalents to IFRS (Cont'd)

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(b) At the date of the last reporting period under previous AGAAP: 30 June 2005

	Previous AGAAP	Parent Effect of transition	AIFRS	Previous AGAAP	Consolidated Effect of transitio n	AIFRS
	\$	\$	\$	\$	\$	\$
Current Assets						
Cash assets	11,629	-	11,629	165,491	-	165,491
Receivables	223,330	-	223,330	103,357	-	103,357
Current tax benefits	-	-	-	-	-	-
Other financial assets	-	-	-	806,831	-	806,831
Total Current Assets	234,959	-	234,959	1,075,679	-	1,075,679
Non-Current Assets						
Receivables	1,713,467	-	1,713,467	-	-	-
Other financial assets	2,914,095	-	2,914,095	3,782,247	-	3,782,247
Deferred tax asset	2,509	-	2,509	2,509	-	2,509
Other (A)	-	-	-	3,492	(3,492)	3,492
Total Non-Current Assets	4,630,071	-	4,630,071	3,788,248	(3,492)	3,788,248
Total Assets	4,865,030	-	4,865,030	4,863,297	(3,492)	4,863,297
Current Liabilities						
Payables	10,945	-	10,945	10,980	-	10,980
Current tax liability	12,839	-	12,839	58,911	-	58,911
Total Current Liabilities	23,784	-	23,784	69,891	-	69,891
Non Current Liability						
Deferred tax liability	212,308	-	212,308	212,973	-	212,973
Total Non Current Liabilities	212,308	-	212,308	212,973	-	212,973
Total Liabilities	236,092	-	236,092	282,864	-	282,864
Net Assets	4,628,938	-	4,628,938	4,581,063	(3,492)	4,581,063
Equity						
Contributed Equity	3,287,869	-	3,085,478	3,287,869	-	3,287,869
Reserves (B)	1,008,587	(169,642)	838,945	728,381	(28,962)	699,419
Retained Profits	332,482	169,642	502,124	564,813	25,470	590,283
Total Equity	4,628,938	-	4,628,938	4,581,063	(3,492)	4,581,063

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2006

Note 22. Impacts of Adopting Australian Equivalents to IFRS (Cont'd)

(2) Reconciliation of profit for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the income statement.

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement

Explanation of transition to Australian equivalents to IFRSs

A This is the write-off of capitalised legal fees as at 1 July 2004 as they have been considered to be non-recoverable.

B This is the effect of the reclassification of the capital profits reserve to retained earnings as at 1 July 2004.

AUSTRALIA & INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2006

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

- (a) the financial statements and notes, set out on pages 6 to 27, 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 2006 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.....
R. J. Burrell

Director.....
F J Finn

Dated at Brisbane,

8th NOVEMBER, 2006.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AUSTRALIA & INTERNATIONAL HOLDINGS LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Australian and International Holdings Limited (the Company) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

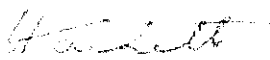
Independence

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.

Audit Opinion

In our opinion, the financial report of Australian and International Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.


Hacketts Chartered Accountants
Brisbane, 8 November 2006


Liam Murphy
Audit Partner