

# **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 2007

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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 2007 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
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Mr. Bernard C. E. Rowley Fellow of Institute of Actuaries of Australia. Fellow of Australian and New Zealand Institute of Insurance and Finance. Chairman of Directors.	Chairman, Queensland Power Trading Corporation (Enertrade) Chairman Cuna Mutual Group. Chairman, Burrell Stockbroking Pty Ltd Director, Rivercity Motorway Group Director, Texon Petroleum Ltd Previously Chief Executive, Suncorp Insurance & Finance 1986 - 1996. Director since 1998. Appointed Chairman 2002.
Mr. Christopher T. Burrell MFM, B.Com. (Hons), L.L.B. (Hons), F.C.A., SF Fin, M.S.D.I.A	Managing Director, Burrell Stockbroking, Stockbroking & Superannuation, since 1997. Former Partner, Coopers & Lybrand, Chartered Accountants for 15 years. Previous Director, Queensland, electricity retailer, ERGON. Former Member, Industrial Research & Development Committee within the Commonwealth Department of Industry, Science and Resources. Former State Councilor for the Securities Institute of Australia. Director since 1983. Chairman 1983 – 2002.
Mr. Roger J. Burrell B.Com., L.L.B., F Fin. Diploma of Financial Services	Director & Chief Executive Officer of Access Funds Management Ltd Director of Multiple Sclerosis Australia Vice president of Multiple Sclerosis Society of Queensland Legal Consultant to DLA Phillips Fox, QM Properties Group and Property Solutions Group. Former Partner of national law firms Clayton Utz 1987-2000 and Phillips Fox 2000-2006. Director since 1987.
Mr Ronald A. Higham B Bus, MFM, F.C.A., SA Fin.	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. Director since 2006.
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.

# Australia & International Holdings Limited

## Directors' Report continued

For the Year Ended 30 June 2007

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### 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	3	4
R. J. Burrell	4	4
F. J. Finn	4	4
B. C. E. Rowley	3	4
R. Higham	4	4

### 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 2007 was 17.05%. This comprised 13.0 cents of dividends plus the increase in net assets from \$3.46 to \$3.92.

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 2007, this returned 5.84%. For the domestic benchmark, we use the All Ordinaries Accumulation Index, which returned 30.28%.

Therefore, a return on our theoretical portfolio for the year ended 30 June 2007 is calculated as:

$$\begin{aligned} & (\text{Aust. asset weight} \times \% \text{chg. ASX All Ords Accum Index}) + (\text{Overseas asset weight} \times \% \text{chg. MSCI Index}) \\ &= (75\% \times 30.28\%) + (25\% \times 5.84\%) = 24.17\% \end{aligned}$$

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 you receive from AIH is fully franked.

# Australia & International Holdings Limited

## Directors' Report continued

### For the Year Ended 30 June 2007

The Company introduced modern portfolio services several years ago, initially via Tower Trust and then via Burrell Stockbroking Pty Ltd. These services allow for the reporting of portfolio returns. The returns are gross market returns less direct brokerage and portfolio expenses. For the 2007 year, these returns are shown on the portfolio printouts as follows:

30 June 2007	
Australian & International Trust (Domestic portfolio)	21.89%
Australian & International Trust (International Portfolio)	4.31%
Trading subsidiary	26.95%

### Principal Activities

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Operating Profit for the year after income tax</b>	564,378	345,972	141,303	149,878

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

### State of Affairs

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

### Dividends Paid or Recommended

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

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

An interim, fully franked, ordinary dividend of 5 cents per share amounting to \$86,789 was paid on 27<sup>th</sup> June 2007.

A special fully franked dividend of 3 cents per share amounting to \$52,073 was paid on 27<sup>th</sup> June 2007.

### Events Subsequent to Balance Date

No matter or circumstance has arisen since 30 June 2007 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.

# Australia & International Holdings Limited

## Directors' Report continued

For the Year Ended 30 June 2007

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### Environmental Regulations

The Company's operations are such that they are not materially affected by environmental regulations.

### Net Assets Per Share

Net assets per share for the economic entity as at 30 June 2007 is **\$3.92** (2006 \$3.46).

### Likely Developments

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

The company intends to list on the National Stock Exchange of Australia. The anticipated time for this event is mid November 2007.

### 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 19, in the Notes to and forming part of the Financial Statements for the year ended 30 June 2007.

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 2007 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.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 5 of the directors' report.

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



**C. T. Burrell**  
**Director**  
**Dated at Brisbane,**



**B. C. Rowley**  
**Director**

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28<sup>th</sup> September 2007

The Board of Directors  
Australia & International Holdings Limited  
Level 4, 24 Little Edward Street  
Spring Hill  
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 2007, I declare that to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) 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 2007

		Consolidated		Parent entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
<b>Revenue</b>	<b>3</b>	<b>777,638</b>	490,202	<b>283,065</b>	202,172
Accountancy and audit fees		<b>(36,125)</b>	(25,242)	<b>(36,125)</b>	(25,242)
Managed portfolio fees		<b>(48,385)</b>	(35,100)	<b>(4,760)</b>	(3,460)
Secretarial expenses		<b>(24,000)</b>	(20,000)	<b>(24,000)</b>	(20,000)
Legal expenses		<b>(13,316)</b>	(9,094)	<b>(12,892)</b>	(8,889)
Other expenses		<b>(12,050)</b>	(9,477)	<b>(9,631)</b>	(6,188)
Profit before income tax		<b>643,762</b>	391,289	<b>195,657</b>	138,393
Income tax (expense)/benefit	<b>5(a)</b>	<b>(79,384)</b>	(45,317)	<b>(54,354)</b>	11,485
<b>Profit for the year</b>		<b>564,378</b>	345,972	<b>141,303</b>	149,878
<b>Profit attributable to members of Australia and International Holdings Limited</b>		<b>564,378</b>	345,972	<b>141,303</b>	149,878

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



# Australia & International Holdings Limited

## Balance Sheet

As at 30 June 2007

		Consolidated		Parent entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	328,883	187,293	29,373	26,011
Receivables	8(a)	83,572	131,612	256,252	176,095
Current tax benefits	5(c)	-	-	-	13,239
Other financial assets	7	1,076,419	961,772	-	-
<b>Total Current Assets</b>		<b>1,488,874</b>	<b>1,280,677</b>	<b>285,625</b>	<b>215,345</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	8(b)	-	-	2,278,380	2,174,285
Other financial assets	9	6,060,222	5,083,473	4,966,131	4,105,688
Deferred tax assets	5(e)	1,835	1,699	1,835	1,699
<b>Total Non-Current Assets</b>		<b>6,062,057</b>	<b>5,085,172</b>	<b>7,246,346</b>	<b>6,281,672</b>
<b>Total Assets</b>		<b>7,550,931</b>	<b>6,365,849</b>	<b>7,531,971</b>	<b>6,497,017</b>
<b>CURRENT LIABILITIES</b>					
Payables		67,590	115,982	15,999	10,807
Deferred income	10	31,675	-	-	-
Current tax liability	5(b)	50,796	6,146	35,597	-
<b>Total Current Liabilities</b>		<b>150,060</b>	<b>122,128</b>	<b>51,596</b>	<b>10,807</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liability	5(d)	542,921	401,504	542,220	400,803
<b>Total Non-Current Liabilities</b>		<b>542,921</b>	<b>401,504</b>	<b>542,220</b>	<b>400,803</b>
<b>Total Liabilities</b>		<b>692,982</b>	<b>523,632</b>	<b>593,816</b>	<b>411,610</b>
<b>Net Assets</b>		<b>6,857,949</b>	<b>5,842,217</b>	<b>6,938,155</b>	<b>6,085,407</b>
<b>EQUITY</b>					
Issued capital	11	3,990,335	3,779,193	3,990,335	3,779,193
Reserves	12(a)	1,786,457	1,320,593	2,573,991	1,848,036
Retained Profits	12(b)	1,081,157	742,431	373,829	458,178
<b>Total Equity</b>	13	<b>6,857,949</b>	<b>5,842,217</b>	<b>6,938,155</b>	<b>6,085,407</b>

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



# Australia & International Holdings Limited

## Statement of Cash Flows

For the Year Ended 30 June 2007

		Consolidated		Parent entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Dividends received		202,833	176,830	20,359	18,511
Interest received		20,204	7,463	1,443	1,220
Trust distributions received		21,554	11,097	-	-
Income taxes (paid)/refunded		(34,870)	(97,205)	(5,654)	(13,783)
Other expenses paid/income received		(63,129)	(25,232)	(81,682)	(64,502)
<b>Net cash provided by (used in) operating activities</b>	17	<u>146,592</u>	<u>72,953</u>	<u>(65,534)</u>	<u>(58,554)</u>
<b>Cash flows from investing activities</b>					
Proceeds from sale of investments		2,280,700	2,296,900	14,551	15,523
Purchases of investments		(2,263,525)	(2,648,364)	(1,889)	(2,819)
<b>Net cash provided by (used in) investing activities</b>		<u>17,175</u>	<u>(351,464)</u>	<u>12,662</u>	<u>12,704</u>
<b>Cash flows from financing activities</b>					
Share application monies received		211,142	491,325	211,142	491,324
Loans (to)/from controlled entities		-	-	71,180	(237,757)
Dividends paid		(225,634)	(193,787)	(225,634)	(193,787)
<b>Net cash provided by (used in) financing activities</b>		<u>(14,492)</u>	<u>297,538</u>	<u>56,688</u>	<u>59,780</u>
<b>Net (decrease)/increase in cash held</b>		<b>149,275</b>	<b>19,027</b>	<b>3,816</b>	<b>13,930</b>
<b>Cash at beginning of financial year</b>		<b>187,293</b>	<b>165,491</b>	<b>26,011</b>	<b>11,629</b>
Effects of exchange rate fluctuations on the balances held in foreign currencies		(7,685)	2,775	(454)	452
<b>Cash at end of financial year</b>	6	<u><b>328,883</b></u>	<u><b>187,293</b></u>	<u><b>29,374</b></u>	<u><b>26,011</b></u>

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 2007

	Share Capital	Capital Profit Reserve	Asset Revaluation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
<b>Parent:</b>					
<b>As at 1st July 2005</b>	3,287,869	-	838,945	502,124	<b>4,628,938</b>
Issue of shares	526,636	-	-	-	<b>526,636</b>
Share application costs	(35,312)	-	-	-	<b>(35,312)</b>
Profit attributable to members	-	-	-	149,878	<b>149,878</b>
Dividends paid or provided	-	-	-	(193,824)	<b>(193,824)</b>
Increase in asset revaluation reserve	-	-	1,009,091	-	<b>1,009,091</b>
<b>As at 30th June 2006</b>	3,779,193	-	1,848,036	458,178	<b>6,085,407</b>
Issue of shares	211,142	-	-	-	<b>211,142</b>
Profit attributable to members	-	-	-	141,303	<b>141,303</b>
Dividends paid or provided	-	-	-	(225,652)	<b>(225,652)</b>
Increase in asset revaluation reserve	-	-	725,955	-	<b>725,955</b>
<b>As at 30th June 2007</b>	3,990,335	-	2,573,991	373,829	<b>6,938,155</b>
<b>Consolidated:</b>					
<b>As at 1st July 2005</b>	3,287,869	-	699,419	590,283	<b>4,577,571</b>
Issue of shares	526,636	-	-	-	<b>526,636</b>
Share application costs	(35,312)	-	-	-	<b>(35,312)</b>
Profit attributable to members	-	-	-	345,972	<b>345,972</b>
Dividends paid or provided	-	-	-	(193,824)	<b>(193,824)</b>
Increase in asset revaluation reserve	-	-	621,174	-	<b>621,174</b>
<b>As at 30th June 2006</b>	3,779,193	-	1,320,593	742,431	<b>5,842,217</b>
Issue of shares	211,142	-	-	-	<b>211,142</b>
Profit attributable to members	-	-	-	564,378	<b>564,378</b>
Dividends paid or provided	-	-	-	(225,652)	<b>(225,652)</b>
Increase in asset revaluation reserve	-	-	465,864	-	<b>465,864</b>
<b>As at 30th June 2007</b>	3,990,335	-	1,786,457	1,081,157	<b>6,857,949</b>

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 2007

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**NOTE 1: 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*.

*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.

(c) Critical Accounting Estimates and Judgements

The preparation of financial reports in conformity with AIFRS requires the use of certain critical accounting estimates. This requires the Board and management to exercise their judgement in the process of applying the Group's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB112 Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax (CGT) on the unrealised gain in the investment portfolio at current tax rates.

As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 5. In addition, the tax liability that arises on disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

Apart from this, there are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

Australia & International Holdings Limited  
Notes To and Forming Part of the Financial Statements  
For the Year Ended 30 June 2007

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES** CONTINUED

(d) 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.

(e) 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.

(f) 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.

(g) 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 2007

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES** CONTINUED

(g) Investments (Cont'd)

*Controlled Entities*

The Company's investments in Australian & International Trust & Burrell 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.

(h) 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.

(i) Derivatives

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

The premium received on options contracts that are unexpired and open at balance date have initially been brought to account as deferred income and subsequently revalued at theoretical value. Increments or decrements are recognised in the Income Statement.

(j) 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.

(k). 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 2007

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES** CONTINUED

(k). 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.

*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.

**NOTE 2: SEGMENT INFORMATION**

(a). 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.

(b). 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 2007

**NOTE 2: SEGMENT INFORMATION** CONTINUED

**Primary reporting – business segments**

2007	Australian Long-Term Shares \$	Overseas Long-Term Shares \$	Share Trading Portfolio \$	Inter-Segment Allocations/ Eliminations \$	Consolidated \$
Dividend income	162,075	29,696	11,062	-	202,833
Interest income	12,802	1,628	5,774	-	20,204
Trust income	19,480	-	2,074	-	21,554
Other income	192	-	37,682	-	37,874
Unrealised foreign exchange movements	-	(7,685)	-	-	(7,685)
Fair value movement in financial assets	-	-	154,944	-	154,944
Profit on trading in options	-	-	(52,340)	-	(52,340)
Gain on sale of investments	212,359	29,077	158,818	-	400,254
Total segment revenue	406,908	52,716	318,014	-	777,638
Segment result	406,844	50,891	311,556	-	769,291
Unallocated expenses					(125,529)
Profit from ordinary activities before income tax expense					643,762
Income tax (expense)/benefit					(79,384)
Profit from ordinary activities after income tax expense					564,378
Segment assets	5,181,634	1,449,022	918,440	-	7,549,096
Unallocated assets					1,835
Total assets					7,550,931
Segment liabilities	-	(51,604)	(31,675)	-	(83,279)
Unallocated liabilities					(609,702)
Total liabilities					(692,981)
Net cash inflow from operating activities	265,040	29,498	18,910	(166,856)	146,592



Australia & International Holdings Limited  
Notes To and Forming Part of the Financial Statements  
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**NOTE 2: SEGMENT INFORMATION (Cont'd)**

**Primary reporting – business segments**

<b>2006</b>	<b>Australian Long-Term Shares</b>	<b>Overseas Long-Term Shares</b>	<b>Share Trading Portfolio</b>	<b>Inter-Segment Allocations/ Eliminations</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Dividend income	144,012	19,470	13,348	-	176,830
Interest income	3,301	764	3,398	-	7,463
Trust income	8,854	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
Gain on sale of investments	33,480	19,951	111,619	-	165,050
<b>Total segment revenue</b>	<b>189,816</b>	<b>43,528</b>	<b>256,858</b>	<b>-</b>	<b>490,202</b>
<b>Segment result</b>	<b>189,585</b>	<b>40,230</b>	<b>250,895</b>	<b>-</b>	<b>480,710</b>
Unallocated expenses					(89,421)
Profit from ordinary activities before income tax expense					391,289
Income tax (expense)/benefit					(45,317)
income tax expense					345,972
<b>Segment assets</b>	<b>4,250,535</b>	<b>1,155,934</b>	<b>957,681</b>	<b>-</b>	<b>6,364,150</b>
Unallocated assets					1,699
<b>Total assets</b>					<b>6,365,849</b>
<b>Segment liabilities</b>	<b>(35)</b>	<b>(105,155)</b>	<b>-</b>	<b>-</b>	<b>(105,190)</b>
Unallocated liabilities					(418,442)
<b>Total liabilities</b>					<b>(523,632)</b>
<b>Net cash inflow from operating activities</b>	<b>230,342</b>	<b>17,503</b>	<b>18,421</b>	<b>(193,313)</b>	<b>72,953</b>

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2007

**NOTE 3: REVENUE**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Operating activities</b>				
Net gain on sale of investments	347,914	179,729	5,734	6,713
Dividend income	202,833	176,830	20,359	18,511
Interest	20,204	7,463	1,443	1,220
Trust distributions	21,554	11,097	-	-
Trust distributions - AIT & BWET	-	-	255,983	175,275
	<u>592,505</u>	<u>375,119</u>	<u>283,519</u>	<u>201,719</u>
<b>Revenue from outside operating activities</b>				
Fair value adjustments on financial assets	154,944	50,901	-	-
Unrealised exchange gains	(7,685)	2,775	(454)	453
Other income	37,874	61,407	-	-
	<u>185,133</u>	<u>115,083</u>	<u>(454)</u>	<u>453</u>
<b>Total revenue from ordinary activities</b>	<u>777,638</u>	<u>490,202</u>	<u>283,065</u>	<u>202,172</u>

**NOTE 4: PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Expenses</b>				
Foreign exchange losses		-		-
<b>Auditors remuneration</b>				
Audit fees	17,175	10,000	17,175	10,000
Other services	14,950	-	14,950	-
	<u>32,125</u>	<u>10,000</u>	<u>32,125</u>	<u>10,000</u>

**Australia & International Holdings Limited**  
**Notes To and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2007**

**NOTE 5: TAX**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
(a) The components of tax expense/(benefit) comprise:				
Current tax	<b>79,248</b>	43,704	<b>54,218</b>	(11,202)
Deferred tax	<b>136</b>	1,613	<b>136</b>	(283)
Overprovision in respect of previous years		-		-
	<b>79,384</b>	<b>45,317</b>	<b>54,354</b>	<b>(11,485)</b>

(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% (2006: 30%)	<b>193,128</b>	117,387	<b>58,697</b>	41,518
Add: Tax effect of				
Non-deductible entertainment and fines	<b>517</b>	62	<b>517</b>	-
Non-deductible legal fees	<b>2,596</b>		<b>2,596</b>	-
The difference of the trust distribution for tax purposes	-	-	<b>40,965</b>	-
Underprovision from previous year	-	-	-	-
	<b>196,241</b>	<b>117,387</b>	<b>102,775</b>	<b>41,518</b>
Less: Tax effect of				
Fair value adjustments on financial assets	<b>(66,519)</b>	(15,270)	-	-
Imputation credits	<b>(47,352)</b>	(42,663)	<b>(44,896)</b>	(50,990)
Capital profits not subject to income tax	<b>(97)</b>	(11,499)	<b>(97)</b>	(2,013)
Other	<b>(2,889)</b>	(2,638)	<b>(3,428)</b>	-
Income tax expense attributable to entity	<b>79,384</b>	<b>45,317</b>	<b>54,354</b>	<b>(11,485)</b>

The weighted average effective tax rates are as follows: **12.3%** 12.0% **27.8%** (8.3%)

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	<b>6,146</b>	58,911	<b>(13,239)</b>	12,839
Income tax (paid)/refunded	<b>(34,548)</b>	(97,205)	<b>(5,509)</b>	(13,783)
Adjustment to previous tax expense	<b>(186)</b>	(877)	<b>(9)</b>	(810)
Current year's income tax expense/(recovery) on operating profit	<b>79,384</b>	<b>45,317</b>	<b>54,354</b>	<b>(11,485)</b>
	<b>50,796</b>	<b>6,146</b>	<b>35,597</b>	<b>(13,239)</b>

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2007

**NOTE 5: TAX** continued

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
(d) Deferred tax liabilities				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on:				
Unrealised foreign exchange gains	(1,835)	(2,533)	(1,699)	(476)
Unrealised capital gains	544,756	404,037	543,919	401,279
Total Deferred Tax Liabilities	542,921	401,504	542,220	400,803

**Reconciliation: Deferred Tax Liabilities**

Gross movements

The overall movement in the deferred tax account is as follows

Opening balance	401,504	212,973	400,803	212,308
Charged to the income statement	698	(3,207)	(1,699)	(476)
Charged to the financial assets revaluation reserve	140,719	191,738	143,116	188,971
Closing balance	542,921	401,504	542,220	400,803

The movement in deferred tax liability for each temporary difference during the year is as follows:

Financial asset revaluations

Opening balance	404,037	212,299	400,803	211,959
Charged to financial asset revaluation reserve	140,719	191,738	143,116	188,844
Closing balance	544,756	404,037	543,919	400,803

Unrealised foreign exchange gains

Opening balance	(2,533)	665	(136)	340
Charged to income statement	698	(3,198)	(1,699)	(476)
Closing balance	(1,835)	(2,533)	(1,835)	(136)

(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	-	1,699
Total Deferred Tax Assets	-	1,699	-	1,699

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2007

**NOTE 5: TAX** continued

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Reconciliation: Deferred Tax Assets</b>				
Gross movements				
The overall movement in the deferred tax account is as follows				
Business related capital expenditure				
Opening balance	1,699	2,509	1,699	2,509
Charged to the income statement	(1,699)	(810)	(1,699)	(810)
Closing balance	-	1,699	-	1,699

**NOTE 6: CASH AND CASH EQUIVALENTS**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank	195,672	107,019	12,566	10,982
Rahn & Bodmer - AUD bank account	529	800	-	-
Rahn & Bodmer - USD bank account	598	358	-	-
Rahn & Bodmer - CHF bank account	9,156	14,811	-	-
Rahn & Bodmer - EUR bank account	2,838	1,865	-	-
Fortrend - AUD bank account	27	-	-	-
Fortrend - USD bank account	10,494	2,271	-	-
Quilter & Co Limited	109,569	60,169	16,807	15,029
	328,883	187,293	29,373	26,011

**NOTE 7: CURRENT ASSETS - OTHER FINANCIAL ASSETS**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>(a) Financial assets at fair value through profit and loss</b>				
Quoted investments at fair value (refer Note1(j))	876,419	761,772	-	-
<b>(b) Financial assets available for sale</b>				
Other investments at costs (refer Note1(j))	200,000	200,000	-	-
<b>Total current other financial assets</b>	<b>1,076,419</b>	<b>961,772</b>	<b>-</b>	<b>-</b>

Australia & International Holdings Limited  
Notes To and Forming Part of the Financial Statements  
For the Year Ended 30 June 2007

**NOTE 8: RECEIVABLES**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>(a) Current Receivables</b>				
Distributions receivable - Controlled entities	-	-	255,983	175,275
Debtors	83,572	131,612	269	820
	<u>83,572</u>	<u>131,612</u>	<u>256,252</u>	<u>176,095</u>
<b>(b) Non-Current Receivables</b>				
Loans to controlled entities	-	-	2,278,380	2,174,285

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

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>(a) Financial assets - available for sale</b>				
Shares in other corporations - at fair value (refer Note 1(j))	6,060,222	5,083,473	542,864	476,235
<b>(b) Financial assets - available for sale</b>				
Investments in controlled entities - at fair value (refer Note 1(j))	-	-	4,423,267	3,629,363
<b>Total non-current other financial assets</b>	<u>6,060,222</u>	<u>5,083,473</u>	<u>4,966,131</u>	<u>4,105,688</u>

**NOTE 10: DEFERRED INCOME**

The company uses options to earn additional income on the trading portfolio. Options strategies include:

- (1) writing call option contracts over shares which are currently held with the expectation that the price of the underlying shares will remain relatively stable or increase by a small amount over the option term, or
- (2) writing put option contracts with the expectation that the price of the underlying shares will increase in the near term. These options are written at strike prices where, if the price of the underlying shares happens to fall and the options are exercised, the manager is comfortable with the price paid for the shares.

During the year ended 30 June 2007, an index protection strategy was executed to partially protect the portfolios from downward movement. This strategy proved unnecessary and was unwound at approximately a nil cost by 30 September 2007.

Options positions are calculated daily and the total exposure is reviewed regularly. Collateral in the form of shares has been lodged with the Australian Clearing House to cover margin calls when they arise.

Australia & International Holdings Limited

Notes To and Forming Part of the Financial Statements

For the Year Ended 30 June 2007

NOTE 11: ISSUED CAPITAL		2007	2006	2007	2006
		No. of shares	No. of shares	\$	\$
<b>Share capital:</b>					
Ordinary shares - fully paid		1,748,577	1,688,428	3,990,335	3,779,193
Details	Date	No. of shares		Issue Price	\$
Opening balance	1/07/2005	1,530,795			3,287,869
Shares issued for cash	9/02/2006	150		\$3.27	491
Shares issued for cash	24/02/2006	1,529		\$3.27	5,000
Shares issued for cash	1/03/2006	3,000		\$3.27	9,810
Shares issued for cash	28/03/2006	11,848		\$3.27	38,743
Shares issued for cash	29/03/2006	19,000		\$3.27	62,130
Shares issued for cash	31/03/2006	9,200		\$3.25	29,900
Shares issued for cash	31/03/2006	12,500		\$3.27	40,875
Shares issued for cash	19/04/2006	3,000		\$3.27	9,810
Shares issued for cash	22/04/2006	786		\$3.27	2,570
Shares issued for cash	24/04/2006	21,000		\$3.27	68,670
Shares issued for cash	28/04/2006	21,150		\$3.27	69,161
Shares issued for cash	4/05/2006	25,100		\$3.52	88,352
Shares issued for cash	30/05/2006	8,287		\$3.52	29,170
Shares issued for cash	16/06/2006	9,258		\$3.42	31,617
Dividend Reinvestment Plan	26/06/2006	11,825		\$3.42	40,337
Share issue costs	30/06/2006				(35,312)
Shares issued for cash	24/07/2006	32,485		\$3.42	111,099
Shares issued for cash	31/07/2006	150		\$3.42	513
Shares issued for cash	22/08/2006	2,900		\$3.42	9,918
Shares issued for cash	24/08/2006	3,000		\$3.42	10,260
Shares issued for cash	24/11/2006	8,820		\$3.46	30,515
Shares issued for cash	8/12/2006	8,700		\$3.46	30,222
Shares issued for cost	29/12/2006	(8,700)		\$3.46	(30,222)
Dividend Reinvestment Plan	27/06/2007	12,794		\$3.83	48,837
		<u>1,748,577</u>			<u>3,990,335</u>



Australia & International Holdings Limited  
Notes To and Forming Part of the Financial Statements  
For the Year Ended 30 June 2007

**NOTE 12: RESERVES AND RETAINED PROFITS**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>(a) Reserves</b>				
Asset revaluation reserve	1,786,457	1,320,593	2,573,991	1,848,036
Movements:				
Asset revaluation reserve				
Opening balance	1,320,593	699,419	1,848,036	838,945
Revaluation of investments	465,864	621,174	725,955	1,009,091
Closing balance	1,786,457	1,320,593	2,573,991	1,848,036
<b>(b) Retained profits</b>				
Retained profits at the beginning of the financial year	742,431	590,283	458,178	502,124
International Holdings Limited	564,378	345,972	141,303	149,878
Dividends paid or provided for	(225,652)	(193,824)	(225,652)	(193,824)
Retained profits at the end of the financial year	1,081,157	742,431	373,829	458,178

**NOTE 13: EQUITY**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Retained profits at the beginning of the financial year	5,842,217	4,577,571	6,085,407	4,628,938
Total changes in equity recognised in the income statement incl. asset revaluation reserve	1,030,242	967,146	867,258	1,158,969
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	211,142	491,324	211,142	491,324
Dividend paid or provided	(225,652)	(193,824)	(225,652)	(193,824)
Total equity at the end of the financial year	6,857,949	5,842,217	6,938,155	6,085,407

Australia & International Holdings Limited  
Notes To and Forming Part of the Financial Statements  
For the Year Ended 30 June 2007

**NOTE 14: CONTROLLED ENTITIES**

	Class of Share	Interest Held	
		2007 %	2006 %
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 15: DIVIDENDS**

	Parent	
	2007 \$	2006 \$
Final dividend of 5.0 cents (2006 - 5.0 cents) per fully paid share paid on 8 December 2006 (2006 - 8 December 2005)		
Franked @30% - 5.0 cents per share	86,789	76,540
Interim dividend of 5.0 cents (2006 - 5.5 cents) per fully paid share paid on 27 June 2007 (2006 - 26 June 2006)		
Franked @30% - 5.0 cents per share	86,789	92,216
Special dividend of 3.0 cents (2006 - 1.5 cents) per fully share paid on 27 June 2007 (2006 - 26 June 2006)		
Franked @30%	52,074	25,068
	<u>225,652</u>	<u>193,824</u>

Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the years ended 30th June 2007 and 30th June 2006 were as follows:

Paid in cash	146,593	153,487
Satisfied by issue of shares	79,059	40,337
	<u>225,652</u>	<u>193,824</u>

**Dividend franking account:**

The franked portion of the final dividends recommended after 30 June 2007 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 2008

Franking credits available for subsequent financial years based on a tax rate of 30%	<u>78,787</u>	<u>69,163</u>
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Australia & International Holdings Limited  
Notes To and Forming Part of the Financial Statements  
For the Year Ended 30 June 2007

**NOTE 16: 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 3.6% (2006: 3.5%).

(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 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 17: RECONCILIATION OF  
OPERATING PROFIT AFTER INCOME TAX  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Operating profit after tax	627,515	345,972	185,226	149,878
Net (gain)/loss on sale of investments	(400,254)	(165,050)	(5,734)	(6,713)
Net (gain)/loss on option trading and provision	20,665	(14,679)	-	-
Net exchange differences	7,685	(2,775)	454	(452)
Changes in operating assets and liabilities:				
(Increase)/decrease in debtors	27,733	12,448	551	(551)
(Increase)/decrease in receivables from controlled entities	-	-	(255,983)	(175,275)
(Increase)/decrease in future income tax benefit	(136)	810	(136)	810
(Decrease)/increase in creditors	(4)			
(Decrease)/increase in accrued expenses	5,175	(175)	5,175	(173)
(Decrease)/increase in provision for income tax	13,157	(52,734)	4,913	(26,078)
(Decrease)/increase in provision for deferred income tax	-	36	-	-
(Decrease)/increase in provision for diminution	(154,944)	(50,900)	-	-
<b>Net cash inflow from operating activities</b>	<b>146,592</b>	<b>72,953</b>	<b>(65,534)</b>	<b>(58,554)</b>

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2007

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#### NOTE 18: 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 19: 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	R. Higham
F. J. Finn	

##### Directors holdings of shares:

Director:

	2007 No. of shares	2006 No. of shares
Mr C. T. Burrell	135,813	135,813
Mr C. T. Burrell (Non-beneficially)	514,760	503,294
Mr R. J. Burrell	78,169	78,169
Professor F. J. Finn	30,910	29,846
Mr B. C. E. Rowley	29,805	29,314
Mr R. A. Higham	16,500	-

Mr. R. A. Higham held shares in the Company in the 2006 financial year, but was not a Director during that year.

##### **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:

	2007 No.	2006 No.
<b>ACQUISITIONS</b>		
Ordinary shares, including shares issued under the Dividend Reinvestment plan, Rights issue and Share top-up plan.	13,021	11,825
<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 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 \$33,761 (2006: \$35,100).

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Year Ended 30 June 2007

#### NOTE 19: RELATED PARTIES (CONT'D)

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 \$2,532 (2006: \$18,607).

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:

*Balances with Entities within the Wholly-Owned Group*

##### Controlled Entity

Receivables - non-current

Loan to Australian Index Fund Pty Ltd

Loan to Australian and International Trust

Loan to Burrell World Equities Trust

Parent entity	
2,007	2,006
\$	\$

522,249	557,249
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1,022,986	913,978
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733,145	703,058
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2,278,380	2,174,285
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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

3,968,614	3,174,899
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Distribution received or due and receivable by the Company from:

Burrell Australian Equities Trust

Burrell World Equities Trust

255,983	145,188
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-	30,087
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255,983	175,275
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#### NOTE 20: 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 21: 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 4, 24 Little Edward St., Spring Hill, 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 2007

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**NOTE 22: EVENTS OCCURRING AFTER BALANCE DATE**

The directors were of the opinion that no matter or circumstance has arisen since 30 June 2007 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 2007

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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 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 2007 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

Chairman.....  
B. C. Rowley

Dated at Brisbane, 4 Oct 07



# Independent Audit Report

To the members of Australia & International Holdings Limited

For the Year Ended 30 June 2007

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## **Report on the financial report**

We have audited the accompanying financial report of Australia & International Holdings Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

## *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: 'Presentation of Financial Statements', that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

## *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Australia & International Holdings Limited on 28<sup>th</sup> September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

# Independent Audit Report

To the members of Australia & International Holdings Limited

For the Year Ended 30 June 2007 (Continued)

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## Auditor's opinion

In our opinion:

- a. the financial report of Australia & International Holdings Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Hacketts Chartered Accountants

Brisbane, 4 October 2007



Liam Murphy

Partner