

# Australia & International Holdings Limited

A.C.N. 009 706 414

## Half Yearly Report

For the half year ended 31 December 2007

### **Contents**

	Page
Directors' report	2
Half yearly report – 31 December 2007	8
Directors' declaration	19
Independent review report to the members	20

# Australia & International Holdings Limited

## Directors' Report

### For the Half Year Ended 31 December 2007

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The directors present their report together with the consolidated financial report of the economic entity comprising Australia & International Holdings Limited ("the Company") and its controlled entities, for the half year ended 31 December 2007 and the auditors' report thereon.

#### Directors

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

#### NAME & QUALIFICATIONS    EXPERIENCE AND RESPONSIBILITIES

Mr Bernard C. E. Rowley F.I.A.A., F.A.I.C.D., Chairman of Directors.	Chairman, Queensland Power Trading Corporation (Enertrade) Chairman Cuna Mutual Group. Chairman, Burrell Stockbroking Pty Ltd Director of River City Motor Way. Previously Chief Executive, Suncorp Insurance & Finance 1986 - 1996. Director since 1998. Appointed Chairman 2002.
Mr Christopher T. Burrell M.F.M., 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, F.A.I.C.D., Dip. Fin. Services	Director and Chief Executive Officer of Access Funds Management Ltd, Director of Multiple Sclerosis Australia, Vice-President of Multiple Sclerosis Society of Queensland and Legal Consultant to DLA Phillips Fox, QM Properties Group and Property Solutions Group. Roger is also a former partner of national law firms Clayton Utz 1987-2000 and Phillips Fox 2000-2006. Director since 1987.
Mr 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 Ronald Higham B. Bus, M.F.M., F.C.A., M.A.C.D.	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.

# Australia & International Holdings Limited

## Directors' Report (Cont'd)

### For the Half Year Ended 31 December 2007

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#### NAME & QUALIFICATIONS    EXPERIENCE AND RESPONSIBILITIES

Mr Neil Summerson B. Com, F.C.A., F.A.I.C.D, F.A.I.M.	Former Partner of Ernst & Young (1981-1996) Former Managing Partner of Queensland of Ernst & Young (1992-1996) Chairman of Australian Property Management Ltd Chairman of Australian Property Growth Fund Chairman of PQ Lifestyles Ltd Chairman of International Professional Services Pty Ltd Chairman of Motorama Group Holdings Pty Ltd Chairman of Moore Stephens Qld Ltd Chairman of Epic Group of Companies Chairman of Idec Pty Ltd Director of Australian Made Campaign Ltd Director of Amer Alia Inc Director of Bank of Queensland Ltd & Group Companies Director of Leyshon Pty Ltd & Group Companies Director of DGS Property Group Pty Ltd Director of Glendower Group of Companies Director Wesley Research Institute Ltd Director since 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
B. C. E. Rowley	2	2
C. T. Burrell	2	2
R. J. Burrell	2	2
F. J. Finn	2	2
R. Higham	1	2
N. Summerson	1	2

# Australia & International Holdings Limited

## Directors' Report (Cont'd)

### For the Half Year Ended 31 December 2007

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#### Company Operations and Results

##### Overview

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

##### Performance Outcomes

The total return for AIH's shares for the half financial year ended 31 December 2007 was 2.55%. This comprised 6.0 cents of dividends plus the increase in net assets from \$3.92 to \$3.96.

For comparative purposes we look at a theoretical portfolio comprising:

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

The overseas benchmark can be found in the "MSCI" World (excluding Australia) Accumulation Index in local currency. For the half year ended 31 December 2007, this returned -3.94%. For the domestic benchmark, we use the All Ordinaries Accumulation Index, which returned 3.66%.

Therefore, a return on our theoretical portfolio for the half year ended 31 December 2007 is calculated as:

$(\text{Aust. asset weight} \times \% \text{chg. ASX All Ords Accum Index}) + (\text{Overseas asset weight} \times \% \text{chg. MSCI Index}) = (75\% \times 3.66\%) + (25\% \times -3.94\%) = 1.76\%$

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

The Australian market has been very volatile over the last eight months. The ASX 200 index was at 6,274.9 on 29 June 07. From there it fell to 5,711.5 on 16 August 07, only to rise to a high of 6,754.1 on 31 October. Since then it has tracked down again showing a closing value of 6,339.8 at the end of December and continuing its downward move in January to around the 5,600 level. The sell-off has largely been the result of fears stemming from the sub-prime crisis in the United States and the effect it would have on the broader economy and the rest of the world. Whilst there is currently much debate as to whether the United States is already in or headed for recession, the Australian economy remains robust. The Reserve Bank has been increasing interest rates to curb inflation from an economy that is constrained by supply and the Government is likely to cut expenditure in some areas in the forthcoming budget to alleviate demand pressure from the private sector. Certainly the increases in interest rates and a higher budget surplus should lower growth, but the general consensus is that Australia will not be pushed into recession and will continue to be buoyed by strong demand and prices for its raw materials.

The value of the investments held in AIH has been further affected since 31 December 2007. We estimate that the Net Asset Value per share was \$3.57 at 22 February 2008. By way of comparison, the ASX Top 200 fell from 6,754 (31/10/07) to 5,583 (22/2/08) or 17.34%, and AIH' NAV fell from \$4.17 to \$3.57 or 14.39%. We take the opportunity to remind investors that AIH is a long term investment vehicle and fluctuations in the market are expected and often provide the opportunity to buy at good prices.

# Australia & International Holdings Limited

## Directors' Report (Cont'd)

### For the Half Year Ended 31 December 2007

The top 20 investments held at 31 December 2007 are shown in the following table:

Company	Portfolio %	Company	Portfolio %
BHP Billiton	12.0	St George Bank	1.4
Woodside Petroleum	6.0	National Australia Bank	1.4
Westpac Bank	5.6	Global Mining Investments	1.3
Commonwealth Bank	5.4	News Corporation	1.3
Rio Tinto	5.2	Beach Petroleum	1.2
ANZ Bank	3.8	Telstra Instalment Receipts*	1.1
Suncorp	2.0	Xstrata plc	1.1
AMP	1.7	Macquarie Group	1.0
A P Eagers	1.6	PAN Australian Resources	1.0
Perpetual	1.5	AXA Asia Pacific	1.0

\* Sold since 31 December 2007

Portfolio % = % of holding to the total holdings across all portfolios.

In the six month period to 31 December 2007 the options portfolio protection strategy referred to in the 30 June 2007 audited statements was unwound.

#### Principal Activities

	Consolidated 31 December 2007 \$	Consolidated 31 December 2006 \$
<b>Operating Profit for the half year after income tax</b>	<b>247,172</b>	<b>211,117</b>

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

#### State of Affairs

Apart from the movements in the equities markets referred to above, 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 6 cents per share in respect of the year ended 30 June 2007 amounted to \$107,825 and was paid on 20<sup>th</sup> December 2007. The record date was on 27<sup>th</sup> November 2007.

# **Australia & International Holdings Limited**

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

### **For the Half Year Ended 31 December 2007**

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#### **Events Subsequent to Balance Date**

The value of the investments held in AIH has been affected by further falls in Australian and World equities markets since 31 December 2007. We estimate that the Net Asset Value per share has devalued by 9.85% (31 December 2007 to 22 February 2008) compared to a fall in the ASX Top 200 of 11.93%. These falls are seen as the result of the failure of sub-prime mortgage market in the United States and the consequent flow-on into other debt markets and wider economies. Often the element of fear that these types of events inject into equities and other markets are not a true reflection of economies and underlying businesses. The Directors hold a positive view that the markets will correct and resume their long term upward trend.

The Company was listed on the National Stock Exchange of Australia on 9th January 2008

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

#### **Net Assets Value per Share**

Net Assets Value per share for the economic entity as at 31 December 2007 is **\$3.96**

#### **Listing on the National Stock Exchange of Australia**

The fully paid ordinary shares of Australia & International Holdings Limited were listed for trading on the National Stock Exchange of Australia on 9<sup>th</sup> January 2008.

#### **Likely Developments**

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

#### **Indemnification and Insurance of Officers**

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

#### **Auditor's Independence Declaration**

The lead auditor's independence declaration for the half year ended 31 December 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, *4th March* 2008



**B. C. E. Rowley**

**Director**

28 February 2008

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

### **Auditor's Independence Declaration**

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

As lead review partner for the review of the Half Year Report of Australia & International Holdings Limited and its controlled entities for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

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

Yours faithfully

**Hacketts DFK**



**Liam J Murphy**  
**Review Partner**

# Australia & International Holdings Limited

## Income Statement

### For the Half Year Ended 31 December 2007

	Note	31 December 2007 \$	31 December 2006 \$
<b>Revenue</b>	<b>3</b>	<b>349,227</b>	<b>291,750</b>
Accountancy and audit fees		(17,700)	(7,000)
Managed portfolio fees		(21,457)	(21,468)
Secretarial expenses		(12,000)	(12,000)
Legal expenses		(12,195)	(2,335)
Other expenses		(4,986)	(9,041)
Profit before income tax		280,889	239,906
Income tax (expense)/benefit		(33,717)	(28,789)
<b>Profit for the year</b>		<b>247,172</b>	<b>211,117</b>
<b>Profit attributable to members of Australia and International Holdings Limited</b>		<b>247,172</b>	<b>211,117</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per security	4	14.13	12.34
Diluted earnings per security	4	14.13	12.34

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



# Australia & International Holdings Limited

## Balance Sheet

### As at 31 December 2007

		Consolidated	
	Note	31 December 2007	30 June 2007
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	291,926	328,883
Receivables		34,670	83,572
Other financial assets		761,389	1,076,419
<b>Total Current Assets</b>		<b>1,087,985</b>	<b>1,488,874</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets		6,524,288	6,060,222
Deferred tax assets		1,835	1,835
<b>Total Non-Current Assets</b>		<b>6,526,123</b>	<b>6,062,057</b>
<b>Total Assets</b>		<b>7,614,108</b>	<b>7,550,931</b>
<b>CURRENT LIABILITIES</b>			
Payables		27,193	67,590
Deferred income	7	29,516	31,675
Current tax liability		64,206	50,796
<b>Total Current Liabilities</b>		<b>120,915</b>	<b>150,061</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability		521,889	542,921
<b>Total Non-Current Liabilities</b>		<b>521,889</b>	<b>542,921</b>
<b>Total Liabilities</b>		<b>642,804</b>	<b>692,982</b>
<b>Net Assets</b>		<b>6,971,304</b>	<b>6,857,949</b>
<b>EQUITY</b>			
Issued capital		4,034,615	3,990,335
Reserves		1,716,185	1,786,457
Retained Profits		1,220,504	1,081,157
<b>Total Equity</b>		<b>6,971,304</b>	<b>6,857,949</b>

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

**Australia & International Holdings Limited**  
**Statements of Cash Flows**  
**For the Half Year Ended 31 December 2007**

	Note	Consolidated	
		31 December	31 December
		2007	2006
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from short-term trading activities		997,856	710,932
Payments to short-term trading activities		(615,048)	(554,241)
Dividends received		114,535	133,346
Interest received		7,203	8,961
Trust distributions received		16,737	-
Income taxes (paid)/refunded		(20,306)	(672)
Other expenses paid/income received		(12,485)	13,109
<b>Net cash provided by (used in) operating activities</b>	<b>9</b>	<b>488,492</b>	<b>311,435</b>
<b>Cash flows from investing activities</b>			
Receipts from long-term investing activities		680,730	631,775
Payments to long-term investing activities		(1,138,909)	(472,007)
<b>Net cash provided by (used in) investing activities</b>		<b>(458,179)</b>	<b>159,768</b>
<b>Cash flows from financing activities</b>			
Share application monies received		44,280	162,305
Loans (to)/from controlled entities		-	-
Dividends paid		(107,825)	(86,789)
<b>Net cash provided by (used in) financing activities</b>		<b>(63,545)</b>	<b>75,516</b>
<b>Net (decrease)/increase in cash held</b>		<b>(33,232)</b>	<b>546,719</b>
<b>Cash at beginning of financial year</b>		<b>328,883</b>	<b>187,293</b>
Effects of exchange rate fluctuations on the balances held in foreign currencies		(3,725)	(903)
<b>Cash at end of financial year</b>	<b>5</b>	<b>291,926</b>	<b>733,109</b>

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

# Australia & International Holdings Limited

## Statements of Changes in Equity

### For the Half Year Ended 31 December 2007

	Consolidated	
	31 December	31 December
	2007	2006
	\$	\$
<b>Share capital</b>		
Ordinary shares at beginning of period	3,990,335	3,779,193
Shares issued during period	44,280	162,305
Transaction costs	-	-
<b>Balance of shares at end of period</b>	<b>4,034,615</b>	<b>3,941,498</b>
<b>Asset revaluation reserve</b>		
Asset revaluation reserve at beginning of period	1,786,457	1,320,593
Increase in asset revaluation reserve	(70,272)	104,785
<b>Balance of asset revaluation reserve</b>	<b>1,716,185</b>	<b>1,425,378</b>
<b>Retained earnings</b>		
Retained earnings at beginning of period	1,081,157	742,431
Profit attributable to members of the entity	247,172	211,117
Dividend paid	(107,825)	(86,789)
<b>Retained earnings at end of period</b>	<b>1,220,504</b>	<b>866,759</b>
<b>Total equity at the end of period</b>	<b>6,971,304</b>	<b>6,233,635</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 Half Year Ended 31 December 2007**

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

##### **(a) Basis of preparation**

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

Australia & International Holdings Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia. The economic entity comprises the Company and its controlled entities, for the half year ended 31 December 2007.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Australia & International Holdings Limited during the half-year.

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

##### ***Reporting Basis and Convention***

###### **Historical cost convention**

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

The principal accounting policies adopted in the preparation of the financial report are consistent with the most recent annual financial report for the year ended 30 June 2007. Adoption of new or amending standards mandatory for the periods beginning on or after 1 July 2006 has not resulted in any changes to accounting policy.

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

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

##### **(b) Revenue Recognition**

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

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

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

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

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

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Half Year Ended 31 December 2007

#### NOTE 2: SEGMENT INFORMATION

##### Business segments

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

##### *Australian long term shares*

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

##### *Overseas long term shares*

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

##### *Share trading portfolio*

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

#### Primary reporting – business segments – 31 December 2007

Six months ended 31 December 2007	Australian Long-Term Shares \$	Overseas Long-Term Shares \$	Share Trading Portfolio \$	Inter-Segment Allocations/ Eliminations \$	Consolidated \$
Dividend income	102,125	7,353	5,057	-	114,534
Interest income	1,828	1,979	3,396	-	7,203
Trust income	15,828		909	-	16,737
Other income	90	-	34,670	-	34,760
Unrealised foreign exchange movements	-	(3,725)	-	-	(3,725)
Fair value movement in financial assets	-	-	(94,237)	-	(94,237)
Profit on trading in options	-	-	3,283	-	3,283
Gain on sale of non-current investments	119,204	(9,425)	-	-	109,779
Gain on sale of current investments	-	-	160,892	-	160,892
Total segment revenue	239,075	(3,818)	113,970	-	349,227
Segment result	239,045	(5,411)	111,501	-	345,135
Unallocated expenses					(64,246)
Profit from ordinary activities before income tax expense					280,889
Income tax (expense)/benefit					(33,717)
Profit from ordinary activities after income tax expense					247,172

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Half Year Ended 31 December 2007

#### NOTE 2: SEGMENT INFORMATION (CONT'D)

##### Primary reporting – business segments – 31 December 2006

Six months ended 31 December 2006	Australian Long-Term Shares \$	Overseas Long-Term Shares \$	Share Trading Portfolio \$	Inter-Segment Allocations/ Eliminations \$	Consolidated \$
Dividend income	118,154	15,193	-	-	133,347
Interest income	8,333	626	-	-	8,959
Trust income	-	-	-	-	0
Other income	-	1	-	-	1
Unrealised foreign exchange movements	-	369	-	-	369
Fair value movement in financial assets	-	-	33,070	-	33,070
Profit on trading in options	-	-	8,537	-	8,537
Gain on sale of non-current investments	85,704	-	-	-	85,704
Gain on sale of current investments	-	-	29,657	-	29,657
Total segment revenue	212,191	16,189	71,264	-	299,644
Segment result	208,020	13,122	68,313	-	289,455
Unallocated expenses					(49,549)
Profit from ordinary activities before income tax expense					239,906
Income tax (expense)/benefit					(28,789)
Profit from ordinary activities after income tax expense					211,117

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Half Year Ended 31 December 2007

#### NOTE 3: REVENUE

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
<b>Operating activities</b>		
Net gain on sale of non-current investments	109,779	85,704
Net gain on sale of current investments	160,892	29,657
Net gain on options trading	3,283	8,537
Dividend income	114,535	133,346
Interest	7,203	8,961
Trust distributions	16,737	-
Trust distributions - AIT & BWET	-	-
	<b>412,429</b>	<b>266,205</b>
<b>Revenue from outside operating activities</b>		
Fair value adjustments on financial assets	(94,237)	33,070
Unrealised exchange gains	(3,725)	(903)
Other income	34,760	(6,622)
	<b>(63,202)</b>	<b>25,545</b>
<b>Total revenue from ordinary activities</b>	<b>349,227</b>	<b>291,750</b>

#### NOTE 4: EARNINGS PER SECURITY (EPS)

	Consolidated	
	31 December 2007	31 December 2006
	cents	cents
Basic earnings per security	14.13	12.34
Diluted earnings per security	14.13	12.34
	\$	\$
Earnings used in calculation of both Basic and Diluted EPS	<b>247,172</b>	<b>211,117</b>
	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculation of Basic EPS	<b>1,749,210</b>	1,710,726
Adjustment for calculation of diluted earnings per share:		
Options	-	-
Weighted average number of ordinary shares used in calculation of Diluted EPS	<b>1,749,210</b>	1,710,726

# Australia & International Holdings Limited

## Notes To and Forming Part of the Financial Statements

### For the Half Year Ended 31 December 2007

#### NOTE 5: CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December	30 June
	2007	2007
	\$	\$
Cash at bank	203,401	195,672
Rahn & Bodmer - AUD bank account	868	529
Rahn & Bodmer - USD bank account	689	598
Rahn & Bodmer - CHF bank account	13,212	9,156
Rahn & Bodmer - EUR bank account	28,975	2,838
Fortrend - AUD bank account	74	27
Fortrend - USD bank account	14,374	10,494
Quilter & Co Limited	30,333	109,569
	<u>291,926</u>	<u>328,883</u>

#### NOTE 6: ISSUED CAPITAL

	31 December	30 June	31 December	30 June
	2007	2007	2007	2007
	No. of shares	No. of shares	\$	\$
<b>Share capital:</b>				
Ordinary shares - fully paid	1,759,154	1,748,577	4,034,615	3,990,335
<b>Details</b>	<b>Date</b>	<b>No. of shares</b>	<b>Issue Price</b>	<b>\$</b>
Opening balance	1/07/2007	1,748,577		3,990,335
Dividend Reinvestment Plan	20/12/2007	10,577		44,280
		<u>1,759,154</u>		<u>4,034,615</u>

#### NOTE 7: DEFERRED INCOME

	31 December	30 June
	2007	2007
	\$	\$
Deferred premium on options written	<u>29,516</u>	<u>31,675</u>

The Company policy is to defer the recognition of revenue on premiums received on options written until the option are exercised or expire.

The company uses options to earn additional income on the trading portfolio. Option 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 largely unwound at approximately a nil cost by 31 January 2008.

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 Half Year Ended 31 December 2007

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#### NOTE 8: DIVIDENDS

A final, fully franked, ordinary dividend of 6 cents per share (2006: 5 cents) in respect of the year ended 30 June 2007 amounted to \$107,825 (2006: \$86,789) and was paid on 20th December 2007. The record date was on 27<sup>th</sup> November 2007.

As at 31 December 2007, the directors had made no proposal or declared concerning in respect of the 6 months ended 31 December 2007.

Dividend reinvestment plan is in operation, under which holders of ordinary shares may elect to have all of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

#### NOTE 9: RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Operating profit after tax	247,172	211,117
Net (gain)/loss on sale of non-current investments	(109,779)	(85,704)
Net (gain)/loss on option trading and provision	(2,159)	-
Net exchange differences	3,725	903
Changes in operating assets and liabilities:		
(Increase)/decrease in debtors	9,902	81,853
(Increase)/decrease in current trading investments	220,793	103,684
(Increase)/decrease in receivables from controlled entities	-	-
(Increase)/decrease in future income tax benefit	-	-
(Decrease)/increase in creditors	-	(465)
(Decrease)/increase in accrued expenses	11,191	5,000
(Decrease)/increase in provision for income tax	13,410	28,117
(Decrease)/increase in provision for deferred income tax	-	-
Decrease/(increase) in provision for diminution	94,237	(33,070)
<b>Net cash inflow from operating activities</b>	<b>488,492</b>	<b>311,435</b>

#### NOTE 10: EVENTS OCCURRING AFTER REPORTING DATE

The value of the investments held in AIH has been affected by further falls in Australian and World equities markets since 31 December 2007. We estimate that the Net Asset Value per share has devalued by 9.85% (31 December 2007 to 22 February 2008) compared to a fall in the ASX Top 200 of 11.93%. These falls are seen as the result of the failure of sub-prime mortgage market in the United States and the consequent flow-on into other debt markets and wider economies. Often the element of fear that these types of events inject into equities and other markets are not a true reflection of economies and underlying businesses. The Directors hold a positive view that the markets will correct and resume their long term upward trend.

The Company was listed on the National Stock Exchange of Australia on 9<sup>th</sup> January 2008

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

**Australia & International Holdings Limited**  
**Notes To and Forming Part of the Financial Statements**  
**For the Half Year Ended 31 December 2007**

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**NOTE 11: COMMITMENT 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 12: NON-CASH FINANCING AND INVESTING ACTIVITIES**

There are no financing and investing transactions that do not require the use of cash or cash equivalents

# Australia & International Holdings Limited

## Directors' Declaration

### For the Half Year Ended 31 December 2007

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

- (a) the half year financial statements and notes of the economic entity, set out on pages 5 to 15, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the economic entity as at 31 December 2007 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director.....

C.T Burrell

Director.....

B.C.E. Rowley

Dated at Brisbane, 4<sup>th</sup> March 2008

# Australia & International Holdings Limited A.C.N. 009 706 414

## Results for Announcement to the Market

For the Half Year Ended 31 December 2007

### Summary of Consolidated Financial Information

Extract from this report for announcement to the market:

	6 months ended 31-Dec-07 \$	6 months ended 31-Dec-06 \$	Movement \$	Movement %
Revenue from continuing operations	349,227	291,750	57,477	19.7%
Profit (loss) after income tax for the half year attributable to members	247,172	211,117	36,055	17.1%
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	280,889	239,906	40,983	17.1%

	6 months ended 31-Dec-07 cents	6 months ended 31-Dec-06 cents
Basic earnings per security	14.13	12.34
Diluted earnings per security	14.13	12.34
Net tangible assets per security	425.85	383.99

### Interim Dividend Distribution

Dividends (distribution)	Amount per security	Franked amount per security
Current period (2007) Interim dividend*	0 cents	N/A
Previous period (2006) Interim dividend (paid on 27th June 2007) Special dividend (paid on 27th June 2007)	5 cents 3 cents	100% 100%

\* It is the practice of the Directors to consider an interim dividend in June of each year.

### Final Dividend Distribution for the year ended 30 June 2007

Dividends (distribution)	Amount per security	Franked amount per security
Prior period (2007) Final dividend (paid on 20th December 2007)**	6 cents	100%
Previous period (2006) Final dividend (paid on 8th December 2006)	5 cents	100%

\*\* It is the practice of the Directors to consider a final dividend in December of each year.

Dividend reinvestment plan is in operation, under which holders of ordinary shares may elect to have all of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

# **Australia & International Holdings Limited** A.C.N. 009 706 414

## **Results for Announcement to the Market**

**For the Half Year Ended 31 December 2007**

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### **Highlights of Results**

A consolidated profit after tax of \$247,172 was recorded for the period representing a 17.1% increase over the previous half year result of \$211,117. This is on revenue growth of 19.7% from operating activities for the half year being \$349,227 in 2007, up from \$291,750 in 2006.

The Australian market has been very volatile over the last eight months. The ASX 200 index was at 6,274.9 on 29 June 07. From there it fell to 5,711.5 on 16 August 07, only to rise to a high of 6,754.1 on 31 October. Since then it has tracked down again showing a closing value of 6,339.8 at the end of December and continuing its downward move in January to around the 5,600 level. The sell-off has largely been the result of fears stemming from the sub-prime crisis in the United States and the effect it would have on the broader economy and the rest of the world. Whilst there is currently much debate as to whether the United States is already in or headed for recession, the Australian economy remains robust. The Reserve Bank has been increasing interest rates to curb inflation from an economy that is constrained by supply and the Government is likely to cut expenditure in some areas in the forthcoming budget to alleviate demand pressure from the private sector. Certainly the increases in interest rates and a higher budget surplus should lower growth, but the general consensus is that Australia will not be pushed into recession and will continue to be buoyed by strong demand and prices for its raw materials.

The value of the investments held in AIH has been further affected since 31 December 2007. We estimate that the Net Asset Value per share was \$3.57 at 22 February 2008. By way of comparison, the ASX Top 200 fell from 6,754 (31/10/07) to 5,583 (22/2/08) or 17.34%, and AIH' NAV fell from \$4.17 to \$3.57 or 14.39%. We take the opportunity to remind investors that AIH is a long term investment vehicle and fluctuations in the market are expected and often provide the opportunity to buy at good prices.