

AUSTRALIA & INTERNATIONAL HOLDINGS LIMITED

A C N 009 706 414

**Interim Financial Report
For the Half-Year Ended
31 December 2009**

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CASH FLOWS

NOTES TO THE FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

CORPORATE DIRECTORY

DIRECTORS' REPORT

Your 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 2009 and the auditors' report thereon.

Directors

The directors of the Company at any time during the whole of half-year and up to the date of this report were:

Bernard C. E. Rowley - *Chairman of Directors*

Christopher T. Burrell

Roger J. Burrell

Frank J. Finn

Company Secretary

Ian F. Davey

Company Operations and Results

Overview

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

Performance Outcomes

Net Return

The net return to shareholders for the six month period to the end of December 2009 was 17.46%. This return is after costs have been deducted for managing and administering the portfolios and the Company. It is also after an allowance for tax at the rate of 30% has been deducted from operating profits and on the increases in value of the investment portfolios. Further, the return shareholders in AIH receive from dividends are fully franked. As such, our net return is not directly comparable to publicly reported share price or accumulation indices.

The net asset value per share was \$3.15 (30 June 2009: \$2.72). The final dividend for the year ended 30 June 2009 was 4.5 cents per share, fully franked.

Gross Returns

For comparative purposes we benchmark the international portfolio against the "MSCI" World (excluding Australia) Accumulation Index in local currency; and, the Australian long term portfolio against the ASX All Ordinaries Accumulation Index. The trading portfolio is more difficult to benchmark because it includes a mix of mid-cap shares and some overweight positions in blue-chip shares. However, we feel that the return from this portfolio is related to the performance of the Australian long term portfolio.

DIRECTORS' REPORT CONTINUED

Benchmarked returns are provided in the information below.

Portfolios and Investment Information

The performances of individual portfolios for the half-year ended 31 December 2009 and the comparative period are as follows:

	31-Dec-09	31-Dec-08
Australian portfolio	24.3%	-29.1%
International portfolio	8.5%	-13.6%
Trading portfolio	33.1%	-55.7%
Australian All Ordinaries Accumulation Index	26.1%	-29.7%
MSCI World Index excluding Australia	8.7%	-9.9%

The Company's investments by sector are:

	31-Dec-09	31-Dec-08
Energy	11.9%	12.6%
Materials	18.0%	19.4%
Industrials	8.5%	9.6%
Consumer discretionary	7.0%	8.2%
Consumer staples	5.6%	4.4%
Financials	27.0%	28.4%
Real estate investments trust	3.8%	2.3%
Managed Funds and LICs	8.7%	7.3%
Other - health care, information technology, telecommunications and utilities	9.5%	7.8%

The Company's investments by geographic area are:

	31-Dec-09	31-Dec-08
Australia	74.9%	72.2%
Americas	13.6%	10.9%
United Kingdom	2.5%	3.4%
Europe ex. United Kingdom	6.0%	8.7%
Japan	1.8%	4.0%
Asia ex. Japan	0.6%	0.2%
New Zealand	0.6%	0.6%

DIRECTORS' REPORT CONTINUED

Securities representing 5% or more of the combined investments and trading portfolio at 31 December 2009 were:

	% of Portfolio
BHP Billiton	10.0%
Commonwealth Bank of Australia	6.7%
Westpac Banking Corporation	5.6%
Woodside Petroleum	5.3%

Principal Activities

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

	31-Dec-09	31-Dec-08
Operating result for the half-year after income tax	\$272,167	-\$363,470

Net Assets Value Per Share

Net assets value per share for the economic entity as at 31 December 2009 is \$3.15 (30 June 2009: \$2.72).

Dividends Paid or Recommended

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

A final, fully franked, ordinary dividend of 4.5 cents per share in respect of the year ended 30 June 2009 amounted to \$85,126 and was paid on 22 December 2009.

The Directors of the Company have changed the dividend policy which will affect the timing of the dividend payment. The interim dividend will be paid in April and final dividend in October of the year.

Significant Changes in State of Affairs

No significant changes in the Company's state of affairs occurred during the period.

Events Subsequent to Balance Date

There were no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

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

DIRECTORS' REPORT CONTINUED

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 2009 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.



Christopher T. Burrell
Director



Bernard C. Rowley
Chairman

Brisbane
9 March 2010

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATION ACT 2001 TO THE DIRECTORS OF AUSTRALIA &
INTERNATIONAL HOLDINGS LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the six months ended
31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*
in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Hacketts DFK



Liam Murphy
Partner

Brisbane, 9 March 2010

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Consolidated 31-Dec-09 \$	31-Dec-08 \$
Revenues	3	353,582	(356,370)
Accountancy and audit fees		(32,360)	(17,000)
Managed portfolio fees		(16,841)	(15,923)
Secretarial expenses		(15,600)	(12,000)
Legal expenses		(2,270)	(7,483)
Stock exchange fees		(10,766)	(9,437)
Investments write-down		(10,000)	-
Other expenses		(6,551)	(4,426)
Profit/(loss) before income tax		259,194	(422,639)
Income tax (expense)/benefit		12,973	59,169
Profit/(loss) for the period		272,167	(363,470)
Profit/(loss) attributable to			
Equity holders of Australia & International Holdings Limited		232,019	(363,470)
Non-controlling interests		40,148	-
		272,167	(363,470)
Other comprehensive income after income tax			
Available for sale of investments revaluation reserve		792,460	(1,121,083)
Other comprehensive income for the period after tax		792,460	(1,121,083)
Other comprehensive income attributable to			
Equity holders of Australia & International Holdings Limited		660,085	(1,087,297)
Non-controlling interests		132,375	(33,786)
		792,460	(1,121,083)
Earnings per share		Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	4	12.26	-20.53
Diluted earnings per share	4	12.26	-20.53

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated	
		31-Dec-09	30-Jun-09
		\$	\$
Current Assets			
Cash and cash equivalents	5	749,783	284,923
Receivables		24,020	270
Foreign exchange receivables	6	19,633	105,716
Other financial assets		893,417	582,250
Current tax benefits		34,388	25,240
Option assets	7	5,563	-
Total Current Assets		1,726,804	998,399
Non-Current Assets			
Other financial assets		5,887,561	4,368,440
Deferred tax assets		110,747	95,728
Total Non-Current Assets		5,998,308	4,464,168
Total Assets		7,725,112	5,462,567
Current Liabilities			
Payables		45,487	43,207
Option liabilities	7	-	21,814
Total Current Liabilities		45,487	65,021
Non-Current Liabilities			
Deferred tax liability		333,705	24,331
Total Non-Current Liabilities		333,705	24,331
Total Liabilities		379,192	89,352
Net Assets		7,345,920	5,373,215
Equity			
Issued capital	8	4,381,214	4,334,553
Reserves		778,878	118,793
Retained profits		844,196	697,303
Parent entity interest		6,004,288	5,150,649
Non-controlling interests		1,341,632	222,566
Total Equity		7,345,920	5,373,215

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	Consolidated 31-Dec-09	31-Dec-08
		\$	\$
Issued capital			
Issued capital at the beginning of the period		4,334,553	4,074,364
Shares issued during period		46,661	39,117
Issued capital at the end of the period	8	4,381,214	4,113,481
Available for Sale Investments Revaluation Reserve			
Available for sale investments revaluation reserve at the beginning of the period		118,793	763,008
Increase/(decrease) in available for sale investments revaluation reserve		660,085	(1,087,297)
Available for Sale Investments Revaluation Reserve at the end of the period		778,878	(324,289)
Retained Earnings			
Retained earnings at the beginning of the period		697,303	1,114,710
Profit/(loss) attributable to members of the parent entity		232,019	(363,470)
Dividends paid	9	(85,126)	(70,822)
Retained earnings at the end of period		844,196	680,418
Total equity attributable to parent entity at the end of the period		6,004,288	4,469,610
Non-controlling interests			
Issued capital		1,238,159	259,891
Reserves		75,130	(43,429)
Profit attributable to non-controlling interests		40,148	-
Distributions		(11,805)	-
Total equity attributable to non-controlling interests at the end of the period		1,341,632	216,462
Total equity		7,345,920	4,686,072

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

	Notes	Consolidated 31-Dec-09	31-Dec-08
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from short-term trading activities		325,200	640,371
Payments to short-term trading activities		(417,407)	(662,040)
Dividends received		85,991	131,652
Interest received		5,994	8,181
Trust distributions received		12,671	18,365
Realised foreign exchange movements		-	6,306
Income taxes (paid)/refunded		(9,147)	(8,228)
Other expenses paid/income received		27,961	(33,357)
Net cash provided by (used in) operating activities	10	31,263	101,250
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts from long-term investing activities		452,979	539,824
Payments to long-term investing activities		(896,962)	(679,613)
Net cash provided by (used in) investing activities		(443,983)	(139,789)
CASH FLOW FROM FINANCING ACTIVITIES			
Share application monies received in parent entity		46,661	132,544
Unit application monies received in sub-trust entities		938,348	-
Dividends paid	9	(85,126)	(70,822)
Distributions paid		(15,588)	(1,842)
Net cash provided by (used in) financing activities		884,295	59,880
Net increase (decrease) in cash held		471,575	21,341
Cash at the beginning of financial year period		284,923	260,243
Effects of exchange rate fluctuations on the balances held in foreign currencies		(6,715)	8,653
Cash at the end of balance date		749,783	290,237

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with the requirements of the Accounting Standard including AASB 134: Interim Financial Reporting, Australian Accounting Interpretation, other authoritative pronouncements of the Australian Accounting Standards Boards, and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Australia & International Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

Report Basis and Conventions

The half-year report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis accounting has been applied.

NOTE 2: SEGMENT INFORMATION

Business segments

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

Australian long-term shares

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

Overseas long-term shares

Long-term shareholding in stocks traded on stock exchange 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

Comprised trading positions, including new floats where the long-term investments criteria are not met and some overweight positions.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION CONTINUED

Primary reporting - business segments

Six months ended 31 December 2009	Australian Long- Term Shares	Overseas Long-Term Shares	Share Trading Portfolio	Consolidated
	\$	\$	\$	\$
Dividend income	71,189	10,983	3,819	85,991
Interest income	2,373	2,964	657	5,994
Trust income	9,653	-	3,018	12,671
Unrealised foreign exchange movements	-	12,918	-	12,918
Fair value movement in financial assets	-	-	209,414	209,414
Profit on trading in options	-	4,013	62,439	66,452
Loss on sale of non-current investments	(1,410)	(22,131)	-	(23,541)
Loss on sale of trading investments	-	-	(16,317)	(16,317)
Total segment revenue	81,805	8,747	263,030	353,582
Segment result	66,995	890	251,356	317,461
Unallocated expenses				(58,267)
Profit from ordinary activities before income tax expense				259,194
Income tax (expense)/benefit				12,973
Profit from ordinary activities after income tax expense				272,167

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION CONTINUED

Primary reporting - business segments

Six months ended 31 December 2008	Australian Long- Term Shares	Overseas Long-Term Shares	Share Trading Portfolio	Consolidated
	\$	\$	\$	\$
Dividend income	110,378	15,780	5,494	131,652
Interest income	2,781	4,820	580	8,181
Trust income	8,511	1,026	8,828	18,365
Realised foreign exchange movements	-	6,306	-	6,306
Unrealised foreign exchange movements	-	54,611	-	54,611
Fair value movement in financial assets	-	-	(351,698)	(351,698)
Loss on trading in options	-	-	(26,375)	(26,375)
Loss on sale of non-current investments	(74,557)	(36,095)	-	(110,652)
Loss on sale of trading investments	-	-	(86,760)	(86,760)
Total segment revenue	47,113	46,448	(449,931)	(356,370)
Segment result	46,027	41,176	(452,002)	(364,799)
Unallocated expenses				(57,840)
Loss from ordinary activities before income tax expense				(422,639)
Income tax (expense)/benefit				59,169
Loss from ordinary activities after income tax expense				(363,470)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: REVENUE

	Consolidated	
	31-Dec-09	31-Dec-08
	\$	\$
Revenue from operating activities		
Net gain/(loss) on sale of non-current investments	(23,541)	(110,652)
Net gain/(loss) on sale of trading investments	(16,317)	(86,760)
Net gain/(loss) on options trading	66,452	(26,375)
Dividend income	85,991	131,652
Interest income	5,994	8,181
Trust distributions	12,671	18,365
Realised foreign exchange movements	-	6,306
	<u>131,250</u>	<u>(59,283)</u>
Revenue from outside operating activities		
Fair value adjustments on financial assets	209,414	(351,698)
Unrealised foreign exchange movements	12,918	54,611
Other income	-	-
	<u>222,332</u>	<u>(297,087)</u>
Total revenue from ordinary activities	<u>353,582</u>	<u>(356,370)</u>

NOTE 4: EARNINGS PER SHARE (EPS)

	Consolidated	
	31-Dec-09	31-Dec-08
	Cents	Cents
Basic earnings per share	12.26	-20.53
Diluted earnings per share	12.26	-20.53
	\$	\$
Earnings used in calculation of both Basic and Diluted EPS	232,019	(363,470)
	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculation of Basic EPS	1,892,240	1,770,629
Adjustment for calculation of diluted earnings per share:		
Options	-	-
Weighted average number of ordinary shares used in calculation of Diluted EPS	<u>1,892,240</u>	<u>1,770,629</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: CASH AND CASH EQUIVALENTS

	Consolidated	
	31-Dec-09	30-Jun-09
	\$	\$
Cash at bank	592,295	156,688
Rahn & Bodmer - AUD bank account	63,446	268
Rahn & Bodmer - USD bank account	1,370	1,237
Rahn & Bodmer - CHF bank account	69	11,318
Rahn & Bodmer - EUR bank account	1,069	1,174
Rahn & Bodmer - GBP bank account	1,525	60,937
Fortrend - AUD bank account	46,322	46,839
Fortrend - USD bank account	10,347	-
Fortrend - JPY bank account	89	-
Fortrend - CHF bank account	18	19
Citi Quilter	33,233	6,443
	749,783	284,923

NOTE 6: FOREIGN EXCHANGE RECEIVABLES AND PAYABLES

The Company is exposed to currency risk on its overseas long-term investments portfolio. During the reporting period, the Company hedged a portion of this risk against assets denominated in US Dollars, Euro and Japanese Yen. Forward rate agreements were taken out to sell US\$100,000 at AUDUSD 0.8427, Euro 60,000 at AUDEUR 0.59 and JPY8m at AUDJPY 78.24, expiring on 31st March 2010.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: OPTION ASSETS / LIABILITIES

	Consolidated	
	31-Dec-09	30-Jun-09
	\$	\$
Option assets	5,563	-
Option liabilities	-	21,814

Premium on sold options are initially brought to account as a liability at cost which equates to fair value. Option premium income is recognised when the options expire or as settled. At balance sheet date, outstanding options are valued at fair value, based on quoted price. Revaluation gains or losses are presented in the Statement of Comprehensive Income.

The Company uses options to earn additional income on the trading portfolio by either:

- 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 reporting period the Company also used options to take synthetic long positions in stocks which give it the right on the buy side, but not the obligation to buy shares in companies at a fixed (strike) price for the duration of the option contract. These rights are offset by obligations to buy an equivalent number of shares in those companies at the same fixed (strike) price. Therefore, if the price of the underlying shares to the options contract closes above the fixed price we have the option of buying those shares and booking a gain. However, if the underlying trades below the fixed price we risk having to buy those shares at the same fixed price and booking a loss. At balance date the Company held synthetic long position in AMP for an equivalent of 6,000 shares, March 2011 expiry at a strike price of \$6.50 per share; and Bluescope Steel for an equivalent of 9,324 shares, March 2010 expiry at a strike price of \$2.81 per share.

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.

Writing (selling) a call option gives the buyer the right, but not the obligation, to buy shares at the exercise price on or before expiry of the option. As at 31 December 2009, AIH had sold calls which, at the option of the buyer, may require AIH to sell \$ 116,500 (30 June 2009: \$76,000) worth of shares.

Writing (selling) a put option gives the buyer the right, but not the obligation, to sell shares at the exercise price on or before expiry of the option. As at 31 December 2009, AIH had sold puts which, at the option of the buyer, may require AIH to buy \$169,700 (30 June 2009: \$528,350) worth of shares.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: ISSUED CAPITAL OF CONTROLLING INTERESTS

	31-Dec-09	30-Jun-09	31-Dec-09	30-Jun-09
	No. of shares	No. of shares	\$	\$
Share capital:				
Ordinary shares - fully paid	1,906,650	1,891,688	4,381,214	4,334,553
Details	Date	No. of shares	Issue Price	\$
Opening balance	01/07/09	1,891,688		4,334,553
Dividend reinvestment plan	22/12/09	14,962	\$3.11	46,661
		<u>1,906,650</u>		<u>4,381,214</u>

The Company has a Dividend Reinvestment Plan (DRP) under which shareholders elected to have their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares was based on the most recent Net Asset Value per share calculated at the time from the management accounts of the Company.

NOTE 9: DIVIDENDS AND CAPITAL MANAGEMENT

A final, fully franked, ordinary dividend of 4.5 cents per share (2008: 4.0 cents) in respect of the year ended 30 June 2009 amounted to \$85,126 (2008: \$70,822) and was paid on 22nd December 2009 (2008: 30th December 2008). The record date was on 14th December 2009 (2008: 30th December 2008).

As at 31 December 2009, the directors had made no proposal or declared concerning in respect of the 6 months ended 31 December 2009.

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.

The Company has adopted an investment strategy which seeks to maximise medium to long-term shareholder value.

Shareholder value comes from both increased capital value and a regular stream of dividend payments.

The amount of capital the Company has available will fluctuate according to market conditions and the Company may increase or reduce dividends, raise new capital, or buy back its own shares in accordance with those conditions.

The Directors of the Company have changed the dividend policy which will affect the timing of the dividend payment. The interim dividend will be paid in April and the final dividend in October of the year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: RECONCILIATION OF OPERATING PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated	
	31-Dec-09	31-Dec-08
	\$	\$
Operating profit/(loss) after tax	272,167	(363,470)
Net (gain)/loss on sale of non-current investments	23,541	110,652
Net (gain)/loss on options trading and provisions	(26,268)	25,021
Net exchange differences	(12,918)	(54,611)
Changes in operating assets and liabilities		
(Increase)/decrease in debtors	101,966	17,744
(Increase)/decrease in current trading investments	(101,752)	64,830
(Increase)/decrease in current tax benefit	(9,147)	(83,780)
(Increase)/decrease in deferred tax assets	(15,019)	16,383
(Decrease)/increase in creditors	(2,275)	(857)
(Decrease)/increase in accrued expenses	10,382	17,640
(Decrease)/increase in provision for diminution	(209,414)	351,698
Net cash inflow from operating activities	31,263	101,250

NOTE 11: COMMITMENTS AND CONTINGENT LIABILITIES

Other than noted in note 7 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.

NOTE 13: 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 Street, Spring Hill, Queensland 4000

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: EVENTS OCCURING AFTER BALANCE DATE

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

DIRECTORS' DECLARATION

The directors of the Company declare that::

1. The financial statements and notes, as set out on pages 6 to 18 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due & payable.

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



Christoher T. Burrell
Director



Bernard C. Rowley
Chairman

Brisbane
9 March 2010

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AUSTRALIA & INTERNATIONAL HOLDINGS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australia and International Holdings Limited (the company) and its controlled entities (the consolidated entity). The half-year financial report comprises the statement of financial position sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Australia and International Holdings Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australia and International Holdings Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Reviewed Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2009 included on the website of Australia & International Holdings Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australia and International Holdings Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Australia and International Holdings Limited and its controlled entities' financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Hacketts DFK



Liam Murphy
Partner

Brisbane, 9 March 2010

CORPORATE DIRECTORY

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