

Australia & International Holdings Limited

ABN 98 009 706 414

Financial Statements - 30 June 2011

Australia & International Holdings Limited
Corporate directory
30 June 2011

Directors	Bernard C E Rowley Christopher T Burrell Roger J Burrell Frank J Finn
Company secretary	Ian F Davey
Notice of annual general meeting	The annual general meeting of Australia & International Holdings Limited: will be held at Level 5, 24 Little Edward Street Spring Hill QLD 4000 time date 12:00 PM Tuesday 15 November 2011
Registered office	Level 4, 24 Little Edward Street Spring Hill QLD 4000 Phone 61 7 3006 7200 Fax 61 7 3839 6964
Share register	Newcastle Capital Markets Registries Pty Limited 10 Murray Street Hamilton NSW 2303 Phone 61 2 4920 2877 Fax 61 2 4920 2878
Auditor	Lawler Hacketts Audit Level 3, 549 Queen Street Brisbane QLD 4000
Bankers	DDH Graham Limited 18th Floor, 344 Queen Street Brisbane QLD 4000
Stock exchange listing	Australia & International Holdings Limited shares are listed on the National Stock Exchange of Australia (NSX code: AID)
Website address	http://www.burrell.com.au

Australia & International Holdings Limited
Directors' report
30 June 2011

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2011.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Bernard C E Rowley
Christopher T Burrell
Roger J Burrell
Frank J Finn

Company Secretary

Ian F Davey

Principal activities

The Company's principal activity during the year consisted of long-term investing in publicly listed Australian and overseas companies and managed funds.

Dividends

Dividends paid during the financial year were as follows:

	2011 \$	2010 \$
Final dividend for the year ended 30 June 2010 (2010: 30 June 2009) of 5.0 cents (2010: 4.5 cents) per ordinary share paid on 11 October 2010 (2010: 22 December 2009) fully franked based on a tax rate of 30%	96,228	85,126
Interim dividend for the year ended 30 June 2011 (2010: 30 June 2010) of 5.0 cents (2010: 5.0 cents) per ordinary share paid on 15 April 2011 (2010: 15 April 2010) fully franked based on a tax rate of 30%	59,654	95,264
Dividend under off-market capital buy-back of 56.0 cents per ordinary share paid on 16 December 2010 fully franked based on a tax rate of 30%.	420,000	-
	<u>575,882</u>	<u>180,390</u>

Review of operations

The profit for the company after providing for income tax amounted to \$427,879 (30 June 2010: \$91,806).

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

Net Return

The net return to shareholders for the financial year ended 30 June 2011 was 4.93%. 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 received 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 \$ 2.88 (30 June 2010: \$2.85). The 2010 final dividend was 5.0 cents per share and the 2011 interim dividend was 5.0 cents per share, fully franked.

Australia & International Holdings Limited
Directors' report
30 June 2011

Gross Return

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.

Benchmarked returns are provided in the information on page 7.

Net Assets Value per Share

The net assets value per share for the company as at 30 June 2011 is \$2.88 (2010: \$2.85)

Significant changes in the state of affairs

In November 2010, the Company conducted a successful selective off-market share buy-back to buy-back up to 750,000 fully paid ordinary shares in the Company at a price of \$2.87 per share for a total amount of \$2,152,000 (including dividend of \$0.56/share with total amount of \$420,000). The buy-back was fully subscribed. Participants in the buy-back received proportionate units in the Burrell Australian Equities Trust and the Burrell World Equities Trust of equivalent value to the buy-back price.

The main reason for the Buy-back was so that holders of larger parcels of shares in Australia & International Holdings Limited, by converting their share holdings into unit holdings in the Burrell Australian Equities Trust and the Burrell World Equities Trust, obtained greater flexibility in being able to come-and-go by being able to redeem those units. The Board felt that this would also benefit smaller shareholders, as there would be less price competition at different levels in the absence of large orders. Another expected benefit is that, as a result of the Buy-back, accounting, audit and administration costs will be reduced.

Further, as a result of the Buy-back and the subsequent reduction in holdings by the Company in the Burrell Australian Equities Trust and the Burrell World Equities Trust to less 50% in each trust, the Company no longer has to prepare consolidated accounts.

There were no other significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Australia & International Holdings Limited
Directors' report
30 June 2011

Information on directors

Name: Bernard C E Rowley
Title: Chairman
Qualifications: Fellow of Institute of Actuaries of Australia, Fellow of Australian Institute of Company Directors
Experience and expertise: Bernard has been a Director since 1998 and Chairman since 2002. He was previously the Chief Executive Officer of Suncorp Insurance & Finance for the years 1986 to 1996.
Other current directorships: Chairman of Cuna Mutual Life, Chairman of Burrell Stockbroking Pty Ltd, Director of Texon Petroleum Ltd.
Former directorships (in the last 3 years): Chairman of Cuna Mutual Group and Director of River City Motorway Group
Special responsibilities:
Interests in shares: 29,780 Fully Paid Ordinary Shares, Non-beneficially held
Interests in options: None

Name: Christopher T Burrell
Title: Director
Qualifications: M.F.M., B. Com (Hons), L.L.B. (Hons), F.C.A., SF Fin, M.S.A.A
Experience and expertise: Chris has been a Director since 1983. He was the Company's Chairman from 1983 to 2002. He has held the position of Managing Director of Burrell Stockbroking Pty Ltd since 1997. He was a Partner of Coopers & Lybrand, Chartered Accountants, for 15 years; a previous Director of Queensland electricity retailer, Ergon; a former member of the Industrial Research & Development Committee within the Commonwealth Department of Industry, Science and Resources; and a former State Councillor for the Securities Institute of Australia.
Other current directorships: Director of Burrell Stockbroking Pty Ltd
Former directorships (in the last 3 years):
Special responsibilities:
Interests in shares: 335,747 beneficially and 72,187 non-beneficially held Fully Paid Ordinary Shares
Interests in options: None

Name: Roger J Burrell
Title: Director
Qualifications: B. Com, L.L.B, F Fin, F.A.I.C.D., Diploma of Financial Services
Experience and expertise: Roger has been a Director since 1987. He is also the Chief Executive Officer of Access Funds Management Ltd and Vice President of the 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).
Other current directorships: Access Funds Management Ltd., Multiple Sclerosis Australia
Former directorships (in the last 3 years):
Special responsibilities:
Interests in shares: 53,805 beneficially held Fully Paid Ordinary Shares
Interests in options: None

Australia & International Holdings Limited
Directors' report
30 June 2011

Name: Frank J Finn
Title: Director
Qualifications: B. Com (Hons.), M.B.A. PhD, F.C.P.A., F Fin
Experience and expertise: Frank has been a Director since 1996. He was the Professor of Finance, Director of Studies at the Faculty of Business, Economics & Law of University of Queensland.
Other current directorships:
Former directorships (in the last 3 years):
Special responsibilities:

Interests in shares: 33,982 beneficially held Fully Paid Ordinary Shares
Interests in options: None

Company secretary

Ian Davey has been a Company Secretary of the Company since 2000 and is also a Director of Burrell Stockbroking Pty Ltd. Prior to joining the Company, he was the Finance Controller of James Engineering Pty Ltd 1985-2000.

Meetings of directors

The number of meetings of the company's Board of Directors held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Bernard C E Rowley	4	4
Christopher T Burrell	4	4
Roger J Burrell	4	4
Frank J Finn	4	4

Held: represents the number of meetings held during the time the director held office.

Retirement, election and continuation in office of directors

Messrs B C Rowley & R J Burrell are the Directors retiring by rotation, who, being eligible, offer themselves for re-election.

Remuneration report (audited)

No remuneration was paid to the Directors during or after the year ended 30 June 2011. No other management or staff are employed by the Company.

Full details relating to the Directors are set out at Note 24 Related Parties, in the Notes to and forming part of the Financial Statements for the year ended 30 June 2011.

Except as otherwise disclosed, 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 2011 or at any other time) with the Company; or 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..

Issue of Shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2011.

Australia & International Holdings Limited
Directors' report
30 June 2011

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2011.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2011.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of Lawler Hacketts Audit

There are no officers of the company who are former audit partners of Lawler Hacketts Audit.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

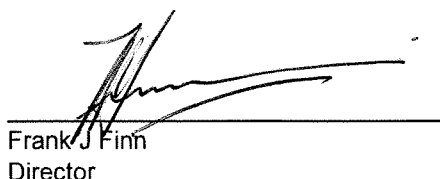
Lawler Hacketts Audit continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Bernard C E Rowley
Chairman


Frank J Finn
Director

20 September 2011
Brisbane

Australia & International Holdings Limited
Performances of individual portfolios
30 June 2011

The performances of individual portfolios the Company invested in for the year ended 30 June 2011 and the comparative period as follows:

	2011	2010
	%	%
Australia long-term portfolio	8.36	13.22
International long-term portfolio	2.23	0.58
Trading portfolio	21.85	21.08
Australian All Ordinaries Accumulation Index	12.17	13.78
MSCI World Index ex Australia	0.04	3.72

The Company's investments by sector are:

	2011	2010
	%	%
Energy	9.6	10.5
Materials	16.4	17.4
Industrials	6.8	7.8
Consumer discretionary	6.8	9.3
Consumer staples	4.7	6.2
Financials	24.6	23.2
Real estate investment trust	6.3	6.4
Managed funds & LICs	12.7	7.6
Exchange traded fund	4.4	3.3
Others – health care, information technology, telecommunications & utilities	7.7	8.3

The Company's investments by geographic are:

	2011	2010
	%	%
Australia	81.7	77.8
Americas	8.4	11.6
United Kingdom	2.3	2.9
Europe ex United Kingdom	3.3	4.0
Japan	0.5	1.2
New Zealand	0.6	0.6
Asia ex Japan	0.2	0.6
Global	3.0	1.2

Securities representing 5% or more of the combined investments and trading portfolio at 30 June 2011 were:

	% of portfolio
Commonwealth Bank of Australia	11.1%
Sophisticated Investors Club	9.7%
BHP Billiton	8.9%
Westpac Banking Corporation	6.3%

Australia & International Holdings Limited
Corporate Governance
30 June 2011

The Board of Australia & International Holdings Limited is committed to the highest level of honesty and integrity.

Roles and Functions of the Board

The main functions and responsibilities of the Board are:

- Oversight of the Company;
- Setting the investment strategy for the portfolios;
- Ensuring the systems are in place to ensure risks are controlled and internal and external compliance and legal obligations are met;
- Approving and monitoring financial and other reporting.

Structure of the Board and Establishment of Committee

The structure of the Board is to maintain of independent directors so as to maintain an appropriate degree of separation from the management of the Company. The Chairman is an independent Director. The size and nature of the Company does not warrant the establishment of a nomination committee, however, the Board seeks to maintain a balanced mix of investment, finance, business and legal skills in its composition. Further, the size and nature of the Company does not warrant the establishment of an audit or compliance committee. As the Directors have not to this date sought any remuneration for their services to shareholders, there has not been any need to establish a remuneration committee.

Risk Management

The Board is responsible for identifying and managing risks to the Company and these are set out in the Notes to the financial statements. Some risks are reduced by having appropriate controls and policies and procedures in place with audit review. Investment risk is reduced by the setting of an appropriate investment strategy with guidelines and benchmarks for the investment manager to follow with regular Board review.

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- (a) no contraventions of the auditor independence requirements as set out in 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.

Lawler Hacketts Audit



Liam Murphy
Partner

Brisbane, 20 September 2011

Australia & International Holdings Limited
Financial report
For the year ended 30 June 2011

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General information

The financial report covers Australia & International Holdings Limited as an individual entity. The financial report is presented in Australian dollars, which is Australia & International Holdings Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Australia & International Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

24 Little Edward Street
Spring Hill QLD 4000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 20 September 2011.

Australia & International Holdings Limited
Statement of comprehensive income
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	4	133,163	177,449
Other income	5	431,041	-
Expenses			
Accountancy and audit fees		(9,600)	(22,948)
Managed portfolio fees		(2,637)	(3,171)
Secretarial expenses		(7,600)	(31,200)
Legal expenses		(1,314)	(2,212)
Stock exchange fees		(10,589)	(10,265)
Listing fees		(9,597)	(11,025)
Other expenses		(461)	(9,600)
Profit before income tax (expense)/benefit		522,406	87,028
Income tax (expense)/benefit	6	(94,527)	4,778
Profit after income tax (expense)/benefit for the year attributable to the owners of Australia & International Holdings Limited	16	427,879	91,806
Other comprehensive income			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	269,461
Loss on the revaluation of available-for-sale financial assets, net of tax		(188,317)	-
Other comprehensive income for the year, net of tax		(188,317)	269,461
Total comprehensive income for the year attributable to the owners of Australia & International Holdings Limited		<u>239,562</u>	<u>361,267</u>
		Cents	Cents
Basic earnings per share	22	27.65	4.82
Diluted earnings per share	22	27.65	4.82

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Australia & International Holdings Limited
Statement of financial position
As at 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Current assets			
Cash and cash equivalents	7	115,715	57,061
Trade and other receivables	8	-	39,065
Income tax refund due	9	6,552	-
Total current assets		<u>122,267</u>	<u>96,126</u>
Non-current assets			
Available-for-sale financial assets	10	3,670,058	5,528,537
Deferred tax	11	22,735	19,108
Total non-current assets		<u>3,692,793</u>	<u>5,547,645</u>
Total assets		<u>3,815,060</u>	<u>5,643,771</u>
Liabilities			
Current liabilities			
Trade and other payables	12	<u>3,281</u>	<u>25,655</u>
Total current liabilities		<u>3,281</u>	<u>25,655</u>
Non-current liabilities			
Deferred tax	13	<u>181,201</u>	<u>139,355</u>
Total non-current liabilities		<u>181,201</u>	<u>139,355</u>
Total liabilities		<u>184,482</u>	<u>165,010</u>
Net assets		<u>3,630,578</u>	<u>5,478,761</u>
Equity			
Contributed equity	14	2,923,317	4,435,180
Reserves	15	108,121	612,283
Retained profits	16	<u>599,140</u>	<u>431,298</u>
Total equity		<u>3,630,578</u>	<u>5,478,761</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Australia & International Holdings Limited
Statement of changes in equity
For the year ended 30 June 2011

	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2009	4,334,553	342,822	519,882	5,197,257
Other comprehensive income for the year, net of tax	-	269,461	-	269,461
Profit after income tax (expense)/benefit for the year	-	-	91,806	91,806
Total comprehensive income for the year	-	269,461	91,806	361,267
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	100,627	-	-	100,627
Dividends paid	-	-	(180,390)	(180,390)
Balance at 30 June 2010	<u>4,435,180</u>	<u>612,283</u>	<u>431,298</u>	<u>5,478,761</u>
	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2010	4,435,180	612,283	431,298	5,478,761
Other comprehensive income for the year, net of tax	-	(504,162)	315,845	(188,317)
Profit after income tax (expense)/benefit for the year	-	-	427,879	427,879
Total comprehensive income for the year	-	(504,162)	743,724	239,562
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	233,885	-	-	233,885
Ordinary shares bought back, net of costs	(1,745,748)	-	-	(1,745,748)
Dividends paid	-	-	(575,882)	(575,882)
Balance at 30 June 2011	<u>2,923,317</u>	<u>108,121</u>	<u>599,140</u>	<u>3,630,578</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Australia & International Holdings Limited
Statement of cash flows
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(62,011)	(52,993)
Trust distributions received from related parties		137,906	310,861
Dividends received		19,997	16,422
Interest received		2,135	1,884
Income taxes paid		<u>(104,706)</u>	<u>(6,836)</u>
Net cash from/(used in) operating activities	23	<u>(6,679)</u>	<u>269,338</u>
Cash flows from investing activities			
Payments for investments		(331,686)	(135,597)
Proceeds from sale of investments		<u>322,234</u>	<u>-</u>
Net cash used in investing activities		<u>(9,452)</u>	<u>(135,597)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	220,637	100,627
Dividends paid	17	(155,852)	(180,390)
Repayment of borrowings		<u>10,000</u>	<u>(10,000)</u>
Net cash from/(used in) financing activities		<u>74,785</u>	<u>(89,763)</u>
Net increase in cash and cash equivalents		58,654	43,978
Cash and cash equivalents at the beginning of the financial year		<u>57,061</u>	<u>13,083</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>115,715</u></u>	<u><u>57,061</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the company. The following Accounting Standards and Interpretations are most relevant to the company:

AASB 101 Presentation of Financial Statements

The company has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result, the company now presents all owner changes in the statement of changes in equity. The balance sheet is now referred to as the statement of financial position. There is a requirement to present a third statement of financial position if there is restatement of comparatives through either a correction of error, change in accounting policy or a reclassification. The cash flow statement is now referred to as the statement of cash flows.

AASB 128 Investments in Associates

This accounting standard is applied in accounting for investments in entities where the investor has significant influence, which is presumed if the investor holds 20% or more of the voting power of the investee, unless it can be shown otherwise. Investments in associates are normally accounted for in the financial statements by applying the equity method of accounting whereby the investment is recognised at cost and adjusted for thereafter for the post-acquisition change in the Company's share of the net assets of the associate entity. This accounting standard does not contemplate 'available for sale' financial assets.

AASB 139 Financial Instruments: Recognition and Measurement

This accounting standard is applied in accounting for investments in financial instruments and stipulates that where a financial asset is classified as 'available-for-sale' it should be initially recorded at cost and any changes in fair value recorded in the available-for-sale reserve in equity.

As at 30 June 2011 the Company held investments in the Burrell Australian Equities Trust and the Burrell World Equities Trust representing 42.46% and 33.88% respectively of the units on issue of each trust. This would normally mean that the investments by the Company in these entities be accounted for by adopting the AASB 128 Investments in Associates Accounting Standard. However, the Company has adopted the accounting treatment under AASB 139 and recorded the investments as 'available-for-sale'. This has been done because both of the trusts are investment vehicles which invest in the shares of listed companies and managed funds and these assets held by the trusts are accounted for as 'available-for-sale' assets. Therefore, the Company has 'looked through' to the nature of its underlying assets and applied the same accounting treatment to maintain consistency and avoid confusion to the readers of these financial statements. It should be noted that the affect on the net assets of the Company under either accounting policy is the same.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 1. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

Revenue from the 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.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of investments are based on current bid prices. For unlisted investments, the company establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal can not exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly in the available-for-sale reserve.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Australia & International Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

Cash flows are presented on a gross basis.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2011. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The company will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the company.

Note 1. Significant accounting policies (continued)

AASB 1053 Application of Tiers of Australian Accounting Standards

This standard is applicable to annual reporting periods on or after 1 July 2013. This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards - Reduced Disclosure Requirements.

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013. These amendments make numerous amendments to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the company.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

Note 3. Operating segments

As previously noted, the Company is predominantly invested in the Burrell Australian Equities Trust and the Burrell World Equities Trust who in turn invest the majority of their funds for the long-term in blue-chip companies listed on the Australian and international stock exchanges and selected managed funds. The Company's allocation of investments and the performance of these investments are in line with the investment portfolios of the two trusts and it follows that an appropriate categorisation of segments for reporting purposes is into Australian long-term shares and overseas long-term shares.

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 exchanges with similar corporate governance regimes as Australia. This portfolio is primarily made up of shares in companies operating in the USA, UK, Europe and Asia.

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Note 3. Operating segments (continued)

	Australian Long-Term Shares	Overseas Long-Term Shares	Total
2011	\$	\$	\$
Dividends	19,997	-	19,997
Interest	2,135	-	2,135
Trust distributions from related parties	97,916	13,115	111,031
Net gain/(loss) on disposal of available-for-sale financial assets	518,681	(87,640)	431,041
Total segment revenue	638,729	(74,525)	564,204
Segment result	638,729	(74,525)	564,204
Unallocated expenses			(41,798)
Profit from ordinary activities before income tax (expense)			522,406
Income tax (expense)			(94,527)
Profit from ordinary activities after income tax expense			427,879
Segment assets	2,806,384	863,673	3,670,057
Unallocated assets			145,003
Total assets			3,815,060
Segment liabilities	218,386	(37,185)	181,201
Unallocated liabilities			3,281
Total liabilities			184,482
Net assets			3,630,578
Segment cash inflow from operating activities	146,923	13,115	160,038
Unallocated net cash (outflow) from operating activities			(166,717)
Net cash inflow/(outflow) from operating activities			(6,679)

Australia & International Holdings Limited
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Note 3. Operating segments (continued)

	Australian Long-Term Shares	Overseas Long-Term Shares	Total
2010	\$	\$	\$
Dividends	16,422	-	16,422
Interest	1,884	-	1,884
Trust distributions from related parties	103,540	17,504	121,044
Net gain/(loss) on disposal of available-for-sale financial assets	27,597	10,502	38,099
Total segment revenue	149,443	28,006	177,449
Segment result	149,443	28,006	177,449
Unallocated expenses			(90,421)
Profit from ordinary activities before income tax (expense)			87,028
Income tax (expense)			4,778
Profit from ordinary activities after income tax expense			91,806
Segment assets	4,164,005	1,364,532	5,528,537
Unallocated assets			115,234
Total assets			5,643,771
Segment liabilities	190,100	(50,745)	139,355
Unallocated liabilities			25,655
Total liabilities			165,010
Net assets			5,478,761
Segment cash inflow from operating activities	244,706	84,461	329,167
Unallocated net cash (outflow) from operating activities			(59,829)
Net cash inflow/(outflow) from operating activities			269,338

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Note 4. Revenue

	2011	2010
	\$	\$
Dividends	19,997	16,422
Interest	2,135	1,884
Trust distributions from related parties	111,031	121,044
Recovery of administration expenses	-	38,099
	<u>133,163</u>	<u>177,449</u>
Revenue	<u>133,163</u>	<u>177,449</u>

Note 5. Other income

	2011	2010
	\$	\$
Net gain on disposal of available-for-sale financial assets	<u>431,041</u>	<u>-</u>

Australia & International Holdings Limited
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Note 6. Income tax expense/(benefit)

	2011	2010
	\$	\$
<i>Income tax expense/(benefit)</i>		
Current tax	112,130	(7,930)
Deferred tax	(17,722)	(2,948)
Under provision in prior years	119	6,100
	<u>94,527</u>	<u>(4,778)</u>
Aggregate income tax expense/(benefit)		
Deferred tax included in income tax expense/(benefit)		
Increase in deferred tax assets (note 11)	<u>(17,722)</u>	<u>(2,948)</u>
<i>Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable</i>		
Profit before income tax (expense)/benefit	522,406	87,028
Tax at the Australian tax rate of 30%	156,722	26,108
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	129	146
Tax offset for franked dividends	(50,086)	(41,374)
The difference of the trust distributions for tax purposes	-	3,997
Capital losses	(3,435)	(5,807)
Restructuring legal costs s 40-880	(2,737)	(1,322)
Accrued expenses	(7,050)	4,289
Sundry items	865	3,085
	<u>94,408</u>	<u>(10,878)</u>
Under provision in prior years	119	6,100
Income tax expense/(benefit)	<u>94,527</u>	<u>(4,778)</u>
<i>Amounts charged directly to equity</i>		
Deferred tax liabilities (note 13)	<u>41,846</u>	<u>112,978</u>

Note 7. Current assets - cash and cash equivalents

	2011	2010
	\$	\$
Cash and cash equivalents	<u>115,715</u>	<u>57,061</u>

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Note 8. Current assets - trade and other receivables

	2011	2010
	\$	\$
Trade receivables	-	3,296
Loan - related parties	-	10,000
Distributions receivable	-	25,769
	<u>-</u>	<u>39,065</u>

Note 9. Current assets - income tax refund due

	2011	2010
	\$	\$
Income tax refund due	<u>6,552</u>	<u>-</u>

Note 10. Non-current assets - available-for-sale financial assets

	2011	2010
	\$	\$
Investments at fair value	<u>3,670,058</u>	<u>5,528,537</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out

Opening fair value	5,528,537	5,010,501
Additions	331,686	135,597
Disposals	(2,043,925)	-
Revaluation increments	-	382,439
Revaluation decrements	<u>(146,240)</u>	<u>-</u>
Closing fair value	<u>3,670,058</u>	<u>5,528,537</u>

Refer to note 18 for detailed information on financial instruments.

The majority of the funds under investment by the Company are held in two unquoted investment trusts, which in turn have their investments assets invested in the shares of listed companies or managed funds. These two trusts are the Burrell Australian Equities Trust (BAET), which invests for the long-term in predominantly blue-chip shares listed on the Australian Stock Exchange, and the Burrell World Equities Trust (BWET), which also invests for the long-term but in the listed shares on blue-chip companies listed on international stock exchanges. As at 30 June 2011, the proportion of the investments in these two investment trusts to the total investments of the Company was 90.3% (2010: 93.9%). The Company looks through to the nature of the underlying assets in the two trusts to better reflect the nature of its investments.

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Note 11. Non-current assets - deferred tax

	2011	2010
	\$	\$
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	-	13,976
Timing differences of revenue recognition	22,735	5,132
	<u>22,735</u>	<u>5,132</u>
Deferred tax asset	<u>22,735</u>	<u>19,108</u>
<i>Movements:</i>		
Opening balance	19,108	3,625
Credited to profit or loss (note 6)	17,722	2,948
Prior year adjustment	(119)	-
Tax losses utilised in current year	(13,976)	12,535
	<u>22,735</u>	<u>19,108</u>
Closing balance	<u>22,735</u>	<u>19,108</u>

Note 12. Current liabilities - trade and other payables

	2011	2010
	\$	\$
Trade payables	2,145	25,655
Other payables	1,136	-
	<u>3,281</u>	<u>25,655</u>

Refer to note 18 for detailed information on financial instruments.

Note 13. Non-current liabilities - deferred tax

	2011	2010
	\$	\$
Deferred tax liability	<u>181,201</u>	<u>139,355</u>
<i>Movements:</i>		
Opening balance	139,355	26,377
Charged to equity	41,846	112,978
	<u>181,201</u>	<u>139,355</u>
Closing balance	<u>181,201</u>	<u>139,355</u>

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Note 14. Equity - contributed

	2011 Shares	2010 Shares	2011 \$	2010 \$
Ordinary shares - fully paid	<u>1,262,762</u>	<u>1,924,555</u>	<u>2,923,317</u>	<u>4,435,180</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2009	1,891,688		4,334,553
Dividend reinvestment plan	22 December 2009	14,962	\$3.11	46,661
Dividend reinvestment plan	15 April 2010	<u>17,905</u>	<u>\$3.02</u>	<u>53,966</u>
Balance	30 June 2010	1,924,555		4,435,180
Dividend reinvestment plan	11 October 2010	18,528	\$2.87	53,280
Share buy-back	16 December 2010	(750,000)	\$2.31	(1,732,500)
Share buy-back cost	16 December 2010	-	\$0.00	(13,248)
Dividend reinvestment plan	15 April 2011	10,025	\$2.99	29,871
Rights issue	28 April 2011	59,654	\$2.70	161,066
Rights issue cost	28 April 2011	<u>-</u>	<u>\$0.00</u>	<u>(10,332)</u>
Balance	30 June 2011	<u>1,262,762</u>		<u>2,923,317</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

In November 2010, the Company conducted a successful off-market buy-back of its shares. Participants in the buy-back received proportionate units in BAET and BWET of equivalent value to the buy-back price. As a result, the Company reduced its ownership in BAET from 82.5% to 44.6% and BWET from 56.5% to 34.8%. As at 30 June 2011, as a result of BAET and BWET issuing further units to third parties, the Company's investments in BAET and BWET became 42.46% and 33.88% respectively. A capital gain of \$430,810 was achieved as a result of the disposal of the units in BAET and BWET and this is recorded in the Statement of Comprehensive Income. The reduction in holdings in the two trusts to less than 50% meant that they are no longer subsidiaries of the Company and therefore there is no longer a requirement to produce a consolidated set of financial statements. A discussion of the accounting treatment adopted following this reduction of ownership is included in Note 1 of these financial statements.

Capital risk management

The company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2010 Annual Report.

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Note 15. Equity - reserves

				2011	2010
				\$	\$
Available-for-sale reserve				<u>108,121</u>	<u>612,283</u>
	Revaluation surplus	Available-for-sale	Foreign currency	Hedging	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2009	-	342,822	-	-	342,822
Revaluation - gross	-	382,439	-	-	382,439
Deferred tax	-	(112,978)	-	-	(112,978)
Balance at 30 June 2010	-	612,283	-	-	612,283
Revaluation - gross	-	(146,240)	-	-	(146,240)
Deferred tax	-	(41,846)	-	-	(41,846)
Transfer from reserve	-	(315,845)	-	-	(315,845)
Other adjustments	-	(231)	-	-	(231)
Balance at 30 June 2011	-	<u>108,121</u>	-	-	<u>108,121</u>

Available-for-sale reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Note 16. Equity - retained profits

	2011	2010
	\$	\$
Retained profits at the beginning of the financial year	431,298	519,882
Profit after income tax (expense)/benefit for the year	427,879	91,806
Dividends paid (note 17)	(575,882)	(180,390)
Transfer from available-for-sale reserve	<u>315,845</u>	<u>-</u>
Retained profits at the end of the financial year	<u>599,140</u>	<u>431,298</u>

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Note 17. Equity - dividends

Dividends

	2011	2010
	\$	\$
Final dividend for the year ended 30 June 2010 (2010: 30 June 2009) of 5.0 cents (2010: 4.5 cents) per ordinary share paid on 11 October 2010 (2010: 22 December 2009) fully franked based on a tax rate of 30%	96,228	85,126
Interim dividend for the year ended 30 June 2011 (2010: 30 June 2010) of 5.0 cents (2010: 5.0 cents) per ordinary share paid on 15 April 2011 (2010: 15 April 2010) fully franked based on a tax rate of 30%	59,654	95,264
Dividend under off-market capital buy-back of 56.0 cents per ordinary share paid on 16 December 2010 fully franked based on a tax rate of 30%.	<u>420,000</u>	<u>-</u>
	<u><u>575,882</u></u>	<u><u>180,390</u></u>

Franking credits

	2011	2010
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>64,768</u>	<u>182,819</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 18. Financial instruments

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

Note 18. Financial instruments (continued)

Market risk

Foreign currency risk

The company holds units in a trust that invests in Internationally listed shares and managed funds which are converted from foreign currency to domestic currency at balance date and as such is exposed to foreign currency risk through foreign exchange rate fluctuations. Under certain conditions the trust uses exchange traded options to hedge against adverse exchange rate movements.

Foreign exchange risk arises from recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

Changes in Value

Market risk is the risk that the fair value or future cash flows of financial instruments will change due to changes in the market value for those instruments. Therefore, the portfolios of investments that make up most of the assets of the parent entity are subject to market risk as their values change as the market change.

The overall increase in the value overall investments held as at 30th June 2011 over their cost, after allowing for selling costs was \$170 thousand (2010: \$102 thousand). A fall in market values across all portfolios of 5% and 10% would reduce equity in the Company by approximately \$184 thousand and \$368 thousand respectively.

Market risk cannot be diversified away, but it can be reduced by investing across a broad range of industry sectors and countries. The proportions of the portfolios invested across these two categories are shown in the Directors' Report.

The Company holds units in a trust which through a sub-entity uses ASX exchange traded options to enhance income by taking a premium on options positions sold. The value of options will fluctuate according to price and volatility changes in the underlying securities over which they are written. Options values will also vary with changes to interest rates and company dividends. Further, they will decrease with the passage of time.

Price risk

The company is not exposed to any significant price risk.

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 1.9% (2010: 3.3%).

Credit risk

Credit risk represents the loss that would be recognised if counterparts failed to perform as contracted. The economic entity minimises credit risk by undertaking transactions with recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

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Note 19. 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 20. Key management personnel compensation

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

Note 21. Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 22. Earnings per share

	2011 \$	2010 \$
Profit after income tax attributable to the owners of Australia & International Holdings Limited	<u>427,879</u>	<u>91,806</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,547,498</u>	<u>1,903,205</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,547,498</u>	<u>1,903,205</u>
	Cents	Cents
Basic earnings per share	27.65	4.82
Diluted earnings per share	27.65	4.82

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Note 23. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	2011	2010
	\$	\$
Profit/(loss) after income tax expense for the year	427,879	91,806
Adjustments for:		
Net (gain) on sale of available for sale assets	(431,041)	
Changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	30,172	191,397
(Increase)/decrease in deferred tax assets	(3,627)	(15,484)
(Decrease)/increase in trade and other payables	(10)	10
(Decrease)/increase in accrued expenses	(23,500)	2,345
(Decrease)/increase in provision for income tax	(6,552)	(736)
Net cash from operating activities	<u>(6,679)</u>	<u>269,338</u>

Note 24. Related parties

Directors

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

Bernard C E Rowley
Christopher T Burrell
Roger J Burrell
Frank J Finn

	2011	2010
	No of	No of
	shares	shares
Mr C T Burrell	335,747	700,547
Mr C T Burrell (non-beneficial holder)	72,187	70,963
Mr R J Burrell	53,805	82,076
Prof F J Finn	33,982	33,982
Mr B C E Rowley	-	3,501
Mr B C E Rowley (non-beneficial holder)	29,780	31,345
Total Directors holdings of shares	<u>525,501</u>	<u>922,414</u>

Transaction of Directors and Director-related entities concerning shares or share options

Aggregate number 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:

	2011	2010
	No of	No of
	shares	shares
Acquisitions of ordinary shares, including shares issued under Dividend Reinvestment Plan, rights issue, and share top-up plan	37,905	51,043
Disposals of ordinary shares through capital buy-back	434,818	-

Australia & International Holdings Limited
Notes to the financial statements
30 June 2011

Note 24. Related parties (continued)

Transactions relating to dividends, rights issues 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 Pty Ltd. This firm provides stockbroking services to the Australia & International Holdings Limited. There was no brokerage paid by the economic entity to Burrell Stockbroking during the year.

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

Controlled Entity

	2011 \$	2010 \$
Current – Loan to Australian Index Fund Pty Ltd	-	10,000

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

Recovery of Administration Fees

The Company received a recovery of administration fees from its associates at a rate of 0.5% from Burrell Australian Equities Trust and Burrell World Equities Trust, and 1.0% from Australian Index Fund Pty Ltd; from its portfolio values.

	2011 \$	2010 \$
Burrell Australian Equities Trust	-	19,019
Burrell World Equities Trust	-	10,502
Australian Index Fund Pty Ltd	-	8,578
	-	38,099

Trusts

Investments – non-current

	2011 \$	2010 \$
Investments in Burrell Australian Equities Trust	2,119,902	3,061,533
Investments in Burrell World Equities Trust	863,673	1,613,350
Investments in Burrell Smallcap, Midcap and Resources Trust	9	-
	2,983,584	4,674,883

Distribution received or due and receivable by the Company from:

	2011 \$	2010 \$
Burrell Australian Equities Trust	97,916	103,540
Burrell World Equities Trust	13,115	17,504
	111,031	121,044

Australia & International Holdings Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

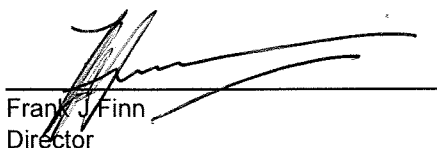
The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Bernard C E Rowley
Chairman



Frank J Finn
Director

20 September 2011
Brisbane

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

Report on the Financial Report

We have audited the accompanying financial report of Australia & International Holdings Limited ('the company'), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Brisbane
Rockhampton
Sydney
Melbourne
Newcastle

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards (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. Those 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 of the financial report that gives a true and fair view 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*.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AUSTRALIA & INTERNATIONAL HOLDINGS LIMITED (continued)**

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 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporation Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australia & International Holdings Limited for the year ended 30 June 2011 complies with section 300A of the *Corporation Act 2001*.



Lawler Hacketts Audit



Liam Murphy
Partner

Brisbane, 20th September 2011

Australia & International Holdings Limited
Five year summary of performance
30 June 2011

	2011	2010	2009	2008	2007
	\$	\$	\$	\$	\$
Profit and Loss					
Revenue from operating activities	564,204	177,449	245,143	537,080	283,065
Total expenses	(41,798)	(90,421)	(90,390)	(111,216)	(87,408)
Profit from ordinary activities before income tax expense	522,406	87,028	154,753	425,864	195,657
Income tax benefit/(expense)	(94,527)	4,778	(10,379)	(55,650)	(54,354)
Net profit/(loss)	427,879	91,806	144,374	370,214	141,303
Net profit/(loss) attributable to the owners of Australia & International Holdings Limited	427,879	91,806	144,374	370,214	141,303
Balance Sheet					
Current assets	122,267	96,126	233,545	468,147	285,625
Non-current assets	3,692,793	5,547,645	5,010,501	6,091,329	7,244,511
Total assets	3,815,060	5,643,771	5,244,046	6,559,476	7,530,136
Current liabilities	3,281	25,655	24,036	67,149	51,596
Non-current liabilities	181,201	139,355	22,753	316,895	540,385
Total liabilities	184,482	165,010	46,753	384,044	591,981
Shareholders' funds	3,630,578	5,478,761	5,197,257	6,175,432	6,938,155
Earnings per share (in cents)	27.65	4.82	8.06	21.10	8.20
Dividends per share (in cents)	10.00	9.50	8.50	12.00	13.00
Net assets value per share (in cents)	287.51	284.68	274.74	348.79	396.79
Price earnings share (x)	10.40	59.06	34.09	16.53	48.39

Australia & International Holdings Limited
Shareholder information
30 June 2011

The shareholder information set out below was applicable as at 30 June 2011.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	10,323
1,001 to 5,000	125,964
5,001 to 10,000	168,304
10,001 to 100,000	622,424
100,001 and over	335,747
	<u>1,262,762</u>
Holding less than a marketable parcel	<u>1,274</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
CTBFam Pty Ltd <Secret Superfund A/c>	205,089	16.24
Mr Christopher Thomas Burrell	130,658	10.35
CTBFam Pty Ltd	72,187	5.72
Sajrej Pty Ltd	59,828	4.74
Ms Marian Micalizzi	57,025	4.52
Donna Irwin <Superannuation A/c>	47,352	3.75
Mr Jason Edward Leggatt	39,142	3.10
RJB Superannuation Pty Ltd <The R J Burrell Super A/c>	36,005	2.85
Prof Francis James Finn	33,982	2.69
Wanstead Investment Company Pty Ltd	30,126	2.39
Rowley Pty Ltd <Rowley Superannuation A/c>	29,780	2.36
Ms Lynda Kaye Myers	27,000	2.14
Sheford Investments Pty Ltd	23,876	1.89
Mrs Margaret Wells Burrell & Mr Christopher Thomas Burrell <TR Burrell Super Fund A/c>	21,600	1.71
Mrs Margaret Wells Burrell	20,045	1.59
Mrs Rosemary Josephine Burt	19,986	1.58
Majella Pty Ltd <Higham Super Fund A/c>	18,070	1.43
Mr Roger John Burrell	17,800	1.41
Dr Roger Jeffrey Hartigan <Hartigan Fund A/c>	12,500	0.99
Mrs Laurel Audrey Yesberg & Mr Dean Ronald Yesberg <Laurel Yesberg Super A/c>	11,929	0.94
	<u>913,980</u>	<u>72.39</u>

Unquoted equity securities

There are no unquoted equity securities.

Australia & International Holdings Limited
Shareholder information
30 June 2011

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
CTBFam Pty Ltd <Secret Superfund A/c>	205,089	16.24
Mr Christopher Thomas Burrell	130,658	10.35
CTBFam Pty Ltd	72,187	5.72

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.