

PetersMacGregor

INVESTMENTS LIMITED

ABN 48 107 387 351

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Peters MacGregor Investments Limited will be held at:

**Level 33, Ernst & Young Centre World Square
680 George Street Sydney, NSW 2000
on Friday 7th October 2011 at 10:00 a.m.**

BUSINESS

Annual Report

To receive, consider, and adopt the financial report of the company and of the economic entity for the year ended 30 June 2011 and the reports by the directors and auditors thereon.

Resolution 1. Resolution to adopt the Remuneration Report

To receive, consider, and adopt the report of the Remuneration of Directors (as detailed in the Directors' Report)

Resolution 2. Re-election of Mr Leslie Wayne Peters as a Director

To consider and if thought fit, pass the following resolution:

"That Mr Leslie Wayne Peters, (who retires as a director at the annual general meeting in accordance with the constitution of the company and, being eligible, offers himself for re-election as a director of the company), be re-elected as a director".

General: To transact any business which may be lawfully brought forward.

Voting Exclusion Statement

Resolution 1

The company will disregard any votes cast on Resolution 1 by a Director of the Company and any associate of a Director.

Resolution 2

The Company will disregard any votes cast on Resolution 2 by Leslie Wayne Peters and any of his associates.

Exceptions

The Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Proxies

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. That person need not be a member of the company, but should be a natural person over the age of 18 years. Forms must be lodged at the address below not less than 48 hours before the timing of the meeting.

By posting or facsimile to :

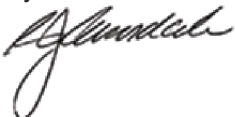
Peters MacGregor Investments Limited share registry
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
Facsimile : +61 2 9290 9655

By delivery to:

Peters MacGregor Investments Limited share registry
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Proxies may also be cast online at www.boardroomlimited.com.au/vote/PETagm2011.

By Order of the Board



L J Cansdale
Secretary
29 August 2011

Peters MacGregor Investments Ltd
c/- Prosperity Advisers
Suite 1, Level 3, 200 Creek Street 4000
PO Box 107 Spring Hill QLD 4004
T 61 7 3832 5622 F 61 7 3839 1037
www.petersmacgregor.com

FOR ALL ENQUIRIES CALL:
(within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia



Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

Reference Number: <HIN/SRN>
Please note it is important you keep this confidential

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 10:00AM WEDNESDAY
5th OCTOBER 2011

TO VOTE ONLINE



STEP 1 : VISIT www.boardroomlimited.com.au/vote/PETagm2011

STEP 2: Enter your holding/Investment type

STEP 3: Enter your Reference Number and VAC: <VAC NUMBER>

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy
If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting which is to be held at **10 am on Friday 7th day, October 2011**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged using the reply paid envelope or:

BY MAIL - Share Registry – Boardroom Pty Limited, GPO Box 3993,
Sydney NSW 2001 Australia

BY FAX - + 61 2 9290 9655

IN PERSON - Share Registry – Boardroom Pty Limited,
Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Vote online at:

www.boardroomlimited.com.au/vote/PETagm2011
or turnover to complete the Form ➔

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Peters MacGregor Investments Limited

<Address 1>
 <Address 2>
 <Address 3>
 <Address 4>
 <Address 5>
 <Address 6>

<BARCODE>

STEP 1 - Appointment of Proxy

I/We being a member/s of **Peters MacGregor Investments Limited** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Peters MacGregor Investments Limited to be held at the Ernst & Young Centre World Square, Level 33, 680 George Street, Sydney, NSW 2000 on Friday 7th October, at 10 am** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of resolutions 1 & 2, please mark this box. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the Meeting for those resolutions, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called.

By marking this box I/we acknowledge the Chairman of the Meeting can exercise my/our proxy even though he has an interest in the outcome of the resolution and unless a specific voting direction has been specified below, the Chairman of the Meeting is directed to vote in accordance with his voting intention as set out below.

The Chair will vote all undirected proxies in favour of the resolutions 1 & 2.

STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

Ordinary Business		For	Against	Abstain*
Resolution 1	To adopt the Remuneration Report of Directors (as detailed in the Directors' Report)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To re-elect Mr Leslie Wayne Peters as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.
 *If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name Contact Daytime Telephone Date / / 2011

PetersMacGregor
INVESTMENTS LIMITED
ABN 48 107 387 351

2011 ANNUAL REPORT

Directory

Directors

L Wayne Peters, Chairman
Lionel Cansdale
James Craigie

Company Secretary

Lionel Cansdale

Auditors

Hanrick Curran Audit Pty Ltd
Registered Audit Company: 338599
Level 11, 307 Queen Street
Brisbane Qld 4000
Telephone (07) 3218 3900
Facsimile (07) 3218 3901

Registered Office

c/- Prosperity Advisers QLD Pty Ltd
Suite 1 Level 3, 200 Creek Street
Brisbane Qld 4000
Telephone (07) 3839 1755
Facsimile (07) 3839 1037

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone 1300 737 760
Facsimile 1300 653 459

Investment manager

Peters MacGregor Capital Management Pty Ltd
Suite 507 19A Boundary Street
Rushcutters Bay NSW 2011
Telephone (02) 9332 2133
Facsimile (02) 9331 3177
www.petersmacgregor.com

Australian Business Number : 48 107 387 351

ASX Listing Code : PET

Calendar

Annual General Meeting

Friday 7th October 2011 at 10am
Ernst & Young Centre World Square
Level 33, 680 George Street
Sydney, NSW 2000

Dividend

\$0.02 cents per share
Payable approx. 7th October 2011
To shareholders registered at close of
business 30th September 2011

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Dear Shareholders,

The company's investments increased **3.9%** over the past 12 months though this performance lagged the MSCI's 21.8% rise. This result is after all costs and before taxes.

The portfolio at year end comprised ten companies, one alternative investment, and cash of around 23%.

June 2011	net return before tax	MSCI index	out performance
Rolling			
1 year	3.90%	21.83%	-17.92%
3 years	2.86%	0.04%	2.82%
5 years	2.28%	0.53%	1.75%
Since inception (April 2004)	2.48%	3.84%	-1.71%

Top 5 Portfolio Holdings (alphabetically)

| Asta Funding | Berkshire Hathaway | Fairfax Financial | Johnson & Johnson | Michael Hill International |

General Commentary

This past year has seen equity markets around the world continue to rebound with the MSCI World Index gaining 21.83%. Our portfolio underperformed this index for the year, gaining 3.90%. These broader market gains have been concentrated in lower-quality names and in our view, reflect a lack of appreciation of the difficult macro issues faced around the world.

The tone in markets globally has been notably skittish in recent times. News surrounding Greece's dire financial position and measures being taken to address it were prominent. While the European Central Bank may be able to negotiate a solution that restores order and keeps things ticking over 'for now', whether any such solutions prove effective in the medium to long-term will remain to be seen. The stakes are high, not only for the banks and institutions that own the Greek debt, but also for those that have sold Credit Default Swap (CDS) protection against that debt. Typically CDS contracts become payable once a default in the related debt occurs. It is no wonder that

European officials are fighting tooth and nail to have any "reorganisation" not classified as a default.

Yet Greece is not alone in this one currency Euro zone experiment that has attempted to merge and centralise this key aspect of these countries' economies, despite their divergent cultural and political environments. Italy, Portugal and Spain are all to varying degrees presenting the same dilemma!

Signs of growth slowing in China have emerged, with property prices and construction activity falling in recent times. It is difficult for us to imagine that commodity producing countries, which have fed the significant construction boom in China this past decade, won't be negatively impacted if China continues to slow or actually experiences a hard landing.

Economic news flow out of the US has been ho-hum recently but broadly consistent with our view that this key economy is continuing and should continue to muddle-through in the wake of the very significant contraction experienced previously. The

US Federal Reserve's QE2 program ended in June with no clear consensus on its effectiveness. Bernanke & Co. appear firm that no further monetary easing will occur in their attempt to prevent commodity prices from soaring further, especially energy and food. However, QE3 cannot be ruled out until the US economy has travelled some distance without its trainer wheels.

We continue to believe that the large global franchise businesses – strong companies with diverse revenue streams, deep management teams, rock-solid balance sheets and pricing power – are where the value lies in this still precarious economic environment. We find it peculiar that relatively young, small retailers with questionable competitive advantages trade at multiples approaching 20 times earnings when a defensive name such as global leader Walmart, with its considerable and robust economic moat, trade for just 12 times. Accordingly, our focus is squarely on companies of Walmart's ilk, which offer a wonderful combination of low risk and reasonable long-term rates of return irrespective of the economic landscape.

Portfolio Commentary

Once again, most of the share prices of our holdings moved across a relatively small range during the year – either increasing or decreasing a few percent with the exception of Australian listed Symex Holdings Limited and our small Chinese company, Dapai International Holdings, which fell approximately 22% and 50% respectively. Our reactions to each appropriately reflect our revised views of the prospective upside returns and potential downside risk from the marked-down prices. In the case of **Dapai International Holdings**, we had grown concerned with some of the capital management decisions of management as well as deterioration in the quality of communications with the company and we took the decision to exit our holding entirely. Our prompt decision to exit reduced our exposure to the worst of the stock's decline though the sharp fall resulted in a (crystallised) loss for the portfolio of nearly 1%.

Symex Holdings announced a significant equity capital raising of \$24m (versus \$65m in pre-capital raising market value) to significantly reduce debt which had ballooned following its \$50m purchase of White King / Janola. As is usually the case when raising new equity capital, Symex's share price suffered, initially falling more than 10% to around 45c (versus a 42.5c capital raising price), but then falling post-capital raising to just 40c. We participated in the capital raising, exercising clients' rights to buy new shares. Consequently, we have maintained a holding in the 4-5% portfolio weighting range which we are comfortable with at today's prices. At the 42.5c level where we effectively 'topped-up' your holdings, the shares traded at a single digit multiple of our estimate of sustainable earnings power – a level that we feel is too low considering the brand strength of some of its products and the renewed strength of their balance sheet.

As discussed in our quarterly reports, **Wells Fargo** was added to the portfolio early in the financial year. During May we took the opportunity to boost our holdings in Wells within the portfolio as we sought to take advantage of pricing that we found very attractive. Our views of Wells have not changed materially, though we watch the sector carefully. An interesting aspect of the major US banks today is that their financial positions have become very strong – the result of allowing surplus earnings to build up within the balance sheet (as opposed to being distributed to shareholders) and a much more cautious approach to lending. The inability to motivate banks to lend more to stimulate economic activity has been problematic for the economy as a whole but reduces our risk as shareholders of a major enterprise in this space.

Howard Hughes Corporation was added to the portfolio in May. This company was spun out of General Growth Properties Inc. as the latter emerged from Chapter 11 last year. In essence, the company owns, manages and develops commercial, residential and mixed-use real estate across the US. With a management team that is highly skilled and incentivized, basically no debt, and a diversified property portfolio that in our view is earning significantly below its

potential in a general market that is skewed to income, we believe there exists substantial upside to our entry price.

In addition to the pleasing news of being able to put cash to work in adding to a couple holdings and initiating two new interesting positions, we successfully exited three positions during the year. While we suffered a small impairment on our investment in **Dapai International Holdings**, we more than made up for this with strong gains on each of **BP** (which we bought in 2010 at depressed prices during the oil spill drama in the Gulf of Mexico); **Iron Mountain** (which came under welcome pressure from activist shareholders resulting in its share price ascending to our full valuation); and **Pre Paid Legal Services** (which also saw its share price rise to our appraisal of fair value ahead of its agreement to be bought out in a private equity-led bid).

Conclusion

While we are concerned about the goings-on in the broad global economy, debt markets and our commodity-boom-fuelled domestic economy, we are cautiously optimistic about the prospects for our portfolio in the periods ahead. Cash continues to be prominent at around a quarter of the portfolio and together with an increasing emphasis on higher quality names that have suffered severe multiple compression and offer excellent upside potential in the event of mean reversion (or still quite satisfactory returns if current multiples persist), we believe the portfolio is positioned relatively defensively while still holding the prospect of decent overall medium to long-term returns from here.

Thank you for your continued trust and support.



L. Wayne Peters

Chief Investment Officer

Peters MacGregor Capital Management Pty Ltd

4th August 2011

Important Information

This report is provided for the information of clients and is not intended to provide advice. Whilst all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), no person including Peters MacGregor Capital Management Pty Ltd, Peters MacGregor Investments Limited or any other affiliated company accepts responsibility for any loss suffered by any person arising in reliance on this information other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment.

Past performance should not be taken as an indication of future performance. This information does not take into account your investment objectives, financial situation or particular needs.

Notes:

- The net returns are net of management fees and before taxes.
- The MSCI figures are the MSCI World Total Return Index (net local).

Directors' Report

Your directors present their report for the period from 1 July 2010 until 30 June 2011.

Directors

The names of the directors in office at any time during or since the end of the financial year are:

Mr Leslie Wayne Peters

Mr Lionel John Cansdale

Mr James Charles Craigie

Directors have been in office since the beginning of the financial period to the date of this report unless otherwise stated.

Company secretary

The following person held the position as company secretary at the end of the financial year:

Mr Lionel John Cansdale

Mr Cansdale is also a director and his details and qualifications are set out later in this report.

Principal activities

The principal activity of the company in the financial period was to operate as a listed investment company, and make investments based on investment strategies recommended by its investment manager. No change in that activity has occurred or is anticipated to occur.

Operating results

The profit for the year after providing for income tax amounted to \$766,412 (2010: \$3,937,119).

Dividends paid or recommended

Dividends Paid

An ordinary dividend of \$0.02 per share was paid on 8th October 2010 as recommended in last year's report. No other dividends were paid during the financial year ended 30 June 2011. (Note 7)

Dividends proposed for payment are as follows:

An ordinary fully franked dividend of \$0.02 per share (total \$465,248*) has been proposed by the directors payable approximately Friday 7th October 2011. For the purposes of determining eligibility the dividend will apply to shareholders on the register at close of business on Friday 30th September 2011.

* Estimated total based on 23,262,402 ordinary shares on issue at 15th August 2011.

Overview

The company was incorporated on 15th December 2003 and listed on the Australian Stock Exchange Limited on 16th April, 2004. The current reporting period was the seventh full financial year since incorporation. The company was formed to invest in a portfolio of permitted investments and to provide investors with the opportunity to invest in a long-term portfolio of international securities and gain access to the specific investment process and the funds management experience of Peters MacGregor Capital Management Pty Ltd.

Objectives

The company's investment manager has a long term value management style of investing based on the manager's comprehensively researched assessment of intrinsic value of listed company shares compared to the market price, and will only invest when a significant discount exists to market value on a stock by stock basis. The manager invests only in companies where it understands the business model, industry and other factors influencing the company, and where the management of the company has a good track record of sound business principles and experience.

Review of Operations

The company began the year at 1st July 2010 with 11 positions and approximately 17% cash and as at 31st July 2011 held 11 positions and approximately 23% cash.

Directors' Report (Continued)

During the period the investment manager has added 5 new positions, sold 5 positions; and additionally bought or sold varying quantities of existing investments to adjust portfolio weightings.

The company did not purchase any of its shares on market during the year ended 30th June 2011. The company issued 210,983 shares to existing shareholders in accordance with the dividend reinvestment plan during the reporting period. The number of issued shares in the company at 30th June 2011 is 23,262,402.

The investment manager continues the policy of hedging its estimate of currency risk against Australian Dollar currency movements when investing in foreign currency denominated investments so as to avoid currency movement risks when practical. When assessing that currency risk exposure and determining appropriate levels of currency hedging required it has regard for the operating currencies of the underlying investment entity. Accounting standards require gains and losses in currency to be reported separately to gains or losses in the underlying investment values, even though they may be related and may often offset each other in full or in part. The company treats unrealised increments and decrements in the net market value of long term investments as "at fair value through profit and loss assets", thereby recognising all gains and losses in the portfolio, whether from interest, dividends, currency hedging or changes in the underlying investment market value through the statement of comprehensive income. The earnings per share is therefore a reliable indication of the total after tax effect earnings of the company. This approach is consistent with the previous financial year.

The downturn in the world economy which began in 2008/09 has been more protracted than many had initially anticipated. During 2010-11 improvements were experienced which have gone part way to recovering some of the losses. The manager nonetheless remains cautious and reiterates the longer term investment horizon of the value investment methodology and the belief that the company's portfolio of investments held are sound. The position of each investment is constantly monitored for changes in that view, as evidenced by the portfolio adjustments during the year.

Review of Financial Condition

Capital Structure and Treasury policy

The company has no mandate to borrow. It finances investments from funds it has from time to time. When investments are liquidated any funds are held as short term interest bearing deposits. The amount and requirements for hedging are made at the sole discretion of the investment manager.

As the company's sole purpose is investment, apart from the directors it has no employees or office overheads having outsourced its investment management function to Peters MacGregor Capital Management Pty Ltd and its accounting and other administrative functions to Prosperity Advisers QLD Pty Ltd, or other consultants as required.

Dividends

The directors propose to pay a fully franked dividend of two cents (\$0.02) per share (2010: \$0.02) as detailed above.

Shareholders are reminded that a dividend reinvestment plan is in place. Participating shareholders will be allotted ordinary shares in lieu of a fully franked dividend payment. Shares will be allotted at weighted average market price of shares sold on the ASX on the closing date and three days preceding that date, less a discount of 2.5%.

Shareholders wishing to check or change their current status with respect to participation in the dividend reinvestment plan should contact:

Boardroom Pty Limited (Previously Registries Limited)
Level 7, 207 Kent Street
SYDNEY NSW 2000
Telephone 1300 737 760
Facsimile 1300 653 459

Directors' Report (Continued)

Election notices to either participate in the dividend reinvestment plan or otherwise change details of participation in the dividend reinvestment plan must be lodged with Boardroom Pty Limited on or before close of business on Friday 30th September 2011.

Capital Management

The company has ASIC approval to repurchase its own shares on the share market up to the allowable limit of 10% of issued capital in any 12 month period. The company did not purchase any of its shares on market during the year ended 30 June 2011 (2010: nil shares). No shares have been purchased since the end of the reporting period and the date of this report. Further details are in Note 15.

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis.

The primary risk is investment risk. Investment management has been outsourced via a comprehensive management agreement to Peters MacGregor Capital Management Pty Ltd who are experienced investment managers.

The board reviews on a regular basis the performance of the manager in accordance with the investment mandate.

After balance date events

Since balance date the market values of the listed investments and foreign currency hedge contracts have fluctuated marginally on a net basis as noted in Note 18, Events After the Balance Sheet Date. The company is a long term investor, and short term fluctuations will continue to occur, although the situation is continually assessed by the investment manager.

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has 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 future financial years.

Future developments

The investment manager will continue to undertake on behalf of the company investment opportunities, in line with their investment mandate for the company.

Disclosure of information regarding other likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

Information on Directors

Leslie Wayne Peters *Non-executive director and Chairman*

Director and Chairman of the company since incorporation on 15th December 2003, Wayne's qualifications are MBA, F Fin. He is aged 51 and has 32 years experience in retail and investment markets. Wayne has studied company valuation at Harvard Business School. He is managing director and chief investment officer of Peters MacGregor Capital Management Pty Ltd and a non executive director of Michael Hill International Ltd.

Lionel John Cansdale *Non-executive director and Company secretary*

Director and Company secretary of the company since incorporation on 15th December 2003, Lionel's qualifications are B.Com, MBA, FCA. He is aged 53 and a Chartered Accountant with 32 years experience in accounting, auditing, taxation and business management.

James Charles Craigie *Non-executive director*

A director since incorporation on 15th December, 2003, James has qualifications of B.Com, F Fin. He is aged 45 and a senior financial executive with over 21 years finance, management and advisory experience.

Directors' meetings

The following table sets out the number of directors' meetings including meetings of committees of directors, held during the period and the number of meetings attended by each director while they were

Directors' Report (Continued)

a director or a committee member. During the financial period to the date of this report, board meetings and audit committee meetings were held as below:

Director	Board of Directors		Audit Committee	
	Held	Attended	Held	Attended
Leslie Wayne Peters	5	5	2	2
Lionel John Cansdale	5	5	2	2
James Charles Craigie	5	5	n/a	n/a

Committee membership

As at the date of this report, the company has an Audit Committee. Members acting on the Audit Committee during the year were:

Leslie Wayne Peters (Chairman)

Lionel John Cansdale

Shaun Donaldson (Audit Director, Hanrick Curran Audit Pty Ltd)

Proceedings on behalf of the company

No person has applied for leave to Court to bring proceedings on behalf of the company or 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 any part of these proceedings.

The company was not a party to any such proceedings during the year.

Directorships held in other listed entities

The following directors have held directorships in the last three years before the end of the financial year in other listed entities as follows:

Leslie Wayne Peters is a current director of Michael Hill International Limited (since 1999).

Indemnification and insurance of directors and officers

The company has entered into agreements with each director whereby the company must keep the director indemnified on a full indemnity basis to the full extent permitted by law against all losses or liabilities incurred by the director to any other person (other than the company) from facts or circumstances relating to the director's service as an officer of the company. Except for insurance premiums detailed below, no amount has been paid or is likely to be payable for the financial reporting period and subsequently to the date of this report.

As part of that indemnification agreement the company must use its reasonable commercial endeavours to obtain policies of insurance for this purpose. A directors and officer's liability policy has been obtained and the premiums totalling \$12,842 (2010: \$12,746) were paid by the company. The directors covered under the policy are L. Wayne Peters, James Craigie and Lionel Cansdale.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 10 following the directors' report. Neither the external auditor or any person or firm related to the external auditor has been remunerated by the company for non-audit services during the year.

Annual General Meeting

The Annual General Meeting will be held at Level 33, Ernst & Young Centre World Square, 680 George Street Sydney, NSW 2000, at 10:00 am on Friday 7th October 2011.

Remuneration Report

The company has no key management personnel other than the directors listed in this report.

Directors Remuneration Policy

All remuneration paid to directors is valued at cost to the company and expensed.

Directors' Report (Continued)

Shareholders at the Annual General Meeting authorised the total amount of possible remuneration of directors. For the financial year ended 30 June 2011 this amount was set as \$75,000, of which \$60,000 in total was paid as remuneration to two directors as described in note 5 (a) of the financial statements.

Directors will not seek an increase at the forthcoming Annual General Meeting of the authorised total amount for the year ending 30 June 2012.

Directors' remuneration is not related to the performance of the company. The amount of remuneration paid to an individual director is determined by the directors meeting as a board, after considering the nature of the directors' duties. The directors consider this represents a fair remuneration for the time commitment required, the qualifications and experience of each person. The board have not employed independent remuneration consultants, but should that be required in the future it will do so. As the company has only two of its directors remunerated on a fixed non-executive basis it does not believe a remuneration committee is required.

Remuneration of Specified Key Management Personnel

Leslie Wayne Peters has received no remuneration as a director or chairman from the company since incorporation nor is any envisaged for the foreseeable future. A company associated with Mr Peters receives investment management fees in accordance with the investment management agreement (Note 19).

Lionel John Cansdale has been paid director fees and superannuation benefits equivalent to an all inclusive \$30,000 per annum during the year.

James Charles Craigie has been paid director fees and superannuation benefits equivalent to an all inclusive \$30,000 per annum during the year.

Refer to Note 5 Interests of Key Management Personnel for further detail.

The above outlines the total remuneration of the directors and no remuneration bonus schemes or share options are payable to the directors or their associated entities in the foreseeable future.

Directors' Shares

To align non-executive directors' interests with those of ordinary company shareholders, they are encouraged to hold ordinary shares in the company. The board maintains a policy that any shares in the company which they, or a related associate, wish to sell or buy must only be transacted on market after prior approval of the board, and in any case not preceding important announcements of the company which could influence the company share price.

Shares in the company were initially issued and granted to directors of the company or their associates in accordance with applications received in the normal course of the initial public offering. During the year ended 30 June 2011, director Leslie Wayne Peters purchased 339,628 shares in the company. James Craigie and Lionel Cansdale acquired 830 and 3,074 shares in the company respectively. These transactions have been disclosed in prior market announcements. Apart from these, no other transactions altering the number of directors' shareholdings have occurred during the reporting period or subsequently to the date of this report.

As at the date of this report, each Director's relevant direct and indirect interests in ordinary shares in the company were:

Director	Ordinary Shares held
Leslie Wayne Peters	2,195,048
Lionel John Cansdale	111,018
James Charles Craigie	29,975

Company Performance and Directors Remuneration

The board believes its fixed remuneration policy for its non-executive directors has not, and will not, influence in any way the market price of its shares.

The following table shows gross revenues, profits and dividends and net tangible assets at year end:

Directors' Report (Continued)

	2011	2010
Revenue	\$3,712,503	\$6,116,228
Profit(Loss) for the year	\$766,412	\$3,937,119
Share price at year end	\$0.7400	\$0.6350
Net tangible assets per share at year end	\$1.0501	\$1.0399
Dividends paid	\$461,028	\$0

It is the opinion of the directors that its long term value style of funds management and conservative attitude towards capital preservation require shareholders of this company to ignore short-term fluctuations in its share price as it may take some considerable time for the investment manger to achieve its stated aims, as was detailed in the original prospectus.

Signed in accordance with a resolution of the Board of Directors



Leslie Wayne Peters
Chairman of Directors



Lionel John Cansdale
Company Secretary and Director

17th August 2011

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to the Directors of Peters MacGregor Investments Limited**

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

- I. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- II. no contraventions of any applicable code of professional conduct in relation to the audit.

Hanrick Curran Audit Pty Ltd
Registered Audit Company: 338599



Signature
Shaun Donaldson
Director

Brisbane

15th August 2011

Statement of Comprehensive Income
For the year ended 30 June 2011

	Notes	2011 \$	2010 \$
Revenue	2		
Interest received		208,368	102,245
Dividends received		416,606	354,530
Gain on currency hedging contracts		3,087,529	680,647
Gain/(loss) on investments		-	4,978,806
		<u>3,712,503</u>	<u>6,116,228</u>
Expenses			
Auditor remuneration	6	20,350	20,515
Directors' remuneration and benefits	5	60,000	50,000
Investment management fees		254,540	230,189
Loss on foreign currency translation		225,460	64,318
Loss on investments		2,071,332	-
Other		145,225	144,369
		<u>2,776,907</u>	<u>509,391</u>
Profit / (loss) before income tax		935,597	5,606,837
Income tax benefit / (expense)	4	(169,185)	(1,669,718)
Profit / (loss) for the year		<u>766,412</u>	<u>3,937,119</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (loss) for the period		<u>766,412</u>	<u>3,937,119</u>
Profit / (loss) attributable to:			
Members of Peters Macgregor Investments Limited		<u>766,412</u>	<u>3,937,119</u>
Total comprehensive income / (loss) attributable to:			
Members of Peters Macgregor Investments Limited		<u>766,412</u>	<u>3,937,119</u>
Basic earnings per share	8	\$ 0.0332	\$ 0.1708
Diluted earnings per share	8	\$ 0.0332	\$ 0.1708
Franked dividends per share		\$ 0.0200	\$ -

Statement of Financial Position
as at 30 June 2011

	Notes	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	9	5,759,797	4,076,271
Trade and other receivables	10	34,412	15,752
Derivative financial instruments	12	17,947	-
Other current assets	11	11,741	11,647
Total current assets		<u>5,823,897</u>	<u>4,103,670</u>
Non-current assets			
Financial assets	12	18,944,644	20,509,113
Total non-current assets		<u>18,944,644</u>	<u>20,509,113</u>
Total assets		<u>24,768,541</u>	<u>24,612,783</u>
Current liabilities			
Trade and other payables	13	51,430	43,793
Current tax liabilities	14	92,763	-
Derivative financial instruments	12	-	414,239
Total current liabilities		<u>144,193</u>	<u>458,032</u>
Non-current liabilities			
Deferred tax liabilities	14	200,695	184,664
Total non-current liabilities		<u>200,695</u>	<u>184,664</u>
Total liabilities		<u>344,888</u>	<u>642,696</u>
Net assets		<u>24,423,653</u>	<u>23,970,087</u>
Equity			
Issued capital	15	22,470,870	22,322,687
Retained earnings		1,952,783	1,647,400
Total Equity		<u>24,423,653</u>	<u>23,970,087</u>

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2011

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2009		22,322,687	(2,289,719)	20,032,968
Total comprehensive income for the period		-	3,937,119	3,937,119
Balance at 30 June 2010		<u>22,322,687</u>	<u>1,647,400</u>	<u>23,970,087</u>
Total comprehensive income for the period		-	766,412	766,412
<i>Transactions with owners as owners:</i>				
Dividends paid or provided for		-	(461,028)	(461,028)
Member dividends reinvested		148,183	-	148,183
Balance at 30 June 2011		<u>22,470,870</u>	<u>1,952,783</u>	<u>24,423,653</u>

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Sale proceeds from sale of listed investments		7,283,016	5,145,858
Purchases of listed investments		(7,789,878)	(8,040,098)
Interest received		184,019	102,245
Dividends received		416,606	345,200
Gain / (Loss) on foreign currencies		(225,460)	(64,318)
Gain / (Loss) on hedge contracts		2,655,344	1,625,093
Payments to suppliers and employees		(527,276)	(448,237)
Income tax paid		-	(47,897)
Net cash provided by / (used in) operating activities	17	<u>1,996,371</u>	<u>(1,382,154)</u>
Cash flows from financing activities			
Dividends paid in cash		(312,845)	(293)
Net cash provided by / (used in) financing activities		<u>(312,845)</u>	<u>(293)</u>
Net increase / (decrease) in cash held		1,683,526	(1,382,447)
Cash at beginning of financial year		4,076,271	5,458,718
Cash at end of financial year	9	<u>5,759,797</u>	<u>4,076,271</u>

The accompanying notes form part of these financial statements

**Notes to the financial statements
for the year ended 30 June 2011**

Note 1 Statement of significant accounting policies

The financial report is for Peters MacGregor Investments Limited as an individual entity. Peters MacGregor Investments Limited is a listed public company, incorporated and domiciled in Australia.

Basis of preparation

The financial report is a general-purpose financial report, that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on fair value measurement of assets and liabilities except when otherwise stated.

Accounting Policies

(a) Comparative figures

The comparatives are for the year ended 30 June 2010. When required by the accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(b) Foreign currency transactions and balances

(i) Functional and presentation currency

Items included in the financial statements are measured using Australian dollars, which is the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Australian dollars.

(ii) Translation of foreign currency transactions

Transactions of the entity conducted in foreign currencies are converted to Australian dollars at the rate of exchange applicable at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(c) Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash.

The company does not have a bank overdraft facility.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the company's main income generating activity.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 1 Statement of significant accounting policies (cont'd)

(d) Receivables

Receivables are recognised and carried at the amount recoverable less where applicable a provision for any uncollectible debts.

(e) Revenue Recognition

Revenue from the sale of investments is recognised at the date a sale of investments takes place.

Interest income is recognised as it accrues.

Dividend income from listed investments is recognised in the Statement of Comprehensive Income on the day on which the relevant investment is first quoted on an "ex dividend basis".

(f) Financial assets and liabilities

(i) Investments in listed companies

Shares in listed companies held by the company are considered long term investments and classified as non-current assets. The directors classify them as at fair value through profit or loss.

Regular purchases and sales of the shares in listed companies are recognised on trade-date - the date on which the company commits to purchase or sell the shares. Investments are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Recognition of movements in the fair value of investments in listed companies through the statement of comprehensive income subsequent to the initial recognition is consistent with the investment strategy of the company, as it results in earnings per share results indicative of the complete investment performance of the company in a given period.

(ii) Investments in unlisted limited partnership equity contributions

Capital contributed to unlisted limited partnerships are considered long term and classified as non-current assets. Contributions to and withdrawals of capital are recognised at the date the transaction occurs.

Recognition of movements in the fair value of investments in unlisted limited partnership equity contributions through the statement of comprehensive income subsequent to the initial recognition is consistent with the investment strategy of the company, as it results in earnings per share results indicative of the complete investment performance of the company in a given period.

(iii) Interest bearing investments and cash deposits

Interest bearing investments and cash deposits are considered short term investments and classified as cash in current assets.

(iv) Forward exchange contracts

The entity enters into forward exchange contracts where it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sale and purchase of investments in foreign currencies, to protect the entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months.

Forward exchange contracts are recognised at the date the contract is entered into and included in the balance sheet as a current asset or current liability valued at the estimated contract termination value based on the spot rate foreign currency valuation at the end of the reporting period. Fair value gains or losses on forward exchange contracts are recognised in the statement of comprehensive income.

(g) Payables

Liabilities for trade creditors and other amounts owing by the company including amounts owing to related parties are shown at fair value.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 1 Statement of significant accounting policies (cont'd)

(h) Issued capital

Issued capital from contributed equity is recognised at the monetary value of the consideration received by the company.

Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

The purchase price and associated costs of buying back for cancellation shares of the company on market are recognised directly in equity as a reduction of issued capital from contributed equity.

(i) Taxes

(i) (i) Income tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

(i) (ii) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(j) Critical accounting estimates and judgments

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 1 Statement of significant accounting policies (cont'd)

For the majority of the company's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the company.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(k) New accounting standards and interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

(i) AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The company has not yet determined any potential impact on the financial statements.

(ii) AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard.

This standard is not expected to affect the company.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 1 Statement of significant accounting policies (cont'd)

(iii) AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

It has been determined that the company is a Tier 1 reporting entity.

(iv) AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

The amendments are not expected to impact the company.

(v) AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the company.

(vi) AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 1 Statement of significant accounting policies (cont'd)

These amendments are not expected to impact the company.

(vii) AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

(viii) AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

These amendments are not expected to impact the company.

(ix) AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

The company has not yet determined any potential impact on the financial statements from adopting these amendments.

(x) AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the company.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 1 Statement of significant accounting policies (cont'd)

(xi) AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

These amendments are not expected to impact the company.

(xii) AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

These amendments are not expected to impact the company.

	Notes	2011 \$	2010 \$
Note 2 Revenue			
Interest received		208,368	102,245
Dividends received		416,606	354,530
Gain on currency hedging contracts		3,087,529	680,647
Gain on investments		-	4,978,806
Total revenue		<u>3,712,503</u>	<u>6,116,228</u>

Note 3 Expenses

Profit / (loss) is after charging the following expenses

Auditor remuneration	6	20,350	20,515
Directors remuneration and benefits	5	60,000	50,000
Investment management fees		254,540	230,189
Listing fees - ASX		25,584	23,482
Loss on foreign currency translation		225,460	64,318
Loss on investments		2,071,332	-
Professional fees - accounting services		82,253	81,660
Share registry fees		21,142	18,100

**Notes to the financial statements
for the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
Note 4 Income Tax Expense			
(a) The components of tax expense comprise:			
Current tax		153,155	47,897
Adjustment for prior periods		(41,311)	22,423
Deferred tax	14	57,341	1,599,398
Tax expense		<u>169,185</u>	<u>1,669,718</u>
(b) The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30% (2010:30%)		280,679	1,682,051
Add tax affect of:			
- Adjustment for prior periods		(41,311)	22,423
- Other non allowable items		-	81
Less tax affect of:			
- Rebateable fully franked dividends		(70,183)	(34,837)
Income tax attributable to entity		<u>169,185</u>	<u>1,669,718</u>
The applicable weighted average effective tax rates are as follows:		18%	30%

Note 5 Interests of Key Management Personnel (KMP)

(a) The totals of remuneration paid to KMP of the company during the year is as follows:

2011								
Specified Directors	Short-term benefits			Post Employment Superannuation	Retire-ment Benefits	Share-based payments		Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits			Equity	Options	
L.W. Peters	-	-	-	-	-	-	-	-
L.J. Cansdale	-	-	-	30,000	-	-	-	30,000
J.C. Craigie	27,523	-	-	2,477	-	-	-	30,000
Total	<u>27,523</u>	-	-	<u>32,477</u>	-	-	-	<u>60,000</u>
2010								
Specified Directors	Short-term benefits			Post Employment Superannuation	Retire-ment Benefits	Share-based payments		Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits			Equity	Options	
L.W. Peters	-	-	-	-	-	-	-	-
L.J. Cansdale	11,468	-	-	13,532	-	-	-	25,000
J.C. Craigie	22,936	-	-	2,064	-	-	-	25,000
Total	<u>34,404</u>	-	-	<u>15,596</u>	-	-	-	<u>50,000</u>

**Notes to the financial statements
for the year ended 30 June 2011**

Note 5 Interests of Key Management Personnel (KMP) (cont'd)

(b) Remuneration

No options were granted as equity compensation benefits to any KMP of the company during the year.

(c) KMP Shareholdings

The number of ordinary shares in Peters MacGregor Investments Limited held by each KMP of the company during the financial year is as follows:

KMP Shareholdings

Specified Directors	Balance 01.07.10	Received as remuneration	Shares purchased on-market	Options Exercised	Net Change Other (i)	Balance 30.06.11
L.W. Peters	1,855,420	-	296,000	-	43,628	2,195,048
L.J. Cansdale	107,944	-	-	-	3,074	111,018
J.C. Craigie	29,145	-	-	-	830	29,975
Total	1,992,509	-	296,000	-	47,532	2,336,041

(i) Net change is shares acquired through the dividend reinvestment program.

	Notes	2011	2010
		\$	\$
Note 6 Auditors' Remuneration			
Remuneration of the auditor of the entity for:			
- auditing or reviewing the financial report		<u>20,350</u>	<u>20,515</u>
The Auditors received no other benefits			
Note 7 Dividends			
Distributions paid			
A fully franked ordinary dividend of 2 cents per share was paid and franked at the tax rate of 30% (2010: no dividends were paid or declared).			
Payable to shareholders in cash		312,845	-
Reinvested in ordinary shares by shareholder participants in the dividend reinvestment program at the rate of \$0.7023 (2010: \$0.6890) per share.		148,183	-
Number of ordinary shares issued: 210,983 (2010: nil)			
Total dividends		<u>461,028</u>	<u>-</u>
(a) Balance of franking account at year ended adjusted for franking credits arising from:			
- payment of provision for income tax,			
- dividends recognised as receivables,			
- franking debits arising from payment of proposed dividends, and			
- franking credits that may be prevented from distribution in subsequent financial years.		<u>161,745</u>	<u>232,086</u>

**Notes to the financial statements
for the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
Note 8 Earnings per Share			
(a) Reconciliation of Earnings to Profit or Loss			
Profit/(Loss)		766,412	3,937,119
Earnings used to calculate basic EPS		766,412	3,937,119
Dividends on converting preference shares		-	-
Earnings used in the calculation of diluted EPS		<u>766,412</u>	<u>3,937,119</u>
		Number of shares	Number of shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		<u>23,078,289</u>	<u>23,051,419</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS		<u>23,078,289</u>	<u>23,051,419</u>
Note 9 Cash and Cash Equivalents			
Cash at bank and in hand		<u>5,759,797</u>	<u>4,076,271</u>
		5,759,797	4,076,271
The effective interest rate on short-term bank deposits was 5.20% (2010: 5.38%); these monies are held at call.			
Reconciliation of cash			
Cash at the end of the financial year as shown in the cashflow statement is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		<u>5,759,797</u>	<u>4,076,271</u>
		5,759,797	4,076,271
Note 10 Trade and Other Receivables			
Interest and dividends receivable		31,511	12,757
GST recoverable		2,900	2,995
Total receivables (Current)		<u>34,412</u>	<u>15,752</u>
Note 11 Other Assets (Current)			
Prepayments		<u>11,741</u>	<u>11,647</u>

**Notes to the financial statements
for the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
Note 12 Financial Assets and Liabilities			
(a) Current Assets			
Financial assets held at fair value through profit or loss			
Held for trading			
- Derivatives - foreign currency forward contracts			
		17,947	-
(b) Non-Current Assets			
Designated at fair value through profit or loss			
- listed equity securities			
		18,799,199	20,509,113
- unlisted limited partnership equity contribution			
		145,445	-
		18,944,644	20,509,113
(c) Current Liabilities			
Financial liabilities held at fair value through profit or loss			
Held for trading			
- Derivatives - foreign currency forward contracts			
		-	414,239

Equity securities comprise investments in the ordinary share capital of various listed entities and the unlisted limited partnership equity contribution. There are no fixed returns or fixed maturity dates for these investments.

Unlisted limited partnership equity contribution has no return or fixed maturity date. The investment objective for the limited partnership is investments in fixed and foreign exchange securities and derivative products in the Japanese capital market within a broad global macroeconomic strategy focusing on the risk to the Japanese interest rate and currency volatility contained within the market for sovereign credit. The fund executes an investment strategy that reflects a view that the Japanese yen will depreciate significantly versus the US dollar and that the Japanese interest rate will rise significantly over time.

Foreign currency forward contracts comprise over-the counter forward exchange buy and sell contracts with fixed amounts and fixed maturity dates not exceeding 365 days. They are used to hedge the company's exposure to foreign currency denominated investments.

An overview of the risk exposures relating to financial assets and liabilities at fair value through profit or loss is included in Note 20.

Note 13 Trade and Other Payables (Current)

Amount payable to related parties	22,880	28,610
Trade payables	10,507	3,306
Sundry payables and accrued expenses	18,043	11,877
Total Payables (Current)	51,430	43,793

**Notes to the financial statements
for the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
Note 14 Tax			
(a) Liabilities			
Current			
Income Tax		92,763	-
Non-Current			
Deferred tax liability comprises:			
Unrealised fair value gain of equity investments		188,389	306,868
Unrealised fair value gain on foreign currency forward contracts		5,384	-
Other		6,922	2,145
Total deferred tax liabilities		<u>200,695</u>	<u>309,013</u>
Offset against deferred tax asset		-	(124,349)
Net deferred tax liabilities		<u>200,695</u>	<u>184,664</u>
(b) Assets			
Deferred Tax Asset comprises:			
Unrealised fair value loss on foreign currency forward contracts		-	124,272
Tax loss carry-forwards		-	77
Total tax assets		<u>-</u>	<u>124,349</u>
Offset from deferred tax liability		-	(124,349)
Net tax assets		<u>-</u>	<u>-</u>
(c) Reconciliations			
(i) Gross Movements			
The overall movement in the deferred tax account is as follows:			
Opening Balance		(184,664)	1,437,157
(Charge) / credit to income statement		(57,342)	(1,599,398)
Adjustment for prior period		41,311	(22,423)
Closing Balance		<u>(200,695)</u>	<u>(184,664)</u>
(iii) Deferred Tax Asset			
The movement in deferred tax asset for each temporary difference during the year is as follows:			
<i>Fair value loss adjustments for listed investments through the income statement</i>			
Opening balance		-	1,577,782
Charged to the income statement		-	(1,577,782)
Closing balance		<u>-</u>	<u>-</u>

**Notes to the financial statements
for the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
Note 14 Tax (cont'd)			
<i>Tax Losses Carried Forward</i>			
Opening balance		77	23,217
Prior year adjustment		41,311	(22,423)
Charged to the income statement		(41,388)	(717)
Closing balance		<u>-</u>	<u>77</u>
 <i>Unrealised loss on foreign currency hedging contracts</i>			
Opening balance		124,272	-
Charged to the income statement		(124,272)	124,272
Closing balance		<u>-</u>	<u>124,272</u>
 (ii) Deferred Tax Liability			
The movement in deferred tax liability for each temporary difference during the year is as follows:			
 <i>Fair value gain adjustments for listed investments through the income statement</i>			
Opening balance		306,868	-
Charged to the income statement		(118,479)	306,868
Closing balance		<u>188,389</u>	<u>306,868</u>
 <i>Unrealised gain on foreign currency hedging contracts</i>			
Opening balance		-	159,062
Charged to the income statement		5,384	(159,062)
Closing balance		<u>5,384</u>	<u>-</u>
 <i>Other</i>			
Opening balance		2,145	4,780
Charged through the income statement		4,777	(2,635)
Closing balance		<u>6,922</u>	<u>2,145</u>

Note 15 Issued Capital

(a) Paid up capital and movements in ordinary share capital

Ordinary Shares - fully paid	2011		2010	
	Number	\$	Number	\$
Balance at beginning of reporting period	23,051,419	22,322,687	23,051,419	22,322,687
Shares issued during the year				
- Dividend reinvestment 6 October 2010	(i) 210,983	148,183	-	-
Balance at end of reporting period	<u>23,262,402</u>	<u>22,470,870</u>	<u>23,051,419</u>	<u>22,322,687</u>

- (i) The company did not purchase any shares on market during the year ended 30 June 2011. There were no shares purchased pending cancellation at 30 June 2011.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 15 Issued Capital (cont'd)

(b) Capital Management

The board manages the capital of the company by assessing the company's financial risks and adjusting its capital structure in response to the changes in these risks and in the market. At the core of this management is the belief that shareholder value should be preserved and a sustainable level of distributions to shareholders maintained. Shareholder value will be maintained through management of the level of distributions to shareholders, as well as the use of share buybacks when shares are trading at a significant discount to net tangible assets, and having regard to alternate uses of available cash. The company does not employ debt-equity strategy and incurs no long-term debt.

Note 16 Operating Segments

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The company operated in one business segment, being an investment company operating in Australia.

	Notes	2011 \$	2010 \$
Note 17 Cash Flow Information			
(a) Reconciliation of cashflow from operations with profit / (loss) after income tax			
Profit / (loss) after income tax		766,412	3,937,119
Non-cash flows included in profit / (loss) after income			
Change in assets and liabilities:			
(Increase) / decrease in trade and term receivables		(18,664)	6,102
(Increase) / decrease in prepayments		(95)	4,987
(Increase) / decrease in listed investments		1,564,470	(7,873,046)
Net (increase) / decrease in hedging contracts position		(432,186)	944,446
Increase / (decrease) in trade payables and accruals		100,401	(23,583)
Increase / (decrease) in deferred tax		16,031	1,621,821
Cashflow from operations		1,996,371	(1,382,154)

(b) Financing facilities available

At the date of this report the company has no debt financing facility and relies only on its cash balance and future contributed capital inflows.

Note 18 Events After the Balance Sheet Date

The movement in the net tangible assets since the year end until 31 July 2011 is as follows:

Net Tangible Assets (NTA) as at:	\$ per Share
30 June 2011	1.0501
31 July 2011	1.0374
Decrease in NTA for 1 month period:	(1.21%)

The financial report was authorised for issue on 17th August 2011 by the board of directors.

There has not been any other matter or circumstance, other than that referred to in the financial statements, that has arisen since the end of the financial period, that has 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 future financial years.

**Notes to the financial statements
for the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
Note 19 Related Party Transactions			
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.			
Transactions with related parties:			
(a) Associated Companies			
Investment management services were provided to the entity by Peters MacGregor Capital Management Pty Ltd, of which L.W. Peters is an executive director and major shareholder, pursuant to a management agreement dated 27 January, 2004.			
(amounts include GST)		279,994	247,032

(b) Other Related Parties

There were no related party transactions with associated entities or with directors or associated entities of directors that have not been disclosed elsewhere.

Note 20 Financial Risk Management

(a) Financial Risk Management Policies

The entity's financial instruments consist mainly of deposits with banks, short-term and long-term investments, accounts receivable and payable, and derivatives.

The main purpose of non-derivative financial instruments is to invest in a portfolio of securities for long term capital growth.

Derivatives are used by the entity for hedging purposes. Such instruments include forward exchange contracts. The entity does not speculate in the trading of derivative instruments.

(i) Treasury Risk Management

The Investment manager, Peters MacGregor Capital Management Pty Ltd is responsible for analysing currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risk Exposures and Management

The main risks the entity is exposed to through its financial instruments are interest rate risk, credit risk, foreign currency risk, price risk and liquidity risk.

Price Risk

The company is exposed to equity securities price risk. This arises from investments held by the company for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is the fair value of the financial instruments.

The investment manager mitigates price risk through diversification and a careful selection of securities within specified limits set by the investment manager. All the equity investments are publicly traded.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 20 Financial Risk Management (cont'd)

Interest rate risk

The company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

Credit risk

The company is not materially exposed to credit risk on financial assets other than derivatives. The entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the statement of financial position.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The credit risk exposure of forward exchange contracts is the net fair value of these contracts as disclosed in Note 20(b)(i).

The company considers that although the receivables of the company are concentrated in a small number of debtors, the size, credit rating and quality of those organisations involved are such that the risk of default is small and remote. Concentrations of credit risk on receivables arise in the following geographical segments:

Maximum credit risk exposure for each concentration

Geographical segment	Percentage of receivables %	Percentage of receivables	
		2011 \$	2010 \$
Australia	79%	27,251	2,995
United States	21%	7,164	12,757

Liquidity risk

Liquidity risk is the risk that the company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The company primarily holds investments that are traded on public markets. The majority of the company's listed securities are considered realisable, as they are listed on large stock exchanges.

The company, from time to time, invests in foreign currency forward contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the company may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. The position of the foreign currency forward contracts as at 30 June 2011 is set out in Note 20(b)(i).

The table set out in Note 20(b)(ii) analyses the company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

Foreign currency risk

The entity is exposed to fluctuations in foreign currencies arising from the sale and purchase of listed company investments, unlisted limited partnership equity contributions, and cash deposits held in currencies other than the entities measurement currency. The company uses derivative financial instruments to offset in part this risk. Refer to Note 20(b)(i) for further details.

(b) Financial Instruments

(i) Derivative Financial Instruments

The company uses financial instruments to hedge its exposure to foreign currency denominated investments, entering into forward exchange buy and sell contracts based on movements in the underlying currency values. Because the company deals only with substantial suppliers of such

**Notes to the financial statements
for the year ended 30 June 2011**

Note 20 Financial Risk Management (cont'd)

contracts, the risk of a counter party failing to meet its obligations in respect of such contracts is considered negligible.

The Investment Manager generally hedges foreign currency exposure when it invests in international securities. As part of this policy it considers the intrinsic foreign currency exposures of investee companies. GAAP measures foreign currency exposure based on the country of stock exchange listing in which the investee company security is held.

The Company's exposure to foreign currency exchange rate risk at 30 June 2011 is analysed in the sensitivity analysis table set out in Note 20(b)(iv).

The company enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering the forward exchange contracts is to protect the company against unfavourable exchange rate movements for the investments undertaken in foreign currencies.

Foreign Exchange Contracts

The accounting policy in relation to forward exchange contracts is detailed in Note 1(f). At balance date, the details of outstanding forward exchange contracts are:

	2011	2010	2011	2010
	\$	\$	\$	\$
Sell United States Dollars				
Settlement	Buy Australian Dollars		Average Exchange Rate	
Less than 6 months	10,325,223	5,843,192	0.9431	0.8903
6 months to 1 Year	-	6,635,980	-	0.8047
Sell Australian Dollars				
Settlement	Buy United States Dollars			
Less than 6 months	3,865,000	-	1.0506	-

(ii) Financial instrument composition and maturity analysis

The tables set out below reflect the undiscounted contract settlement terms for the financial instruments of a fixed maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

At 30 June 2011

Financial Instruments	Floating Interest rate \$	Fixed interest rate maturing			Non Interest bearing \$	Total \$	Weighted average effective interest rate %
		Within year \$	1 to 5 years \$	Over 5 years \$			
Financial assets							
Cash	5,759,798	-	-	-	1	5,759,799	5.20%
Receivables	-	-	-	-	34,413	34,413	-
Hedging currency receivable	-	-	-	-	17,947	17,947	-
Available for sale assets	-	-	-	-	18,944,644	18,944,644	-
Total financial assets	5,759,798	-	-	-	18,997,005	24,756,803	
Financial liabilities							
Trade creditors	-	-	-	-	33,387	33,387	-
Other creditors	-	-	-	-	110,806	110,806	-
Total financial liabilities	-	-	-	-	144,193	144,193	

**Notes to the financial statements
for the year ended 30 June 2011**

Note 20 Financial Risk Management (cont'd)

At 30 June 2010

Financial Instruments	Floating Interest rate \$	Fixed interest rate maturing			Non Interest bearing \$	Total \$	Weighted average effective interest rate %
		Within year \$	1 to 5 years \$	Over 5 years \$			
Financial assets							
Cash	4,076,270	-	-	-	1	4,076,271	5.38%
Receivables	-	-	-	-	15,752	15,752	-
Available for sale assets	-	-	-	-	20,509,113	20,509,113	-
Total financial assets	4,076,270	-	-	-	20,524,866	24,601,136	
Financial liabilities							
Trade creditors	-	-	-	-	31,916	31,916	-
Other creditors	-	-	-	-	11,877	11,877	-
Hedging currency payable	-	-	-	-	414,239	414,239	-
Total financial liabilities	-	-	-	-	458,032	458,032	

Trade and sundry payables are expected to be paid as follows:

	2011 \$	2010 \$
Less than 6 months	144,193	458,032
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	144,193	458,032

(iii) Net Fair Values

All financial assets and liabilities have been recognised at the balance date at their net fair value. The following general methods and assumptions where applicable are used to determine the net fair value of financial assets and liabilities.

Cash, cash equivalents and short-term investments:

The carrying amount approximates fair value because of their short-term to maturity.

Receivables, trade and other creditors:

The carrying amount approximates fair value.

Non-current investments/securities:

For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

The net fair value of the unlisted options is determined to be the difference between the market price and the exercise price of the underlying shares.

Forward exchange contracts:

The fair values of forward exchange contracts is determined as the recognised gain or loss at reporting date calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

**Notes to the financial statements
for the year ended 30 June 2011**

Note 20 Financial Risk Management (cont'd)

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2011		2010	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial assets				
Available for sale financial assets at fair value	18,944,644	18,944,644	20,509,113	20,509,113
Derivative financial assets	17,947	17,947	-	-
Loans & Receivables	34,413	34,413	15,752	15,752
	<u>18,997,004</u>	<u>18,997,004</u>	<u>20,524,865</u>	<u>20,524,865</u>
Financial liabilities				
Derivative financial liabilities	-	-	414,239	414,239
Other liabilities	144,193	144,193	43,793	43,793
	<u>144,193</u>	<u>144,193</u>	<u>458,032</u>	<u>458,032</u>

Fair value hierarchy

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments.

Derivative instruments are included in Level 2 of the hierarchy with the fair values being determined using valuation techniques incorporating observable market data relevant to the hedged position.

	2011			2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale financial assets at fair value	18,799,199	145,445	-	20,509,113	-	-
Loans & Receivables	-	34,412	-	-	15,752	-
Derivative financial assets	-	17,947	-	-	-	-
	<u>18,799,199</u>	<u>197,804</u>	<u>-</u>	<u>20,509,113</u>	<u>15,752</u>	<u>-</u>
Financial liabilities						
Derivative financial liabilities	-	-	-	-	414,239	-
Other liabilities	-	51,430	-	-	43,793	-
	<u>-</u>	<u>51,430</u>	<u>-</u>	<u>-</u>	<u>458,032</u>	<u>-</u>

**Notes to the financial statements
for the year ended 30 June 2011**

Note 20 Financial Risk Management (cont'd)

(iv) Sensitivity analysis

The entity has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency exchange rate risk, and listed and unlisted investments net fair value risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Risk Sensitivity Analysis

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2011	2010
	\$	\$
<i>Change in profit</i>		
Increase in interest rate by 2%	79,371	66,756
Decrease in interest rate by 2%	(79,371)	(64,655)
<i>Change in equity</i>		
Increase in interest rate by 2%	79,371	66,756
Decrease in interest rate by 2%	(79,371)	(64,655)

Foreign Currency Exchange Rate Risk Sensitivity Analysis

At 30 June 2011, the effect on profit and equity as a result of changes in the value of the Australian dollar to the US dollar, Singapore dollar and New Zealand dollar, UK Pound Sterling after considering the offsetting effects of hedging using derivative financial instruments, with all other variables remaining constant is as follows:

(The following amounts are expressed as the AUD equivalent of the denoted currency)

	2011				
	Total	USD	NZD	SGD	GBP
<i>Change in profit</i>					
AUD change against foreign currency :					
- Strengthens by 10%	(932,521)	(539,862)	(371,700)	-	(20,959)
- Weakens by 10%	932,521	539,862	371,700	-	20,959
<i>Change in equity</i>					
AUD change against foreign currency :					
- Strengthens by 10%	(932,521)	(539,862)	(371,700)	-	(20,959)
- Weakens by 10%	932,521	539,862	371,700	-	20,959
2010					
	Total	USD	NZD	SGD	GBP
<i>Change in profit</i>					
AUD change against foreign currency :					
- Strengthens by 10%	(558,139)	(184,549)	(320,769)	(52,821)	-
- Weakens by 10%	558,139	184,549	320,769	52,821	-
<i>Change in equity</i>					
AUD change against foreign currency :					
- Strengthens by 10%	(558,139)	(184,549)	(320,769)	(52,821)	-
- Weakens by 10%	558,139	184,549	320,769	52,821	-

**Notes to the financial statements
for the year ended 30 June 2011**

Note 20 Financial Risk Management (cont'd)

Investments at Fair Value Sensitivity Analysis

At 30 June 2011, the effect on profit and equity as a result of changes in the market values of listed and unlisted investments at net fair value, with all other variables remaining constant is as follows:

	2011	2010
	\$	\$
<i>Change in profit</i>		
Increase in value by 10%	1,326,125	1,435,638
Decrease in value by 10%	(1,326,125)	(1,435,638)
<i>Change in equity</i>		
Increase in value by 10%	1,326,125	1,435,638
Decrease in value by 10%	(1,326,125)	(1,435,638)

Note 21 Company Details

The registered office of the company is:

C/- Prosperity Advisers QLD Pty Ltd
Suite 1, Level 3
200 Creek Street
Brisbane Qld 4000

The principal place of business is:

Suite 507
19A Boundary Street
Rushcutters Bay NSW 2011

The company is a limited public company which is incorporated and domiciled in Australia.

The company is not a subsidiary or associated entity of an ultimate parent entity.

The company has no full time or full time equivalent employees.

The principal activities of the company are to act as listed investment company.

**Directors' declaration
for the year ended 30 June 2011**

The directors of the company declare that:

- 1 The financial statements and notes, as set out on pages 4 to 35 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards which, as stated in accounting policy Note1 to the financial statements, constitutes explicit and unreserved compliance with the International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2011 and performance for the year ended on that date of the company;
- 2 The Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with Australian Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view; and
- 3 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 and payable.

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



Leslie Wayne Peters
Chairman of Directors



Lionel John Cansdale
Director and Company Secretary

Dated this 17th day of August 2011

**Independent auditor's report to the members of
Peters MacGregor Investments Limited**

Report on the Financial Report.

We have audited the accompanying financial report of Peters MacGregor Investments Limited (the company), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

**Independent auditor's report to the members of
Peters MacGregor Investments Limited**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Peters MacGregor Investments Limited on 15th August 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- a the financial report of Peters MacGregor Investments 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 (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 of the report of the directors 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 s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Peters MacGregor Investments Limited for the year ended 30 June 2011, complies with s 300A of the *Corporations Act 2001*.

Hanrick Curran Audit Pty Ltd
Registered Audit Company: 338599



Signature
Shaun Donaldson
Director

Brisbane

17th August 2011

Additional information for listed public companies

1. Shareholding – Ordinary shares

The following information is current as at 31st July 2011:

(a) Distribution of Ordinary shareholder numbers

Category (size of holding)	Holders	Total Units	%
1-1,000	35	14,764	0.063
1,001-5,000	164	538,591	2.315
5,001-10,000	134	1,008,774	4.336
10,001-100,000	202	5,770,056	24.804
100,001-99,999,999,999	24	15,930,217	68.481
Totals	559	23,262,402	100

(b) The number of shareholdings held in less than marketable parcels is 25.

(c) The names of substantial shareholders listed on the company's register are:

Shareholder	Number
GMS GROUP NOMINEES PTY LTD	5,070,890
ASHANNA PTY LTD	3,285,488
MR LESLIE WAYNE PETERS	2,195,048
MRS ELIZABETH HELEN COLLISON	1,195,386

(d) 20 Largest Shareholders – Ordinary Shares

Rank	Holder Name	Number of Ordinary Shares held	%
1	GMS GROUP NOMINEES PTY LIMITED	5,070,890	21.799
2	ASHANNA PTY LTD	3,285,488	14.124
3	MR LESLIE WAYNE PETERS	1,476,577	6.347
4	MRS ELIZABETH HELEN COLLISON	1,195,386	5.139
5	BOND STREET CUSTODIANS LIMITED	873,091	3.753
6	BROADWAY CORPORATION (AUST)	555,088	2.386
7	PETERS MACGREGOR HOLDINGS PTY LTD	533,737	2.294
8	JANSTEV PTY LTD	466,052	2.003
9	MR STEVEN PAUL ABBLITT	352,552	1.516
10	CITICORP NOMINEES PTY LIMITED	222,035	0.954
11	COLOWELL PTY LTD	200,000	0.860
12	INVIA CUSTODIAN PTY LIMITED	198,418	0.853
13	MR JOHN FREDERICK WHITEHOUSE	166,526	0.716
14	MR RONALD JOSEPH GILLATT	166,493	0.716
15	LIC INVESTMENTS PTY LTD	140,000	0.602
16	ASB NOMINEES LIMITED	136,593	0.587
17	AVANTEOS INVESTMENTS LIMITED	136,533	0.587
18	MR LIONEL JOHN CANSDALE	111,018	0.477
19	MR TERENCE BRIAN DELANEY	111,018	0.477
20	MS NINA ELEANOR PETERS	111,018	0.477
		15,508,513	66.668

Additional information for listed public companies (continued)

1. Shareholding – Ordinary shares (continued)

(e) Voting Rights

The voting rights attached to ordinary shares are as follows:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or proxy has one vote in a show of hands.

2. The name of the company secretary is Mr Lionel John Cansdale.

3. The address of the registered office of the company is:

C/- Prosperity Advisers QLD Pty Ltd
Suite 1, Level 3
200 Creek Street
Brisbane Qld 4000
Telephone Number (07) 3839 1755

4. The address of the principal administrative office of the company is:

C/- Peters MacGregor Capital Management Pty Ltd
Suite 507, 19A Boundary Street
Rushcutters Bay, Sydney NSW 2011
Telephone Number (02) 9332 2133

5. The register of securities is held at the following address:

Boardroom Pty Limited (Previously Registries Limited)
Level 7, 207 Kent Street
Sydney NSW 2000

6. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on the member exchanges of the Australian Stock Exchange Limited.

7. Unquoted Securities

The company has no unquoted securities.

8. Current approval for on market ordinary shares buyback

In accordance with Appendix 3C document lodged with the ASX on 30th November 2010 the company has a current market buyback approval to purchase up to 10% of issued ordinary shares without the need to seek shareholder approval if the Directors feel it is appropriate for capital management purposes.

Additional information for listed public companies (continued)

9. Information required by ASX listing rule 4.10.20

- (a) List of investments held (not including cash or interest bearing deposits readily convertible to cash) as at 31st July 2011:

ASTA Funding Inc	384,104 Ordinary shares
Berkshire Hathaway Inc.	42,390 B Class shares
Fairfax Financial Holdings	4,420 Ordinary shares
Guinness Peat Group Plc	641,893 Ordinary shares
The Howard Hughes Corporation	19,395 Ordinary shares
Japan Macro Opportunities Offshore L.P.	Unlisted Limited Partnership Equity Contribution
Johnson & Johnson Inc	26,222 Ordinary Shares
Michael Hill International Limited	5,900,000 Ordinary shares
Symex Holdings Limited	2,713,477 Ordinary shares
Wells Fargo & Company	38,050 Ordinary shares
Wal-mart Stores, Inc	33,435 Ordinary shares

- (b) The total number of transactions in securities during the reporting period was 49 (2010: 60).
- (c) The total brokerage paid or accrued during the reporting period was AUD \$29,398 (2010: \$26,814) including GST where applicable.
- (d) Investment management fees paid or accrued to Peters MacGregor Capital Management Pty Ltd during the reporting period was \$279,994 (GST inclusive).

Peters MacGregor Capital Management Pty Ltd receives a management fee of 1% per annum of the Value of the Portfolio calculated monthly. The manager will be entitled to be paid a performance fee of 20% of the amount by which the Portfolio's performance (after deducting the management fee) exceeds the high water mark. The high watermark will increase at a minimum of 7% per annum.

10. Statement in accordance with ASX listing rule 4.10.21.

At reporting date, there were no issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act which have not yet been completed.

Corporate Governance Statement

Introduction

The company and the board are committed to achieving high standards of corporate governance. The board continues to review and update its corporate governance practices as necessary in the light of best practice, and in a manner which is both practical and relevant in the specific circumstances of Peters MacGregor Investments Limited. As new corporate governance requirements and guidelines are issued by the ASX, the board evaluates and where considered appropriate, implements relevant proposals. The company has reported its corporate governance practices by reference to the ASX corporate governance council's Corporate Governance Principles and Recommendations, second edition. The company's corporate governance framework is largely consistent with the recommendations. Where the company has departed from the recommendations of the ASX corporate governance council additional disclosure has been provided as to the reason for the departure and the details of any mitigating controls.

The company is a listed investment company operating to specific objectives in a focused manner. The main operating activity of the company is the investment of its assets in a portfolio of listed securities (as described in the prospectus dated 27th January 2004).

Investment of the company's portfolio and all decisions pertaining thereto are outsourced by a comprehensive long term investment management agreement. All other administrative duties are outsourced to reputable service providers. The company has no employees and three directors.

Given the relatively unique structure of the company (as outlined above) including, *inter alia*, the nature of its investment operations, its relatively small size and the simplicity of its business model the board believe that the full adoption of all the ASX corporate governance best practice guidelines would not be in the best interests of shareholders. The material costs involved and additional resources required to achieve best practice simply cannot be justified. The board is confident that the current corporate governance policies adopted by the company and the integrity and experience of the directors materially achieve the goals of the ASX corporate governance council.

Principle 1: Lay Solid Foundations for Management and Oversight

The first principle requires the company to establish and disclose the respective roles and responsibilities of the board and management.

Roles of the Board and Management

The board is accountable to shareholders for the activities and performance of the company and has overall responsibility for furtherance of the company's core business and investment strategy together with its corporate governance.

Due to the nature and size of the business it has been deemed unnecessary to directly employ executive staff or employees. The company has entered into a comprehensive investment management agreement with experienced fund manager Peters MacGregor Capital Management Pty Ltd to undertake investment selection and ongoing management of its investment capital. Administration, accounting, and taxation functions are outsourced to the experienced accounting practice, Prosperity Advisers. A formal engagement notice is in place setting out the terms and conditions of the appointment. Share registry services are outsourced to Registries Limited. The performance and efficiency of these functions is reviewed by the board on an annual basis.

Commitments

Each member of the board is committed to spending sufficient time to enable them to carry out their duties as a director of the company.

Education and Induction

New directors undergo an induction process in which they are given a full briefing on the company. In order to achieve continuing improvement in board performance all directors are encouraged to undergo continual professional development.

Corporate Governance Statement (continued)

Independent Professional Advice

All board members are permitted to seek appropriate independent professional advice at the entity's expense in carrying out their duties with the prior approval of the board.

Principle 2: Structure the Board to Add Value

This principle requires the company to have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Board Composition and independence

The board comprises three non-executive directors as detailed in the directors' report, none of whom is able to be considered independent in accordance with ASX best practice guidelines for independent directors. Full disclosure of their interests and associations with entities that provide contractual services to the company are disclosed in the directors' report. Full disclosure was made in the prospectus dated 27th January 2004 on which the initial public offering was made and the initial directors at the time of listing are continuing.

The company does not employ a CEO or CFO, and in the alternative this confirmation has been provided by Leslie Wayne Peters in his capacity as chairman of directors, and Lionel John Cansdale a non-executive director.

The board has considered its composition and operation and believes in the circumstances of the limited size, scope, and degree of complexity of its operations, and given the current outsourcing arrangements, that the current board structure is satisfactory.

After considering the nature of the company's operations and the needs of the company at this time, it is the view of the board that it is not in the interests of shareholders to incur the expense of additional directors at this time.

Nomination Committee

The board has not formed a nomination committee as the principle recommends, as the board considers that due to the nature and scope of the company's activities, the whole board should undertake this responsibility.

Responsibilities of the board

The board has the following main responsibilities:

- Monitoring the company's financial performance and financial reporting
- Reporting to shareholders
- Maintaining compliance and governance policies and practices to ensure that the company's business is conducted legally, ethically and responsibly
- Ensuring that the company has implemented adequate systems of internal controls and risk management
- Reviewing compliance with key commercial agreements and performance of outsourced service providers
- Reviewing the effectiveness and composition of the board
- Implementation of the company's dividend policy

Full details of the board's role and responsibilities are contained in the Board Charter, a copy of which is contained on the company's website.

Performance Review and Evaluation

Each year the board reviews and evaluates its performance and the individual performance of each director, including the chairman. The general management and oversight of the evaluation process, including identification and formulation of appropriate performance assessment issues and criteria is the responsibility of the chairman. Primarily, the review is carried out through consultation by the chairman with each of the other directors.

Corporate Governance Statement (continued)

Having regard to the nature of the company's business and the board's composition, the board believes this approach to performance evaluation is more useful than seeking to apply predetermined measurable performance indicators or engaging an external facilitator.

Principle 3: Promote Ethical and Responsible Decision-Making

The principle requires the company to actively promote ethical and responsible decision-making.

Company Code of Conduct

The board has established a code of conduct to guide the behaviour of directors. The code:

- Requires directors to declare any potential conflicts of interest and to preclude the conflicted director from voting on any related resolutions
- Prohibits directors from taking advantage of their position for personal gain
- Requires directors to keep non-public information confidential
- Requires directors to comply with all laws and regulations
- Requires directors recognise and guide compliance with legal and other responsibilities to the company's shareholders and other legitimate stakeholders.
- Encourages ethical behaviour in all dealings, and encourages the reporting of unethical behaviour

The board insists through its practices on the highest ethical and legal standards.

Share Trading Policy

The company's policy regarding directors and associates of directors trading in its securities is set by the board of directors. The policy restricts directors and their associates from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security prices. In addition any such transaction requires prior approval by the board. The Share Trading Policy is posted on the Company's website.

Principle 4: Safeguard Integrity in Financial Reporting

The principle requires that the company should have a structure to independently verify and safeguard the integrity of the financial reporting.

Audit Committee

The audit committee has a documented charter approved by the board which is posted on the company's website. The committee must have at least three members; two of which are directors of the company and the other is the audit partner / director. The names and qualifications of those appointed to the audit committee and their attendance at committee meetings can be found in the director's report. The chairman of the audit committee and the other members of the committee are not independent directors. As described above the board does not meet the best practice guidelines relating to independence.

Whilst prima facie the audit committee fails this same independence test, the directors believe that in all other respects meetings of the audit committee are properly convened to provide an open and frank forum between the auditor and directors to discuss and resolve matters pertaining to the conduct and financial reporting of the company and applicability of the relevant accounting standards and corporations law.

The purpose of the audit committee is to assist the board in carrying out its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control systems, risk management systems, and the external audit.

In doing so, it is the responsibility of the committee to maintain free and open communication between the committee, the external auditors, outsourced financial service providers and the board.

External Auditor

The committee intends to meet with the external auditors twice per year. It is company policy that neither the external auditor nor any member of his associated firm will be engaged to provide non audit services. Hanrick Curran was appointed as external auditor in September 2004. It is Hanrick Curran's

Corporate Governance Statement (continued)

policy to rotate audit engagement partners on listed companies in accordance with the Corporations Act 2001.

Principle 5: Make Timely and Balanced Disclosure

The principle requires the promotion of timely and balanced disclosure of all material matters concerning the company.

Board Policies

Communication Policy

The Board aims to ensure that stakeholders are informed of all information necessary to assess the performance of the company. Information is communicated to shareholders through:

- Compliance with the ASX continuous disclosure requirements both regular and on 'as required' basis;
- The annual and half year reports, and monthly net tangible assets information;
- The annual general meeting; and
- Through the company's website

The directors are primarily responsible for deciding what information will be disclosed. The accounting and administration functions of the company have been outsourced to Prosperity Advisers. Under the terms of the outsourcing arrangement, Prosperity Advisers are responsible for assisting the company in compliance with the ASX listing rules and making recommendations to the board in that respect.

Conflicts of Interest

Directors are required to disclose to the board any matters in which they may have a personal interest or a potential conflict of interest with the company.

Confidentiality

In accordance with legal requirements and agreed ethical standards, directors have agreed to keep confidential information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

Principle 6: Respect the Rights of Shareholders

The principle requires the company to respect the rights of shareholders and facilitate the effective exercise of those rights.

Shareholder Communication

The Board aims to ensure that shareholders are effectively informed. Information is communicated to shareholders through:

- Releases to the market via the ASX, the company's website, mail-outs to shareholders and the company's Annual General Meeting (AGM).
- Encouraging shareholders to participate in the AGM and requesting the external auditor to be available during the meeting to answer any shareholder questions regarding the conduct of the audit and content of the auditor's report;
- Providing balanced and understandable information about the company's investment strategy; and
- Making available a telephone number and email address for shareholder enquires.

Principle 7: Recognise and Manage Risk

The principle requires the company to establish a sound system of risk oversight and management and internal controls.

Corporate Governance Statement (continued)

Risk assessment and management

The board has formalised and adopted a Risk Management Strategy. This document contains the company's policies for the oversight and management of material business risks.

The investment management, administrative functions and share registry are outsourced to Peters MacGregor Capital Management Ltd, Prosperity Advisers QLD Pty Ltd and Boardroom Pty Limited respectively. The board is satisfied that the outsourced service providers have developed and implemented a sound system of risk management and internal controls to effectively manage the company's material business risks.

Each financial year the board receives assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate Fairly and Responsibly

The principle requires the company to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Remuneration Committee

The board has not formed a remuneration committee, as the principle recommends, as the board considers that due to the size, nature and scope of the company's activities the whole board should undertake this responsibility. The remuneration policy is reviewed by the board on an annual basis.

Senior Executive and Executive Director Remuneration Policy

The company does not have any executive directors or senior executives and therefore does not deem it necessary to have a remuneration policy for them. All executive decisions regarding investment selection and management of investment capital are made for the company through the comprehensive management agreement with Peters MacGregor Capital Management Pty Ltd. Details of this management agreement can be found in the directors' report.

Non-Executive Remuneration Policy

The total amount of the non-executive directors' remuneration is capped by a resolution of members at the annual general meeting. Remuneration of specific board members within this cap is agreed by the directors meeting as a board, and having regard to remuneration appropriate to the qualifications, experience and duties required of each director, and other relevant matters. The remuneration is fixed and in the form of cash and superannuation contributions. The company does not provide any retirement benefits to its directors other than superannuation. Non-executive directors do not receive performance based bonuses and do not participate in equity schemes of the company.

Full details of the directors' remuneration is provided in the directors' report and the notes to the financial statements in the Annual Report.