

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 the:

**Sir Stamford Hotel
22 Knox Street, Double Bay NSW 2028
on Friday 19th October 2007 at 10:00 a.m.**

BUSINESS

- (1) To receive, consider, and adopt the financial report of the company and of the economic entity for the year ended 30 June 2007 and the reports by the directors and auditors thereon.
- (2) To receive, consider, and adopt the report of the Remuneration of Directors (as detailed in the Directors' Report)
- (3) 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.

- (4) General: To transact any business which may be lawfully brought forward.

By Order of the Board



L J Cansdale
Secretary
12th September 2007

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, facsimile to :

Peters MacGregor Investments Limited share registry
Registries Limited
P O Box R67,
Royal Exchange Sydney NSW 1223 Australia
Facsimile:61 2 9279 0664

By delivery to:

Peters MacGregor Investments Limited share
registry
Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000

PetersMacGregor

INVESTMENTS LIMITED

ABN 48 107 387 351

ALL CORRESPONDENCE TO:

Peters MacGregor Investments Ltd share registry
Registries Limited
P O Box R67
Royal exchange, Sydney NSW 1223

Enquiries (within Australia) 02 9290 9600
(Outside Australia) +612 9290 9600
Facsimile +612 9279 0664
www.registriesltd.com.au

PROXY FORM

<Investor name>
<addressline 1>
<addressline 2>
<addressline 3>
<addressline 4>

Mark this box with an "X" if you have made any changes to your address details (see over)

Appointment of Proxy

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

The Chairman of the Meeting
(Mark with an "X") **OR** Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting

Or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting 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) at the Annual general Meeting of Peters MacGregor Investments Limited to be held at the Sir Stamford Hotel Double Bay, 22 Knox Street, Double Bay NSW 2028 on Friday 19th October 2007 at 10:00am and at any adjournment of that meeting.

The Chairman of the Meeting intends to vote in favour of each of the items below.

Voting directions to your proxy – please mark to indicate your directions

Ordinary Business

	For	Against	Abstain*
Resolution (a) - The Report of the Remuneration of Directors (as detailed in the Directors' Report) be adopted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution (b) - Re-elect Mr Leslie Wayne Peters as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* 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.

PLEASE SIGN HERE

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Security Holder 1	Securityholder 2	Securityholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name

Contact Daytime Telephone Number

Date

How to complete the Proxy Form

1. Your Name and Address

This is your name and address as it appears on the share register of Peters MacGregor Investments Limited. If this information is incorrect, please mark the box and make the correction on the form. Security holders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your securities using this form.

2. Appointment of Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting, please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy and vote on your behalf. A proxy need not be a securityholder of Peters MacGregor Investments Limited.

3. Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. If your proxy attends the meeting and votes, 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.

4. Appointment of Second Proxy

You are entitled to appoint up to two persons as 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 share registry or you may copy this form.

To appoint a second proxy, you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or 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.

5. Signing Instructions

You must sign this form as follows in the spaces provided:

- | | |
|--------------------|---|
| Individual: | Where the holding is in one name, the holder must sign. |
| Joint Holding: | Where the holding is in more than one name, all of the security holders must sign. |
| Power of Attorney: | To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified copy of the Power of Attorney to this form when you return it. |
| Companies: | Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with another Director or Company Secretary. Please indicate the office held by signing in the appropriate space. |

If a representative of the corporation is to attend the meeting the appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission. A form of the certificate may be obtained from the share Register of Peters MacGregor Investments Limited.

Lodgment of Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received not later than 48 hours before the commencement of the meeting at 10:00 a.m. on Friday 19th October 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

By posting, facsimile to :

Peters MacGregor Investments Limited share registry
Registries Limited
PO Box R67,
Royal Exchange Sydney NSW 1223 Australia
Facsimile:61 2 9279 0664

By delivery to:

Peters MacGregor Investments Limited share registry
Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000

PetersMacGregor
INVESTMENTS LIMITED
ABN 48 107 387 351

2007 ANNUAL REPORT

PetersMacGregor

INVESTMENTS LIMITED
ABN 48 107 387 351

Directory

Directors

L Wayne Peters, Chairman
Lionel Cansdale
James Craigie

Company Secretary

Lionel Cansdale

Auditors

Hanrick Curran
Chartered Accountants
Level 9
324 Queen Street
Brisbane Qld 4000

Registered Office

c/- Cansdale & Co
Chartered Accountants
Level 7
87 Wickham Terrace
Brisbane Qld 4000

Telephone (07) 3832 7001
Facsimile (07) 3832 7051

Share Registry

Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000

Telephone (02) 9290 9600
Facsimile (02) 9279 0664

Sydney Office

Suite 507 19A Boundary Street
Rushcutters Bay NSW 2011

Telephone (02) 9332-2133
Facsimile (02) 9331 3177
www.petersmacgregor.com

Calendar

Annual General Meeting

Sir Stamford Hotel
22 Knox Street
Double Bay NSW 2028

19 October 2007, 10:00am

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Investment Manager's Annual Letter 2007

Dear Shareholders,

Our Performance to 30th June 2007

Our performance this year has been good relatively and very strong in absolute terms. The gross portfolio return for the 2007 financial year was 27.08% and the net return after all costs and taxes was 16.51%. By way of comparison the MSCI World Index returned 21.53% and the S&P 500 US Index returned 20.59%.

Since inception (16 April 2004) the portfolio's compound gross annual return has been 11.16% and the net return after all costs and taxes was 6.35%. Whilst this is still short of our investment objective, the current year's performance has lifted the long term average.

This year (similar to last year) has been another active one in terms of portfolio changes. The master portfolio sold four companies (Fairfax Financial, Pre-Paid Legal, H & R Block and Anheuser-Busch) and added seven companies (American Express, Fairfax Financial, Mohawk Industries, Wal-Mart Stores, US Gypsum, Asta Funding and Western Union) ending the year with ten companies and approximately 9% cash.

The changes are discussed below. As always, the new additions meet our criteria of businesses with durable competitive advantage, run by people who we believe will maintain or improve it over time.

Commentary

The level of turnover in our portfolios is not something we design or can control; it is primarily a function of two factors: share price performance and our assessment of company valuations. The relationship between the two is (of course) the margin of safety. Simply, when we find attractive businesses with deep margins of safety we are compelled to buy, and when the margin of safety disappears we exit. Volatility in equity markets can create considerable changes in the margin of safety (of both companies we own and would like to own) and lead to increased portfolio turnover. This has been the case this financial year. While our approach is to buy and hold for the long term, 'Mr Market' will ultimately dictate our investment activity.

It has been another strong year for global equity markets capping what in hindsight has been a strong five year bull run. By way of example, the S&P500 index has risen some 164% since its low in August 2002, and closed this year above its 'dot com' high for the first time. The gain in the Australian equity markets is even greater, where the resources boom has contributed dramatically.

It is worth noting that while the major indices have advanced considerably the gains have not been 'broad based', in that many parts of the market did not move materially while other parts jumped considerably. This has been evident within our portfolios too, with most of the year's performance being attributable to a handful of our holdings.

In a global environment where: (i) substantial imbalances exist between the Western 'current account deficit' nations and their Asian 'surplus' counterparts, (ii) there are unprecedented levels of consumer debt, relative to income, and (iii) the inflation outlook suggests a continuation of tightening monetary policy trends, we have now reached a point where market valuations are getting expensive relative to their long term historical averages.

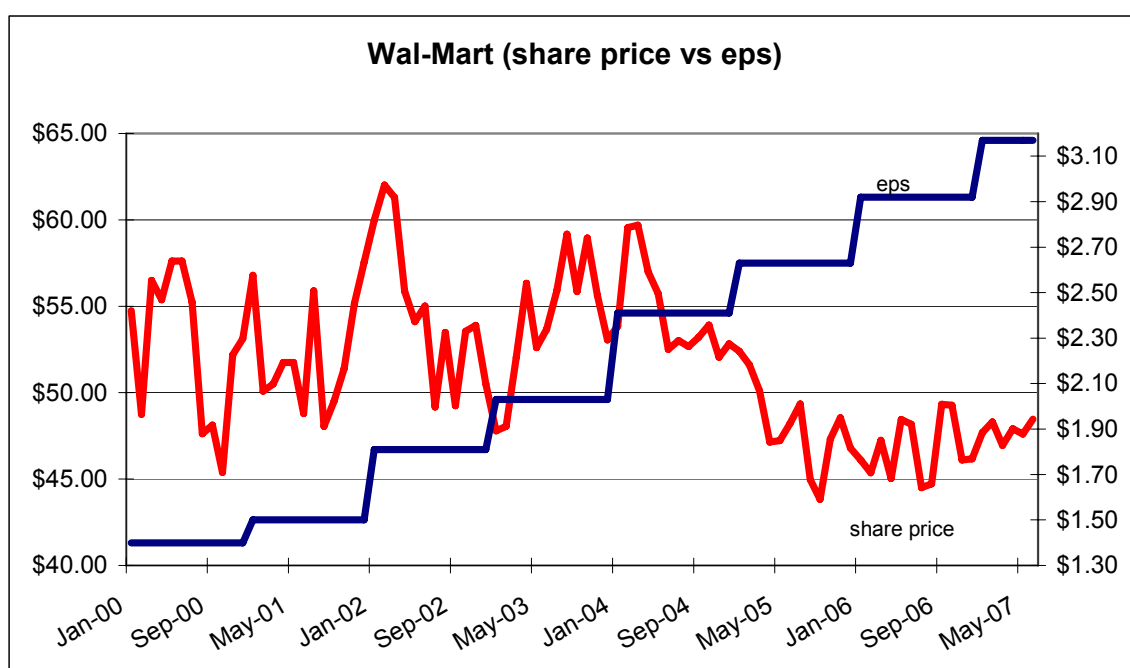
Against this macro economic backdrop, an interesting theme has emerged – the share prices of a number of the wonderful businesses that the market has historically (and justifiably) applied premium multiples to, have either fallen or gone nowhere, while the underlying 'business values' have increased dramatically. This has thrown some large, dominant, quality franchises onto our radar-screen.

Investment Manager's Annual Letter (continued)

At the same time, the lesser-quality counterparts – smaller, average quality and more risky businesses have seen their share prices increase substantially (driven, we believe, by the combination of cyclically high earnings and the emergence of the current 'private equity' phenomenon). This has pushed up prices as investors speculate on 'who's next?'. These factors, by the way, apply to some of the larger high-quality companies but to a lesser degree.

We have been fortunate and found pockets of value within the rising broad markets, where we can hunt for quality companies trading at attractive prices. And in 2007 we were able to identify six new companies to add to our portfolios!

Let's look at Wal-Mart Stores as an example of how 'price' and 'value' have moved in opposite directions to present, what we believe, to be a good investment opportunity.



Since 2002, the share price has fallen from a high of US\$62 to our buy price this year of US\$44 (approximately a 30% fall), while the earnings have moved from US\$1.40 per share to US\$3.17 per share (approximately a 225% increase).

Portfolio Changes

We exited four companies during the year: Anheuser-Busch ("Bud"), Fairfax Financial Holdings ("Fairfax"), H & R Block ("Block"), and Pre-Paid Legal Services ("Pre-Paid"). In the case of Bud and Block, both shares appreciated in value during our ownership period and our assessment of value moved down, eliminating the margin of safety and triggering an exit.

During the period we also sold our small position in Fairfax. As you will be aware, we have also held a position in Northbridge Financial, the Canadian company 59% owned by Fairfax. To a degree, we have had some doubling-up in exposure here, due to Fairfax having a large exposure to Northbridge as well. We have controlled this exposure by ensuring our combined portfolio weighting to these companies has not been too high.

Over the year Fairfax's share price appreciated significantly thereby reducing its overall appeal from a value perspective. Northbridge's share price, however, had not moved in spite of the continued strong growth in our assessment of its intrinsic value. Accordingly, given the value discrepancy that arose between the two securities, we took the decision to sell our Fairfax position at close to our assessment

Investment Manager's Annual Letter (continued)

of fair value, and used some of the proceeds to increase our weighting in the, we believe, more attractively priced Northbridge.

As for Pre-Paid (a company that we have previously held), its share price moved up strongly breaching our assessment of value, and we exited the position. We continue to monitor the company and would consider repurchasing should the margin of safety become attractive again.

Following is a brief summary of positions added during the year.

American Express

American Express is the world's largest issuer of credit cards as measured by purchase volume. (*VISA and MasterCard do not issue credit cards as they are networks*). American Express has established itself as the premium high end card. In the US, spending on American Express cards is about four times higher than Visa or MasterCard. The company currently has around 74 million cards outstanding and had \$484 billion spent on its cards in 2005.

American Express' business model focuses on earning a discount fee (*an average 2.6% fee charged to merchants on cardmember purchases*) on cardmember spending first, as opposed to its competitors whose primary focus is on finance charges and card fees. This model has produced higher returns and is less capital intensive.

The company's higher spending customers allow it to charge merchants premium discount fees. This gives the company the flexibility to offer more attractive rewards and other incentives to keep its customers spending more on their cards. This in turn drives more business to merchants who accept the card.

American Express is in an industry with very high barriers to entry due to the industry's reliance on extensive networks and large capital requirements. One major advantage American Express enjoys over its competitors is that it is the only company in the credit card industry to have a major presence in each segment. It is a network processor (competes with VISA and MasterCard), a card issuer (competes with major banks) and a merchant acquirer (competes with First Data Corp. and a few banks). By being involved in each step of the chain, the company has access to valuable information that can help it deliver its higher spending card members to desired merchants.

While the company won't be able to grow as quickly as it did in the past, it still has adequate growth prospects as more people switch from cash to cards around the globe. Also, as the company grows and issues more cards, more merchants will in turn be forced to accept the card. The company has also recently spun out its financial planning segment, which has allowed it to concentrate on its higher return and less capital intensive card business.

Asta Funding

Asta Funding is a US-based company that operates in the finance industry. Specifically, Asta purchases books of bad debts (typically from credit card companies and utilities). The model is simple: a company will end up with accounts that become seriously overdue. These companies often engage third party organisations to recover as much as possible on their bad debts. Such a process can take months and years, as often a bad debt can come good after lengthy legal procedures or continued attempts to collect. Rather than carry such uncertainty on its books, companies might simply sell an entire book of bad debts to a specialist collector such as Asta Funding. Doing so can realise 3 to 5c on the dollar and remove risk and uncertainty from the vendor's balance sheet. So, simply put, Asta purchases these bad debts and then goes to work on trying to generate as much cashflow from those debts as possible. Historically, recoveries have been enough to cover corporate overhead, recover the initial purchase price, and then generate an after-tax internal rate of return of between 20-30% pa.

Asta is unique as an investor in bad debts in that it typically out sources the majority of its collections function. This contrasts to other operators who conduct collections internally, creating significant fixed cost bases and requiring a continual flow of new business to justify the headcount. We believe Asta's model provides a greater level of flexibility, as it is not required to acquire new paper and can simply cash up and downsize its business in the event of an unfavourable market pricing environment.

Investment Manager's Annual Letter (continued)

Asta also enjoys considerable competitive advantages; it has operated in the market for a very long time and has strong established relationships that ensure a good flow of quality business. One of the major issues within the industry is that the returns being generated by firms such as Asta have attracted considerable capital, thus adversely affecting pricing. However, firms like Asta who are established operators with strong track records of lawful collecting on accounts, are preferred by major companies who need to ensure their customers will be appropriately treated. A major credit card company would rather trust its brand to a long-term business partner in Asta and receive 4c on the dollar, than risk embarrassing media attention that might follow selling that same debt to a fly-by-night hedge fund for 5c.

Finally, Asta has a long-term cornerstone shareholder in its CEO and his wider family, who founded the business many years ago. These people are focused on building the business for the long-term and do not concern themselves with short-term share price fluctuations that Asta is subjected to given the bumpy nature of its growth. They simply prefer a bigger long-term average performance over a smaller but more consistent short-term result.

Mohawk

Mohawk Industries is a leading producer and distributor of flooring products, which include carpets, rugs, hardwood, laminate, ceramic tile and vinyl flooring. Mohawk is the largest floor covering company and second largest carpet and rug company in the United States. It also has a strong position in the European laminate flooring market. The company was founded in 1878 and went public in 1992. It is forecasted to have around \$US 8 billion in revenue in 2006.

Mohawk has some of the industry's strongest brand names and enjoys a very strong market position in all of the segments it competes in. It enjoys a roughly 23% market position in the US flooring industry. It currently only has one serious competitor who enjoys a 21% market position, while the next largest competitors only have market positions of 8% and 5%. Mohawk's size thus allows the company meaningful economies of scale and a wide reaching distribution system that gives the company a significant advantage over its smaller competitors.

Mohawk's Chairman and CEO, Jeffery Lorberbaum, beneficially owns 19% of the company. He has been with the company since 1994, when his company Aladdin Mills merged with Mohawk. He has a relatively low key approach and at 51 years of age he should be at the helm of the company for a long time to come.

US Gypsum

USG is a manufacturer and distributor of building products primarily in the United States, but with a growing international division. USG filed for bankruptcy protection six years ago amidst substantial asbestos-related claims. It recently re-capitalised itself via a discounted rights issue to shareholders, provided for the substantial full settlement of asbestos claims, and emerged from bankruptcy.

The major line of business is its US gypsum wallboard division which contributes around half of the group's total sales and about 75% of its profits. Essentially, this is a commodity business, gypsum wallboard being a core supply to the building industry which is difficult to differentiate and thus add value to. The key, therefore, in this business lies in the ability to build a cost-leadership position – to produce and distribute the product for less than the average. In this respect, we believe a number of factors make USG an appealing opportunity.

Firstly, USG is the largest operator in its space, owning a 33% market share. Its sheer size and market breadth allows it to produce and distribute gypsum cheaper than its competitors. Gypsum wallboard is a very heavy product and thus expensive to transport. This dynamic helps insulate individual manufacturers from import competition – import from cheaper labour countries, but also import from other US regions. In a commodity business like this, and given the high transport costs, it simply does not make economic sense for a producer in one part of the country to offer its product in another. The offshoot of this is that market shares remain relatively constant through time, and we believe firms like USG who can produce cheaper than average but allow 'the industry' to price the product, can operate very profitably over time.

Investment Manager's Annual Letter (continued)

Another interesting dynamic with this company is the fact that it has operated in bankruptcy for so long. Operating in this way has forced them to focus intently on capital management and on achieving high return on investment growth. In the context of trying to salvage the firm after making substantial asbestos-related settlement provisions, USG has simply not had the luxury of being able to invest huge amounts of capital into its business. This has led to a strong performance culture within the business which we believe will pay-off significantly for shareholders in the years ahead.

Today, the US housing industry is slowing down, with many industry-related companies having been sold off dramatically. USG is definitely exposed to the housing cycle and would be negatively impacted by both reduced sales volumes and lower gypsum prices. However, we believe the market has overreacted to the cyclical nature of this business and has discounted the shares too aggressively.

Wal-Mart

Wal-Mart is the world's largest retailer with \$US 312 billion in sales in 2005 and the second largest company in the world behind Exxon Mobil at \$US 371 billion in 2005. In 2005, 67% of the company's sales came from its US stores, 20% from its international stores, and 13% from its wholesale division with approximately 2,700 general merchandise discount stores, 2,400 Super centres that sell general merchandise and a full range of groceries, and around 700 Wholesale clubs.

There are several factors which make Wal-Mart an appealing investment. Wal-Mart's incredible economies of scale and razor thin, yet consistent net margins of around 3.5%, makes it very hard for the company's competitors to compete on a price basis. The company's superior prices and core product ranges also give the company a unique defensive characteristic if any protracted economic downturn were to occur. The company's founding family, the Waltons, still owns 40% of the company. While they are not involved in the day to day operations, their presence on the board of directors should ensure that the company acts in the best long term interests of its shareholders.

The company's stock is currently trading at around the same levels it was seven years ago. While the stock may have gotten a little bit ahead of itself back then, the company's intrinsic value has increased tremendously over this time. The stock has been hurt due to macro economic concerns and worries about the company's future growth opportunities. We feel the company's strong defensive characteristics will make any economic downturn irrelevant given a long term time horizon, and while the company won't be able to grow at its historical rates, given its sheer size, its superior economic "moat" still gives it adequate opportunities overseas and at home.

Western Union

Western Union is a leader in global money transfers, with almost 300,000 agents worldwide in more than 200 countries. The company is comprised of two divisions: the Consumer to Consumer division, enabling people to send money around the world; and the Consumer to Business division, providing consumers with the ability to make one time or recurring bill payments. In 2006, 84% of the company's revenue came from its Consumer to Consumer segment, 14% from its Consumer to Business segment and 2% from other sources.

Western Union has origins dating back to 1851 and has been in the money transfer business since 1871. The company was acquired by (separately listed) First Data in 1995, but was separated and spun-off from the parent company at the end of 2006 in a transaction designed to enhance business focus, provide more efficient stock-based compensation for employees of both companies, and eliminate conflicts of interest with First Data clients.

The company has developed a truly wonderful moat around its core business on two fronts. First, they have developed a large agent network & financial infrastructure that allows them to provide a fast, reliable and convenient service for global money transfers. Second, and critically, they have developed brand equity with consumers that is second to none. Trust is paramount in this industry, and when an immigrant needs to send hard earned money back to support family in their native country, they need 100% certainty and peace of mind with the transaction. If you're sending small sums of money your family absolutely rely on, a 2 or 3% transaction fee is a small price to pay to effectively 'insure' as well as 'execute' the transaction.

Investment Manager's Annual Letter (continued)

The opportunity for us to purchase into this premium company has come about due to a number of unique factors. First, the company is having some (we believe, short-term) operational problems within its Mexican division due to uncertainty with the political environment surrounding immigration. Second, on being spun-off from First Data, Western Union took on a large sum of debt to efficiently gear its balance sheet. The debt level, relative to cash generative abilities, is very conservative and there is no issue with its absolute level. Rather, the debt has resulted in a previously non-existent interest expense that is serving to make comparisons between its first year as a public company to its last year as a unit of First Data difficult, and thus understating the true underlying earnings growth of the business. Finally, and significantly, senior management have had their long-term stock-based compensation set at market prices that prevailed in the period after spin-off. It has been in their financial interest, during the initial listing period, to not talk the stock price up. Instead, their whole constitution has been geared toward simply focusing on the long-term value creation within the business and let the numbers do the talking over time.

In conclusion, we believe the difficulty for others to enter this industry and effectively replicate both the vast agent network and create the sense of trust required at a consumer level, is being ignored by the market in pricing Western Union at around 18-19 times current earnings. We believe this premium business franchise which has the ability to grow its earnings significantly in the years ahead without the need to provide any additional equity funding, deserves a multiple well in excess of market averages.

Conclusion

We remain cautious about the broad equity markets and although valuations are not stretched we still feel there is plenty of risk around. Accordingly, we are relaxed maintaining a modest cash position. Not only does it provide a partial buffer against any short-term weakness but more importantly, it gives us the ability to capitalise on opportunities that are presented during such times.

We are very happy with the overall composition of the portfolio and are especially glad to have had the opportunity to put more capital to work this year. On the whole, our portfolio companies are well financed, have dominant market positions and are operated by capable, shareholder-oriented managers. We expect these businesses to grow their values substantially in the years ahead – irrespective of broad equity market movements or the economic environment – and we look forward to participating in this growth in business value.

Thank you for your support and trust again this year as we look forward to a bright future. I encourage you to attend the Annual General Meeting and will be happy to answer any questions.

Yours faithfully,



L. Wayne Peters

Chairman & Chief Investment Officer
Peters MacGregor Capital Management Pty Ltd

August 2007

Directors' Report

Your directors present their report for the period from 1 July 2006 until 30 June 2007.

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 (appointed 15th December 2003)

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

Profit for the year after providing for income tax amounted to \$4,488,624 (2006: \$399,450).

Dividends Paid or recommended

Dividends Paid

A fully franked dividend of \$0.015 per share (total \$401,465) was paid by the company on 31st October 2006.

Dividends declared for payment are as follows:

An ordinary fully franked dividend of \$0.025 per share (total \$643,577*) has been declared by directors payable approximately 5 October 2007. For the purposes of determining eligibility the dividend will apply to shareholders on the register at close of business on Friday 28th September 2007.

*Estimated total based on 25,743,073 ordinary shares on issue at 31 August 2007.

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 third 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 key focus of the company is capital growth. The company is a long term value investor and has a goal of achieving a long term annual compound total return greater than the MSCI World Index. The Company's investment philosophy is to concentrate investments in a small number (maximum 20) of outstanding businesses and hold those investments for the long term. The Company will hold a portfolio of international shares and may have high cash balances during periods when attractive investment opportunities are scarce

The investment manager follows a disciplined methodology of value investing wherein it assesses the intrinsic value of listed companies and monitors the price of their shares, buying only when the market

Directors' Report (continued)

price indicates a significant discount to intrinsic value, and selling only when the market price indicates a premium to the assessed value. The investment style has a long term focus on overall return.

Potentially the company will have significant cash surpluses invested at prevailing interest rates as it waits for the market opportunities to arise.

The company does not borrow, and generally uses foreign currency hedging contracts to mitigate the risks of fluctuations in foreign currency movements with respect to the Australian dollar value of investments denoted in foreign currencies, at the manager's discretion.

The world's share markets have recently retreated from record or near record highs. This volatility has created some opportunity for long term patient investors.

The company began the year with 7 positions and approximately 29% cash and ended the year with 10 positions and approximately 9% cash. As at 27 August 2007 the portfolio held 12 positions and approximately 3% cash.

The year has seen continued activity, and the investment manager added 7 new positions and sold 4 positions, and additionally bought or sold varying quantities of existing investments to adjust portfolio weightings. Since year end the portfolio has added 2 positions. In addition, the cash balance has been affected by the company's capital management program.

In accordance with the directors' policy on capital management, during the year the company bought back on market 1,284,539 shares for \$1,236,968 at an average price of 96.3cents. The company issued 233,290 shares in accordance with the dividend reinvestment program at a price of \$0.8237 per share. The number of issued shares in the company at 30 June 2007 is 25,743,073 (2006 26,794,322).

The investment manager continues the policy of hedging the majority of currency risk against currency movements when investing in US dollar and Canadian dollar investments to avoid currency movement risks. 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 will often offset each other. 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 profit and loss statement. 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.

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. When investments are made in a currency other than Australian or New Zealand dollars, hedging contracts are generally taken out to remove the unwanted effects of currency fluctuations.

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

Dividends

The directors propose to pay a fully franked dividend of two and a half cents (\$0.025) per share (2006 one and a half cents (\$0.015) per share) as detailed above.

For purposes of determining eligibility the dividend will apply to shareholders on the register at close of business on Friday 28th September 2007.

Approximate date of payment will be Friday 5th October 2007.

Directors' Report (continued)

Shareholders are reminded that a dividend reinvestment plan is in force. 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%. Shares allotted in accordance with the dividend reinvestment plan will be allotted approximately 5th October 2007.

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

Registries Ltd
Level 2, Margaret Street
SYDNEY NSW 2000
Telephone (02) 9290 9600
Facsimile (02) 9279 0664

Election notices to either participate in the dividend reinvestment plan or otherwise change details of participation in the dividend registration plan must be lodged with the Registries Limited on or before close of business on Friday 28th September 2007.

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. It acquired on market 1,284,539 of its own shares over 31 trading days at an average price of \$0.963 per share during the reporting period (2006 2,420,198) and none since the end of the reporting period and the date of this report. These shares have been cancelled. 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 negatively 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 consistently 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.

Directors' Report (continued)

Share options

Unissued shares

The subscribed initial public offering of 29,009,290 ordinary shares included a separately listed and tradable option (exercisable on or before the 31 October 2005) attaching to each share on a one for one basis, to apply for and be issued one ordinary share in the company for an application price of \$1.00.

No (2006: 5,000) options were exercised during the year and no (2006: 5,000) ordinary shares fully paid to \$1.00 each have been issued during the financial period.

The balance of options which were not exercised expired on 31st October 2005. There are presently no options to acquire capital in the company in existence.

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 47 and has 28 years experience in retail and investment markets. Wayne has studied company valuation at Harvard Business School. He is executive chairman 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, ACA, FTIA, JP(Qld). He is aged 49 and a Chartered Accountant with 28 years experience in accounting, auditing, taxation and business management. He is principal of the Brisbane based firm Cansdale & Co Chartered Accountants.

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 41 and a senior financial executive with over 18 years finance, management and advisory experience. He is the CEO of Peters MacGregor Capital Management Pty Ltd.

Remuneration Report

The company has no employees or executives 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.

Shareholders at the Annual General Meeting authorise the total amount of possible remuneration of directors. For the financial year ended 30 June 2007 this amount was set as \$75,000, of which \$50,000 in total was paid as remuneration to two directors as described in note 5 (b) of the financial accounts.

Directors will not seek an increase at the forthcoming Annual General Meeting of the authorised total amount for the year ending 30 June 2008.

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 Directors and Officers

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).

Directors' Report (continued)

Lionel John Cansdale has been paid director fees and superannuation benefits equivalent to an all inclusive \$25,000 per annum during the year. In addition, an accounting firm owned by Mr Cansdale has been paid fees for professional services in relation to taxation, accounting administration and company secretarial services provided to the company (Note 19).

James Charles Craigie has been paid director fees and superannuation benefits equivalent to an all inclusive \$25,000 per annum during the year.

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 and Options

To align non-executive directors' interest with those of ordinary company shareholders, they are encouraged to hold ordinary shares in the company. The board maintains a policy that any shares or options 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 and applicable options in the company were 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. No transactions altering the number of directors' shareholdings have occurred during the reporting period or subsequently to the date of this report, except that directors and their associates participated in the dividend reinvestment plan available to all ordinary shareholders for the dividend issued 31 October 2006.

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

<u>Director</u>	Ordinary Shares held	Ordinary Share Options held
Leslie Wayne Peters	1,235,196	0
Lionel John Cansdale	102,933	0
James Charles Craigie	27,792	0

Company Performance and Directors Remuneration

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

The following table shows gross revenues, profits and dividends and net tangible assets at year end for the period since incorporation:

	2007	2006
Revenue	\$7,337,935	\$1,297,333
Profit for the year	\$4,488,624	\$399,450
Share price at year end	\$1.02	\$0.89
Net tangible assets per share at year end	\$1.167	\$1.009
Dividends paid	\$401,465	\$290,214

The market price per share is driven by market forces. Given the short history of the company, the market may have difficulty in assessing the future prospects of the company. 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

Directors' Report (continued)

it may take some considerable time for the investment manager to achieve its stated aims, as was detailed in the original prospectus.

The directors do not attempt to influence the market's assessment of the company's share price.

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 \$20,639 (2006 \$20,834) were paid by the company. The directors covered under the policy are L Wayne Peters, James Craigie and Lionel Cansdale.

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 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	3	3	3	2
Lionel John Cansdale	3	3	3	3
James Charles Craigie	3	3	3	1

Committee membership

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

Leslie Wayne Peters (chairman)

Lionel John Cansdale

James Charles Craigie

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.

Auditor's Independence Declaration

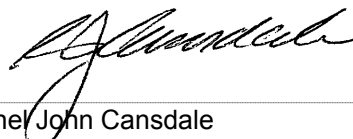
The auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 14 following the directors' report. Neither the external auditor or any person or firm related to the external auditor has been remunerated by the company for non-audit services during the year.

Directors' Report (continued)

Signed in accordance with a resolution of the Board of Directors



Leslie Wayne Peters
Chairman of Directors
Dated this 12th day of September 2007



Lionel John Cansdale
Company Secretary and Director

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

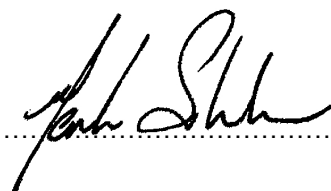
I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

- 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 Chartered Accountants
Level 9
324 Queen Street
Brisbane Qld 4000

Mark Sheridan
Partner

Dated this 10th day of September 2007.



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Income Statement
for the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Revenue	2		
Interest received		259,315	606,532
Dividends received		350,987	362,062
Foreign currency translation gain		-	60,832
Gain on investments		4,381,832	267,907
Gain on currency hedging contracts		<u>2,345,801</u>	<u>-</u>
		7,337,935	1,297,333
 Expenses			
Auditor remuneration	6	15,460	15,660
Directors' remuneration and benefits	5	50,000	50,000
Investment management fees		698,929	295,530
Loss on foreign currency hedging contracts		-	178,363
Loss on foreign currency translation		101,572	-
Loss on sale of investments		-	118,246
Other		<u>144,696</u>	<u>124,387</u>
		1,010,657	782,186
 Profit before income tax	3	6,327,278	515,147
Income tax expense	4	(1,838,654)	(115,697)
 Profit for the year		<u>4,488,624</u>	<u>399,450</u>
 Basic earnings per share (cents per share)	8	\$ 0.1692	\$ 0.0141
Diluted earnings per share (cents per share)	8	\$ 0.1692	\$ 0.0141
Franked dividends per share		\$ 0.0150	\$ 0.0100

The accompanying notes form part of these financial statements

Balance Sheet
as at 30 June 2007

	Notes	2007 \$	2006 \$
Current assets			
Cash and cash equivalents	9	2,789,266	7,742,318
Trade and other receivables	10	1,776,806	1,480,945
Other current assets	11	14,070	20,242
Total current assets		<u>4,580,142</u>	<u>9,243,505</u>
Non-current assets			
Financial Assets	12	<u>27,465,236</u>	<u>17,935,541</u>
Total non-current assets		<u>27,465,236</u>	<u>17,935,541</u>
Total assets		<u>32,045,378</u>	<u>27,179,046</u>
Current liabilities			
Trade and other payables	13	476,175	66,376
Current tax liabilities	14	<u>(32,684)</u>	<u>(5,814)</u>
Total current liabilities		<u>443,491</u>	<u>60,562</u>
Non-current liabilities			
Deferred tax liabilities	14	<u>1,525,602</u>	<u>84,578</u>
Total non-current liabilities		<u>1,525,602</u>	<u>84,578</u>
Total liabilities		<u>1,969,093</u>	<u>145,140</u>
Net assets		<u>30,076,285</u>	<u>27,033,906</u>
Equity			
Issued Capital	15	24,998,521	26,043,301
Retained earnings		<u>5,077,764</u>	<u>990,605</u>
Total Equity		<u>30,076,285</u>	<u>27,033,906</u>

The accompanying notes form part of these financial statements

**Statement of changes in equity
for the year ended 30 June 2007**

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2005		28,077,840	881,369	28,959,209
Profit attributable to members		-	399,450	399,450
Shares issued during the year	15	177,380	-	177,380
Shares bought back during the year	15	(2,211,919)	-	(2,211,919)
Subtotal		<u>26,043,301</u>	<u>1,280,819</u>	<u>27,324,120</u>
Dividends paid or provided for			(290,214)	(290,214)
Balance at 30 June 2006		<u>26,043,301</u>	<u>990,605</u>	<u>27,033,906</u>
Balance at 1 July 2006		26,043,301	990,605	27,033,906
Profit attributable to members		-	4,488,624	4,488,624
Shares issued during the year	15	192,188	-	192,188
Shares bought back during the year	15	(1,236,968)	-	(1,236,968)
Subtotal		<u>24,998,521</u>	<u>5,479,229</u>	<u>30,477,750</u>
Dividends paid or provided for	7	-	(401,465)	(401,465)
Balance at 30 June 2007		<u>24,998,521</u>	<u>5,077,764</u>	<u>30,076,285</u>

The accompanying notes form part of these financial statements

Cash flow statement
for the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Interest received		280,595	654,271
Dividends received		360,140	352,909
Gain / (Loss) on foreign currencies		(101,572)	60,832
Gain / (Loss) on hedge contracts		645,566	(129,356)
Payments to suppliers and employees		(524,647)	(496,507)
Income tax paid		(424,500)	(388,778)
Net cash provided by / (used in) operating activities	17	<u>235,582</u>	<u>53,371</u>
Cash flows from investing activities			
Purchases of listed investments		(12,442,134)	(11,573,975)
Sale proceeds from sale of listed investments		8,699,467	4,725,515
Net cash provided by / (used in) investing activities		<u>(3,742,667)</u>	<u>(6,848,460)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	5,000
Share buy-back payments		(1,236,968)	(2,189,935)
Dividends paid in cash		(208,999)	(115,083)
Net cash provided by / (used in) financing activities		<u>(1,445,967)</u>	<u>(2,300,018)</u>
Net increase / (decrease) in cash held		(4,953,052)	(9,095,107)
Cash at beginning of financial year		7,742,318	16,837,425
Cash at end of financial year	9	<u>2,789,266</u>	<u>7,742,318</u>

The accompanying notes form part of these financial statements

**Notes to the financial statements
for the year ended 30 June 2007**

Note 1 Statement of significant accounting policies

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.

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

The financial report of Peters MacGregor Investments Ltd as an individual entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

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

Accounting Policies

(a) Comparative figures

The comparatives are for the year ended 30 June 2006. 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

Translation of foreign currency transactions

All amounts are stated in Australian dollars.

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 currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

(c) Cash and cash equivalents

Cash on hand and in banks, and short-term deposits are stated at nominal value.

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.

(d) Receivables

Receivables are recognised and carried at the amount recoverable less where applicable a provision for any uncollectible debts. Interest and other income owing to the company is taken up as income on an accruals basis.

**Notes to the financial statements
for the year ended 30 June 2007**

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

(e) Financial assets

e(i) Investments in listed companies

Shares in listed companies held by the company are considered long term investments and classified as non current assets. In accordance with AASB 139: Paragraph 9(b), the directors classify them as at fair value through profit or loss.

Recognition of movements in the fair value of investments in listed companies through profit or loss is consistent with the investment strategy of the company, as it results in earnings per share results which give the complete investment performance of the company in a given period.

Unrealised revaluation increments and decrements required to recognise the carrying value of the investment at fair value in the Balance Sheet at reporting date are charged as income or expense in the Income Statement.

e(ii) Interest bearing investments and cash deposits

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

Short term investments are shown at cost.

(f) Payables

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

(g) 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 recognized directly in equity as a reduction of issued capital from contributed equity.

(h) Taxes

h(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 credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

**Notes to the financial statements
for the year ended 30 June 2007**

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

h(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 Balance Sheet.

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.

(i) Derivative financial instruments

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. Exchange gains or losses on forward exchange contracts, either realised or accruing, are recognised in net profit.

(j) 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 and included in net operating profit.

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

	Notes	2007	2006
		\$	\$
Note 2 Revenue			
Operating activities			
Interest received		259,315	606,532
Dividends received		350,987	362,062
Foreign currency translation gain unrealised		-	60,832
Gain on investments		4,381,832	267,907
Gain on currency hedging contracts		2,345,801	-
Total revenues from ordinary activities		<u>7,337,935</u>	<u>1,297,333</u>

**Notes to the financial statements
for the year ended 30 June 2007**

	Notes	2007 \$	2006 \$
Note 3 Expenses			
(a) Profit from ordinary activities is after charging the following expenses			
Auditor remuneration	6	15,460	15,660
Directors remuneration and benefits	5	50,000	50,000
Foreign currency translation loss		101,572	-
Investment management fees		698,929	295,530
Listing fees - ASX		21,009	19,589
Loss on foreign currency hedging contracts		-	178,363
Loss on disposal of investments		-	118,246
Professional fees - accounting services		66,432	61,269
Share registry fees		25,027	24,483
Note 4 Income Tax Expense			
(a) The components of tax expense comprise:			
Current tax		397,629	56,253
Deferred tax	14	<u>1,441,025</u>	<u>59,442</u>
Tax expense		<u>1,838,654</u>	<u>115,695</u>
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006:30%)		1,898,183	154,544
Add tax effect of:			
- Unused foreign tax credits		-	3,555
- Under provision of tax in prior year		-	244
- Non deductible expenses		-	20
Less tax effect of:			
- Rebateable fully franked dividends		(59,529)	(42,668)
Income tax attributable to entity		<u>1,838,654</u>	<u>115,695</u>
The applicable weighted average effective tax rates are as follows:		29%	22%

**Notes to the financial statements
for the year ended 30 June 2007**

Note 5 Directors' Remuneration

(a) Details of specified directors and specified executives

L.W. Peters	Chairman of Directors
L.J. Cansdale	Director and Company Secretary (non-executive)
J.C. Craigie	Director (non-executive)

The company has no other officer or employed staff.

(b) Remuneration of Specified Directors

Specified Directors	Short-term benefits				Post Employment Retirement Benefits	Share-based payments		Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Superannuation		Equity	Options	
L.W. Peters	-	-	-	-	-	-	-	-
L.J. Cansdale	-	-	-	25,000	-	-	-	25,000
J.C. Craigie	22,936	-	-	2,064	-	-	-	25,000
Total	22,936	-	-	27,064	-	-	-	50,000

Specified Directors	Short-term benefits				Post Employment Retirement Benefits	Share-based payments		Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Superannuation		Equity	Options	
L.W. Peters	-	-	-	-	-	-	-	-
L.J. Cansdale	-	-	-	25,000	-	-	-	25,000
J.C. Craigie	22,936	-	-	2,064	-	-	-	25,000
Total	22,936	-	-	27,064	-	-	-	50,000

(c) Remuneration options

No options were granted as equity compensation benefits to any director during the year.

(d) Shareholdings

Shareholdings of Specified Directors

Specified Directors	Balance 01.07.06	Received as remuneration	Options Exercised	Net Change Other (i)	Balance 30.06.07
L.W. Peters	1,213,105	-	-	22,091	1,235,196
L.J. Cansdale	101,092	-	-	1,841	102,933
J.C. Craigie	27,295	-	-	497	27,792
Total	1,341,492	-	-	24,429	1,365,921

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

**Notes to the financial statements
for the year ended 30 June 2007**

Note 5 Directors' Remuneration (cont'd)

(e) Remuneration Practices

It is the entity's current policy that remuneration of directors be by way of directors' fees only determined in accordance with contemporary trends in non-executive director remuneration and comparison with the directors' remuneration of like and similar companies.

	Notes	2007 \$	2006 \$
Note 6 Auditors' Remuneration			
Remuneration of the auditor of the entity for:			
- auditing or reviewing the financial report		15,460	15,660
The auditors received no other benefits.			

Note 7 Dividends

Distributions paid

Fully franked ordinary dividend of 1.5 (2006:1.0) cents per share franked at the tax rate of 30% (2006:30%)

Payable to shareholders in cash	209,277	117,834
Reinvested in ordinary shares by shareholder participants in the dividend reinvestment program at the rate of \$0.8237 per share. (2006 \$0.9158)	192,188	172,380
Number of ordinary shares issued 233,290 (2006: 188,229)		
Total dividends	<u>401,465</u>	<u>290,214</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, and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years.

566,320	284,097
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Note 8 Earnings per Share

(a) Reconciliation of Earnings to Profit or Loss

Profit	4,488,624	399,450
Earnings used to calculate basic EPS	4,488,624	399,450
Dividends on converting preference shares	-	-
Earnings used in the calculation of dilutive EPS	<u>4,488,624</u>	<u>399,450</u>

**Notes to the financial statements
for the year ended 30 June 2007**

	Notes	2007 \$	2006 \$
Note 8 Earnings per Share (cont'd)			
		Number of shares	Number of shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		26,534,546	28,287,825
		<u>26,534,546</u>	<u>28,287,825</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS		<u>26,534,546</u>	<u>28,287,825</u>
Note 9 Cash and Cash Equivalents			
Cash at bank and in hand		871,897	3,608,657
Short-term bank deposits		1,917,369	4,133,661
		<u>2,789,266</u>	<u>7,742,318</u>
The effective interest rate on short-term bank deposits was 6.2% (2006:5.8%); these deposits have an average maturity of 30 days.			
Reconciliation of cash			
Cash at the end of the financial year as shown in the cashflow statement is reconciled to items in the balance sheet as follows:			
Cash and cash equivalents		2,789,266	7,742,318
		<u>2,789,266</u>	<u>7,742,318</u>
Note 10 Trade and Other Receivables			
Interest and dividends receivable		4,302	34,735
Settlement proceeds for investments sold		-	1,405,196
GST recoverable		34,955	3,700
Currency hedge net position receivable		1,737,549	37,314
Total receivables (Current)		<u>1,776,806</u>	<u>1,480,945</u>
Note 11 Other Assets (Current)			
Prepayments		<u>14,070</u>	<u>20,242</u>
Note 12 Financial Assets			
Available for sale financial assets comprise:			
Listed company share investments at fair value		<u>27,465,236</u>	<u>17,935,541</u>
Financial assets comprise investments in the ordinary share capital of various listed entities. There are no fixed returns or fixed maturity dates for these investments.			

**Notes to the financial statements
for the year ended 30 June 2007**

	Notes	2007 \$	2006 \$
Note 13 Trade and Other Payables			
Amount payable to related parties		457,577	-
Trade payables		1,201	3,834
Sundry payables and accrued expenses		17,397	62,542
Total Payables (Current)		<u>476,175</u>	<u>66,376</u>
Note 14 Tax			
(a) Liabilities			
Current			
Income Tax		<u>(32,684)</u>	<u>(5,814)</u>
Non-Current			
Deferred tax liability comprises:			
Unrealised fair value gain adjustments for listed investments through the income statement		1,005,645	136,406
Unrealised gain or loss on foreign currency hedging contracts		521,265	11,194
Future income tax benefit attributable to tax losses derived through unused foreign tax credits and dividend imputation credits		-	(60,956)
Other		(1,308)	(2,066)
Total		<u>1,525,602</u>	<u>84,578</u>
(b) Reconciliations			
(i) Gross Movements			
The overall movement in the deferred tax account is as follows:			
Opening Balance		84,578	25,135
(Charge) / credit to income statement		<u>1,441,024</u>	<u>59,443</u>
Closing Balance		<u>1,525,602</u>	<u>84,578</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		136,406	(11,694)
Charged to the income statement		<u>869,239</u>	<u>148,100</u>
Closing balance		<u>1,005,645</u>	<u>136,406</u>
<i>Unrealised gain or loss on foreign currency hedging contracts</i>			
Opening balance		11,194	25,896
Charged to the income statement		<u>510,071</u>	<u>(14,702)</u>
Closing balance		<u>521,265</u>	<u>11,194</u>

**Notes to the financial statements
for the year ended 30 June 2007**

	Notes	2007 \$	2006 \$
Note 14 Tax (cont'd)			
<i>Future income tax benefit attributable to tax losses derived through unused foreign tax credits and dividend imputation credits</i>			
<i>The utilisation of this deferred tax asset is dependant on future taxable profits that would exceed the reversal of temporary differences</i>			
Opening balance		(60,956)	-
Charged through the income statement		<u>60,956</u>	<u>(60,956)</u>
Closing balance		<u>-</u>	<u>(60,956)</u>
<i>Other</i>			
Opening balance		(2,066)	10,933
Charged through the income statement		<u>758</u>	<u>(12,999)</u>
Closing balance		<u>(1,308)</u>	<u>(2,066)</u>

Note 15 Issued Capital

Ordinary Shares - fully paid	2007		2006	
	Number	\$	Number	\$
Balance at beginning of reporting period	26,794,322	26,043,301	29,021,291	28,077,840
Shares issued during the year				
- Dividend reinvestment 10 October 2006 (i)	233,290	192,188	188,229	172,380
- Share options exercised 31st October 2006 (ii)	0	0	5,000	5,000
Shares bought back on market during the year and cancelled (iii)	(1,219,245)	(1,169,977)	(2,395,198)	(2,189,938)
Shares bought back on market during the year and for which shares rights were suspended pending cancellation at end of the reporting period (iii)	<u>(65,294)</u>	<u>(66,991)</u>	<u>(25,000)</u>	<u>(21,981)</u>
Balance at end of reporting period	<u>25,743,073</u>	<u>24,998,521</u>	<u>26,794,322</u>	<u>26,043,301</u>

- (i) On 31 October 2006, the company issued a dividend and shareholders that elected to participate in the dividend reinvestment plan were issued shares at the issue price of \$0.8237 cents per share.
- (ii) The company issued 29,009,290 share options to all shareholders that participated in the initial float of the company which were exercisable for \$1.00 per share prior to the option expiry date of 31 October 2005. No shares were issued in the reporting period (2006: 5,000) to shareholders following payment for shares as a result of the exercise of some of these options. The remainder options unexercised at 31 October 2005 expired.
- (iii) The company purchased shares on market on 31 trading days throughout the reporting period (2006: 68) at an average price of \$0.963 per share (2006 average \$0.914 per share). The price paid has been treated as a return of capital and no amount has been treated as dividends paid from retained earnings. Shares purchased pending cancellation at reporting date were subsequently cancelled.

**Notes to the financial statements
for the year ended 30 June 2007**

Note 16 Segment Information

The company has its entire business operations and administration within in Australia. Although it invests in foreign listed companies and may from time to time hold foreign currency or conduct transactions in foreign currencies, it is considered the investment operation is an Australian business. This position remained without change during the whole of the financial reporting period and up to the date of this report.

	Notes	2007 \$	2006 \$
Note 17 Cash Flow Information			
(a) Reconciliation of cashflow from operations with profit after income tax			
Profit after income tax		4,488,624	399,450
Non-cash flows included in profit after income tax:			
Unrealised (gain) / loss on investments net movement		(2,897,465)	(267,906)
Realised (gain)/loss on Investments included in Investing Activities		(1,484,367)	118,246
Change in assets and liabilities:			
(Increase) / decrease in trade and term receivables		463,393	40,925
(Increase) / decrease in prepayments		6,172	1,559
(Increase) / Decrease in trade payables and accruals		(54,694)	(14,828)
Net (increase)/decrease in hedging contracts position		(1,700,235)	49,007
(Increase) / decrease in tax provision		1,414,154	(273,082)
Cashflow from operations		<u>235,582</u>	<u>53,371</u>

(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

There has been considerable volatility both in the world share market and currency exchange rates during the period since the year end until 31 August 2007.

The net affect after tax considerations has represented a loss of less than 2% of net assets, and in the opinion of the investment manager short term volatility such as this is typical of the market. In the opinion of the directors the net trading result for the two months after the year end is not material.

The financial report was authorised for issue on 12th September 2007 by the board of directors.

**Notes to the financial statements
for the year ended 30 June 2007**

	Notes	2007 \$	2006 \$
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			
Accounting taxation and administration services were provided to the company during the financial period by Cansdale & Co Chartered Accountants, a firm of which L.J. Cansdale is the proprietor.		70,913	65,050
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)		751,766	317,207
(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 Instruments			
(a) Financial Risk Management			
The entity's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and derivatives.			
The main purpose of non-derivative financial instruments is to raise finance for entity operations.			
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 Risks			
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 Risks			
The main risks the entity is exposed to through its financial instruments are interest rate risk and credit risk.			

**Notes to the financial statements
for the year ended 30 June 2007**

Note 20 Financial Instruments (cont'd)

Interest rate risk

The company's exposure to interest rate risk, which 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 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.

Foreign currency risk

The entity is exposed to fluctuations in foreign currencies arising from the sale and purchase of listed company investments and cash deposits held in currencies other than the entity's measurement currency. Refer to Note 20(b)(i) for further details.

Concentration of credit risk

The company considers that although the receivables of the company are concentrated in a small number of debtors, the 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	
		2007	2006
	%	\$	\$
Australia	100%	39,257	29,283
Canada	0%	0	9,153
United States	0%	0	1,405,196

(b) Financial Risk Management

(i) Derivative Financial Instruments

The company uses financial instruments to hedge its exposure to foreign currency denominated investments in Canadian and U.S dollars, entering into forward exchange buy and sell contracts based on movements in the underlying Canadian and U.S. dollar currency values. Because the company deals only with substantial suppliers of such contracts, the risk of a counter party failing to meet its obligations in respect of such contracts is negligible.

The company does not use financial instruments to hedge its exposure to foreign currency denominated investments in New Zealand dollars as it believes the Australian and New Zealand currencies are historically closely aligned in value.

Foreign Exchange Contracts

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.

The accounting policy in relation to forward exchange contracts is detailed in Note 1(i).

**Notes to the financial statements
for the year ended 30 June 2007**

Note 20 Financial Instruments (cont'd)

At balance date, the details of outstanding forward exchange contracts are:

	2007	2006	2007	2006
Sell United States Dollars	\$	\$	\$	\$
Settlement	Buy Australian Dollars		Average Exchange Rate	
Less than 6 months	18,389,500	8,520,000	0.7648	0.7365
6 months to 1 Year	-	2,700,000	-	0.7313
	2007	2006	2007	2006
Sell Canadian Dollars	\$	\$	\$	\$
Settlement	Buy Australian Dollars		Average Exchange Rate	
Less than 6 months	2,692,200	-	0.9088	-
6 months to 1 Year	-	2,067,000	-	0.8403

(ii) Interest Rate Risk

The company's exposure to interest rate risk, which 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, is as follows:

At 30 June 2007

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	871,897	1,917,369	-	-	1	2,789,266	5.84%
Receivables	-	-	-	-	39,257	39,257	-
Hedging currency receivable	-	-	-	-	1,737,549	1,737,549	-
Available for sale assets	-	-	-	-	27,465,236	27,465,236	-
Total financial assets	871,897	1,917,369	-	-	29,242,043	32,031,308	
Financial liabilities							
Trade creditors	-	-	-	-	458,778	458,778	-
Other creditors	-	-	-	-	17,397	17,397	-
Total financial liabilities	-	-	-	-	476,175	476,175	

At 30 June 2006

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	3,608,656	4,133,661	-	-	1	7,742,317	5.63%
Receivables	-	-	-	-	1,443,631	1,443,631	-
Hedging currency receivable	-	-	-	-	37,314	37,314	-
Available for sale assets	-	-	-	-	17,935,541	17,935,541	-
Total financial assets	3,608,656	4,133,661	-	-	19,416,487	27,158,804	
Financial liabilities							
Trade creditors	-	-	-	-	3,834	3,834	-
Other creditors	-	-	-	-	62,542	62,542	-
Total financial liabilities	-	-	-	-	66,376	66,376	

**Notes to the financial statements
for the year ended 30 June 2007**

Note 20 Financial Instruments (cont'd)

(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.

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

	2007		2006	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial assets				
Available for sale financial assets at fair value	27,465,236	27,465,236	17,935,541	17,935,541
Held-to-maturity financial assets		-		-
Derivative financial assets	1,737,549	1,737,549	37,314	37,314
Loans & Receivables	39,257	39,257	1,443,631	1,443,631
	<u>29,242,042</u>	<u>29,242,042</u>	<u>19,416,486</u>	<u>19,416,486</u>
Financial liabilities				
Other liabilities	476,175	476,175	66,376	66,376
	<u>476,175</u>	<u>476,175</u>	<u>66,376</u>	<u>66,376</u>

**Notes to the financial statements
for the year ended 30 June 2007**

Note 21 Company Details

The registered office of the company is:

C/- Cansdale & Co Chartered Accountants
Level 7, 87 Wickham Terrace
Brisbane Queensland 4000

The principal place of business is:

Level 7, 87 Wickham Terrace
Brisbane Queensland 4000

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.

**Notes to the financial statements
for the year ended 30 June 2007**

Note 22 Change in Accounting Policy

The following Australian Accounting Standards issued or amended which are applicable to the company but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	2005-10 Amendments to Australian Accounting Standards
AASB Standards Affected	AASB 1: First-time Adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 133: Earnings per Share AASB 139: Financial Instruments: Recognition and Measurement
Outline of Amendment	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.
Application Date of the Standard	1 January 2007
Application Date for the Entity	1 July 2007

AASB Amendment	AASB 7: Financial Instruments: Disclosures
AASB Standards Affected	AASB 132 Financial Instruments: Presentation
Outline of Amendment	As above for AASB Amendment 2005-10 Amendments to Australian Accounting Standards
Application Date of the Standard	1 January 2007
Application Date for the Entity	1 July 2007

AASB Amendment	AASB 2007-4: Amendments to Australian Accounting Standards arising from ED 151 and other amendments
AASB Standards Affected	AASB 1: First-time Adoption of AIFRS AASB 5: Non-current Assets Held for Sale and Discontinued Operations AASB 7: Financial Instruments: Disclosures AASB 107: Cash Flow Statements AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors AASB 110: Events after the Balance Sheet Date AASB 112: Income Taxes AASB 114: Segment Reporting AASB 118: Revenue AASB 121: The Effects of Changes in Foreign Exchange Rates AASB 132: Financial Instruments: Presentation AASB 133: Earnings Per Share AASB 134: Interim Financial Reporting AASB 136: Impairment of Assets AASB 137: Provisions, Contingent Liabilities and Contingent Assets AASB 139: Financial Instruments: Recognition and Measurement
Outline of Amendment	Australian Additions to, and Deletions from IFRSs
Application Date of the Standard	1 July 2007
Application Date for the Entity	1 July 2007

**Notes to the financial statements
for the year ended 30 June 2007**

Note 22 Change in Accounting Policy (cont'd)

All other pending Standards issued between the previous financial report and the current reporting date have no application to the company.

AASB Amendment	AASB Standard Affected
2004-3	AASB 1: First-time Adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 124: Related Party Disclosures
2005-1	AASB 139: Financial Instruments: Recognition and Measurement
2005-4	AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation
2005-9	AASB 4: Insurance Contracts AASB 1023: General Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation
2005-10	AASB 4: Insurance Contracts AASB 114: Segment Reporting AASB 117: Leases AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts
2007-4	AASB 2: Share-based Payment AASB 3: Business Combinations AASB4: Insurance Contracts AASB 6: Exploration for and Evaluation of Mineral Resources AASB 102: Inventories AASB 116: Property, Plant and Equipment AASB 117: Leases AASB 119: Employee Benefits AASB 120: Accounting for Government Grants and Disclosure of Government Assistance AASB 127: Consolidated and Separate Financial Statements AASB 128: Investments in Associates AASB 129: Financial Reporting in Hyperinflationary Economies AASB 130: Disclosures in the Financial Statements of Banks and Similar Financial Institutions AASB 131: Interests in Joint Ventures AASB 138: Intangible Assets AASB 141: Agriculture AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates
New Standard	AASB 7: Financial Instruments: Disclosure
New Standard	AASB 119: Employee Benefits: December 2004

**Directors' declaration
for the year ended 30th June 2007**

The directors of the company declare that:

- 1 The financial statements and notes, as set out on pages 15 to 35 are in accordance with the *Corporations Act 2001 and*:
 - (a) comply with Accounting Standards and Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and performance for the year ended 30 June 2007 for 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 the *Accounting Standards*; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
- 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 12th day of September 2007

Independent Audit 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, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended that date a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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 designing, implementing 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.

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 company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

**Independent Audit report to the members of
Peters MacGregor Investments Limited (cont'd)**

Audit opinion

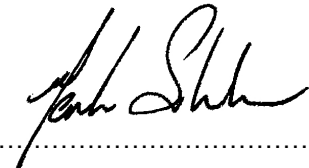
In our opinion

- (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 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



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Hanrick Curran
Chartered Accountants



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Mark Sheridan
Partner

Level 9
324 Queen Street
Brisbane Qld 4000

Dated this 12th day of September 2007

Additional information for listed public companies

1. Shareholding – Ordinary shares

The following information is current as at 24th August 2007:

(a) Distribution of Ordinary shareholder numbers

Category (size of holdings)	Holders	Total Units	%
1-1,000	39	16,9134	0.066
1,001-5,000	256	854,486	3.319
5,001-10,000	220	1,673,671	6.9501
10,001-100,000	326	7,974,074	30.976
100,001-99,999,999,999	31	15,223,929	59.138
Totals	872	25,743,073	100.000

(b) The number of shareholdings held in less than marketable parcels is 22

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

Shareholder	Number
GMS GROUP NOMINEES PTY LTD	4,940,774
ASHANNA PTY LTD	3,285,488

(d) 20 Largest Shareholders – Ordinary Shares

Rank	Name	Number of Ordinary full paid shares held	% held of Issued Ordinary Capital
1.	GMS GROUP NOMINEES PTY LTD	4,940,774	19.193
2.	ASHANNA PTY LTD	3,285,488	12.763
3.	DISCOUNT ASSETS LIMITED	663,476	2.577
4.	MR LESLIE WAYNE PETERS	590,752	2.295
5.	BOND STREET CUSTODIANS	585,298	2.274
6.	MR TERENCE HOPLEY	566,131	2.199
7.	BROADWAY CORPORATION (AUST) PTY LTD	514,664	1.999
8.	PETERS MACGREGOR PTY	438,577	1.704
9.	DE LA SALLE BROTHERS	383,135	1.488
10.	MS HILDA CHAMPION	257,332	1.000
11.	MS STEPHANIE PRENZLAU	250,000	0.971
12.	BRIDGE-SHEP NOMINEE PTY LIMITED	229,000	0.890
13.	PERPETUAL TRUSTEE COMPANY LTD	216,346	0.840
14.	COLOWELL PTY LTD	200,000	0.777
15.	INVIA CUSTODIAN PTY LIMITED	198,418	0.771
16.	JANSTEV PTY LTD	164,662	0.640
17.	MR JOHN FREDERICK WHITEHOUSE	154,399	0.600
18.	VANWARD INVESTMENTS LIMITED	150,000	0.583
19.	CUSTODIAL SERVICES LIMITED	142,000	0.552
20.	MR RONALD JOSEPH GILLATT	134,882	0.524
		<hr/>	
		14,065,334	54.637

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/- Cansdale & Co Chartered Accountants
Level 7, 87 Wickham Terrace, Brisbane Qld 4000
Telephone Number (07) 3832 7001

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:

Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000

6. Stock Exchange Listing

Quotation has been granted for all the ordinary shares and options 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 23rd November 2006 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.

9. Statement in accordance with ASX listing rule 4.10.19

The company has used the cash and assets readily convertible to cash which it had at the time of admission, in a way consistent with its business objectives during the whole of the reporting period ending 30 June 2007.

Additional information for listed public companies (continued)

10. 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 August 2007:

Iron Mountain Inc.	72,875 Ordinary shares
American Express Co. Inc	26,605 Ordinary shares
ASTA Funding Inc	36,810 Ordinary shares
Berkshire Hathaway Inc.	1,320 B Class shares
Michael Hill International Limited	890,650 Ordinary shares
Mohawk Industries Inc	12,200 Ordinary shares
Northbridge Financial	73,430 Ordinary shares
USG Corporation Inc	26,260 Ordinary shares
Wal-Mart Stores, Inc.	30,395 Ordinary shares
Western Union Inc	48,765 Ordinary shares
Johnson & Johnson Inc	17,530 Ordinary Shares
Moody's Corporation Inc	23,400 Ordinary Shares

- (b) The total number of transactions in securities during the reporting period was 31.
- (c) The total brokerage paid or accrued during the reporting period was A\$49,133 including GST where applicable.
- (d) Investment management fees paid or accrued to Peters MacGregor Capital Management Pty Ltd during the reporting period was \$ 751,766 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.

11. 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 Ltd. 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 "Principles of Good Corporate Governance and Best Practice Recommendations" released in March 2003. 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 27 January 2004). The board is primarily responsible for the company. There is no 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. Other functions outsourced to similar experienced service providers include administration, accounting, and taxation to Cansdale & Co Chartered Accountants, and share registry services to Registries Ltd.

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.

Board Responsibilities

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

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 to directors to comply with all laws and regulations
- 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 as detailed in this report.

Corporate Governance Statement (continued)

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 total amount of remuneration of directors 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. Full details of directors' remuneration is provided in the directors' report and the notes to the accounts.

In the circumstances described above the board has formed the opinion that a nomination or remuneration committee is not required and not practical.

Directors retire by rotation each 3 years and re-appointment is determined by a vote at a general shareholder meeting in accordance with the constitution of the company. Performance of directors is monitored by the board as a whole and it is not considered necessary or practical in the circumstances to have an external review process.

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.

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.

Audit Committee

The names and qualifications of those directors appointed to the audit committee and their attendance at meetings of the committee are included in the directors' report. The external auditor is a member of that committee. The committee reviews the terms and adequacy and results of the audit engagement. It is company policy that neither the auditor nor any member of his associated firm will be engaged to provide non audit services.

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.

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.

Risk assessment and management

The board is responsible for identification policy and review of business risk. Given the limited scope of the company activities, the major risks identified are investment and administrative risks, both of which have been outsourced to appropriately qualified professional organisations.

Corporate Governance Statement (continued)

Maintenance of appropriate ethical standards

The board considers the issue of high ethical standards in business as mandatory and conducts itself accordingly.

Shareholder communication

The Board aims to ensure that shareholders 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
- The manager maintains a website at www.petersmacgregor.com which includes a specific section for Peters MacGregor Investments Ltd

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.

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.

ASX corporate governance council best practice recommendations

A table setting out the company's compliance with the ASX corporate governance council best practice recommendations is set out below:

ASX Principle	Best Practice Recommendation	Compliance
Principle 1	Lay solid foundations for management oversight	
1.1	Formalise and disclose the functions reserved for the board and those delegated to management	Yes
Principle 2	Structure the board to add value	
2.1	A majority of the board should be independent directors	No (note 1)
2.2	The chairperson should be an independent director	No (note 1)
2.3	The roles of the chairperson and chief executive officer should not be exercised by the same individual	No (notes 2, 5)
2.4	The board should establish a nomination committee	No (note 1)
2.5	Provide the information indicated in guide to reporting on principle 2	Yes (note 3)
Principle 3	Promote ethical and responsible decision making	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	
3.1.1	The practices necessary to maintain confidence in the company's integrity	Yes (notes 7, 8)
3.1.2	The responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes
3.2	Disclose the policy concerning trading in the company's securities by directors, officers and employees	Yes
3.3	Provide the information indicated in the guide to reporting on	Yes (note 3)

Corporate Governance Statement (continued)

	principle 3	
Principle 4	Safeguard integrity in financial reporting	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with the relevant accounting standards	Yes (note 5)
4.2	The board should establish an audit committee	Yes
4.3	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> • Only non-executive directors • A majority of independent directors • An independent chairperson, who is not the chairperson of the board • At least three members 	No (note 6)
4.4	The audit committee should have a formal charter	Yes
4.5	Provide the information in the guide to reporting on principle 4	Yes (notes 4,3)
Principle 5	Make timely and balanced disclosure	
5.1	Establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior management level for that compliance	Yes (note 7)
5.2	Provide the information indicated in guide to reporting on principle 5	Yes (note 3)
Principle 6	Respect the rights of shareholders	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Yes
6.2	Request the external auditor to attend the annual general meeting and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report	Yes
Principle 7	Recognise and manage risk	
7.1	The board or appropriate board committee should establish policies on risk oversight and management	Yes
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing:	
7.2.1	The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board	Yes (note 8)
7.2.2	The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	Yes (note 8)
7.3	Provide the information indicated in guide to reporting on principle 7	Yes (note 3)
Principle 8	Encourage enhanced performance	

Corporate Governance Statement (continued)

8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	Yes (note 4)
Principle 9	Remunerate fairly and responsibly	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	Yes (note 4)
9.2	The board should establish a remuneration committee	No (notes 1, 2)
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives	Yes
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Yes (note 9)
9.5	Provide the information indicated in guide to reporting principle 9	Yes (note 3)
Principle 10	Recognise the legitimate interests of stakeholders	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Yes

Notes:

1. Refer the section of this report entitled board composition
2. There are no executive staff employed by the company
3. There were no departures from best practice recommendations except as outlined in this report
4. Refer to detail provided in the Directors Report
5. 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, who provides services in the capacity as chief financial officer for outsourced administrative and accounting functions through the associated firm of Cansdale & Co Chartered Accountants
6. To the extent possible given the board structure. Refer to the sections of this report entitled Audit committee and Board composition
7. The accounting and administration functions of the company have been outsourced to Cansdale & Co Chartered Accountants. Under the terms of the outsourcing arrangement they are responsible for ensuring compliance with ASX listing rules and making recommendations to the board in that respect.
8. The board has sought and obtained confirmation from Peters MacGregor Capital Management Pty Ltd and Cansdale & Co Chartered Accountants that satisfactory systems are in place to meet the requirements of best practice.
9. There are no equity based remuneration contracts.