



PURSUING INVESTMENT
THEMES

ANNUAL REPORT 2006





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SUMMARY OF RESULTS

Profit After Tax

Profit after tax was \$3.33 million (last year \$2.64 million), up 26.5 per cent. This includes realised gains of \$1.57 million on sale of investments.

Net Operating Profit After Tax

Net operating profit after tax, which excludes realised gains on the investment portfolio, was \$1.76 million (last year \$1.62 million), up 8.7 per cent from the previous corresponding period.

Earnings Per Share

Earnings per share based on operating profit after tax were 2.01 cents per share compared with 1.86 cents last year.

Fully Franked Final Dividend

Fully franked final dividend of 2.0 cents per share has been declared, the same as last year.

Total Portfolio Return

Total portfolio return (change in net asset backing per share plus fully franked dividends reinvested) undiluted for outstanding options during the year was an increase of 39.1 per cent after tax and management fees.

Total Shareholder Return

Total shareholder return measured by change in share price plus fully franked dividend over the 12 month period was 30.1 per cent.

Management Expense Ratio

Management expense ratio on an annualised basis was 1.28 per cent (last year 1.62 per cent).

Net Asset Backing

Net asset backing at 30 June 2006 was 79 cents per share (before providing for the 2 cent final dividend). On a diluted basis the net asset backing was 65 cents per share.

DIRECTORS' REPORT

We are pleased to report to the shareholders of AMCIL Limited ("AMCIL" or "the Company") in relation to the financial year to 30 June 2006 as follows.

IT WAS A VERY
PLEASING RESULT
FOR THE COMPANY
WITH THE PORTFOLIO
PERFORMING
EXTREMELY STRONGLY
OVER THE YEAR.



ABOUT THE COMPANY

AMCIL was established in 1996 as a thematic investor focussed particularly on the media and telecommunications sectors in Australia and New Zealand. During 2002 the Board came to the view that structural changes had occurred in the media and telecommunications industries since 1996 which affected the viability and vitality of a specialist investor concentrating only on the themes of media and telecommunications. At that point, the Board recommended to shareholders that the Company's investments be progressively sold and the capital returned to shareholders. One of the key aims of this was to unlock for shareholders the value in the Company's portfolio which was not then being reflected in the Company's share price. Shareholders approved this initiative and the Board proceeded to sell down the portfolio.

As this process was nearing completion in late 2003, the Board developed a new proposal to shareholders to recapitalise the Company and to continue as a thematic investor and broaden the particular themes in which it could invest. This recapitalisation took place at a point at which all of the Company's previous capital had been repaid to shareholders with the exception of approximately \$2.9 million. The recapitalisation successfully raised \$41 million, with the new shares being allotted in late January 2004. In addition, 81.5 million options exercisable for ordinary shares at 50 cents per share were issued, expiring on 28 February 2007.

The Company has been operating under this revised mandate since this date.

Investing in the Company

As a listed investment company, the Company's shares can be bought or sold through the stock market (ASX Code: AMH). The Company does not charge entry or exit fees when shareholders acquire or dispose of their holdings although transaction costs will be borne when buying or selling through a stockbroker. There are no trailing commissions.

Transparency

We take an active approach to keeping shareholders informed about the Company's activities and performance including yearly and half yearly profit announcements, regular shareholder briefings and access to all Company announcements, including monthly net tangible asset announcements, through the stock exchange and the website www.amcil.com.au



REVIEW OF OPERATIONS

Profit Performance

The Company's reported profit for the 12 months to 30 June 2006 was \$3.33 million using Australian equivalents to International Financial Reporting Standards ("AIFRS"). This compares with a profit of \$2.64 million for the corresponding period to 30 June 2005 using AIFRS.

Net operating profit after tax, which excludes realised gains on the investment portfolio, was \$1.76 million (last year \$1.62 million), up 8.7 per cent from the previous corresponding period. Earnings per share based on operating profit after tax were 2.01 cents per share compared with 1.86 cents last year. A key component of earnings was the distributions from the companies in which we invest of \$2.54 million, up from \$1.19 million last year.

The trading portfolio registered a marginal loss for the year in comparison to last year where it contributed \$0.83 million. The key reason behind this performance has been the substantial decline in Telstra's share price over the year which led to unrealised losses of \$0.61 million in this portfolio. We continue to closely watch the situation with Telstra where we have investments in both our investment and trading portfolios.

Income from deposits was \$0.14 million, down from \$0.72 million in the corresponding period last year, as the Company moved to be fully invested during the course of the year.

Realised gains of \$1.6 million were made in the investment portfolio primarily as a result of the sale of the Company's holding in National Australia Bank shares and by reducing positions in some companies where their share prices had risen appreciably to a point where valuation risks in our opinion looked extreme in the context of the overall value of the portfolio.

The Company has declared a final dividend of 2 cents per share fully franked. This dividend is the same as the final dividend declared last year.

Future dividend payments will depend on the profitability of the Company at the time.

REVIEW OF OPERATIONS CONTINUED

Portfolio Management

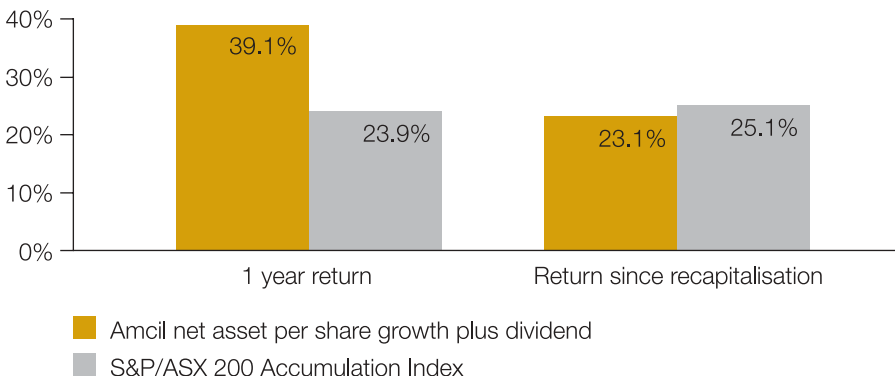
It was a very pleasing result for the Company with the portfolio performing extremely strongly over the year. The Company benefited from being fully invested over most of the year, the first time since its recapitalisation in January 2004. The portfolio now comprises 22 companies whereas at the end of last year there were 15 stocks in the portfolio and \$8.5 million of cash. The annual portfolio return measured by the change in net assets plus the reinvestment of the dividend (before the impact of outstanding options) was 39.1 per cent. The total portfolio had a market value of \$71.5 million at 30 June 2006 versus \$43.9 million at the end of last financial year.

We have benefited from our relatively strong weightings in BHP, Rio Tinto and Alumina and remain positive about the outlook of these companies despite recent weakness in this sector.

A number of the smaller cap stocks within the portfolio also contributed to the portfolio performance. In particular, Peet, Oakton, Bradken, Domino's Pizza and ABC Learning Centres, have all enjoyed significant lifts in their respective share prices over the past 12 months.

Additional companies added to the portfolio during the year included AMP and Brambles; both of which have been through major transformations in regard to their business mix and performance; Baxter Group (involved in waste management), Coca Cola

Total Portfolio Return – Percentage Per Year



Amatil, Toll Holdings (transport and logistics), Equity Trustees (financial services company) and ASG Group (technology services). We like the inherent business footprints of these companies and the industry structures in which they operate. The fact that some of their shares prices were under pressure at various stages during the year gave AMCIL the opportunity to invest at what we believe are attractive prices for a medium term investor such as ourselves.

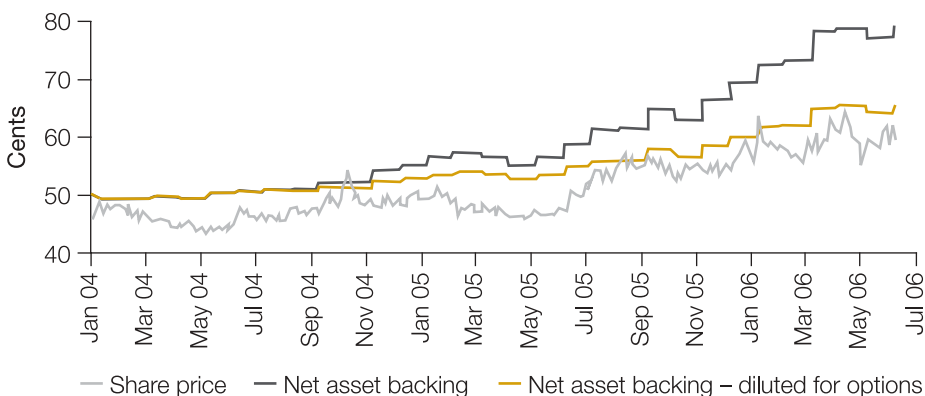
Total portfolio return (change in net asset backing per share plus fully-franked dividends reinvested) for outstanding options during the year was an increase of 39.1 per cent after tax and management fees. As noted above the Company is now fully invested whereas the performance since inception has been impacted by the level of cash held following the initial recapitalisation of the Company as appropriate investment opportunities were undertaken over time.

Share Price Performance

Total shareholder return measured by change in share price plus fully-franked dividend over the 12 month period was 30.1 per cent.

The Company's share price has been tracking closer to the net asset backing diluted for outstanding options rather than the undiluted net asset backing since the Company's recapitalisation.

Share Price Relative to Net Asset Backing





OUTLOOK

Despite some market setbacks toward the end of the financial year arising from concerns about interest rates and global growth, the Australian equity market enjoyed another very strong 12 months of growth to 30 June 2006, fuelled primarily by the performance of the resources and energy sectors.

Whilst we expect the growth in China to continue to drive strong resource demand, equity markets have entered the new year with more awareness of risk. This arises from more recent concerns about the geopolitical tensions in the Middle East and North Korea which has again weakened equity markets both in Australia and offshore; and has further extended the rise in market volatility that was in evidence toward the end of the financial year.

We suspect heightened volatility will be an ongoing theme for equity markets in the first half of the financial year. From AMCIL's perspective we will look to take advantage of this spike in volatility by looking at attractive call option writing strategies given the returns available from increased option premiums and reduced share prices.

In addition, as the market becomes more volatile and driven by short term concerns our observation is that from time to time it has the capacity to overshoot. This can present interesting investment opportunities. For example; we particularly look for companies which are temporarily out of favour with the market but which have strong business footprints or brands which have been built up over many years and which can be extremely difficult to replicate. In this regard, at 30 June 2006 the Company potentially has additional capital available to it of \$39.6 million arising from the conversion of remaining options which are due to expire on 28 February 2007 and the availability of a debt facility of \$10 million.

Financial Condition

The Company's financing consists predominantly of shareholders' funds. The Company also has an agreement with its bankers to accept and discount bills of exchange up to a total of \$10 million. There was \$2.0 million of outstanding interest bearing debt at 30 June 2006.

Dividends

Directors have declared a fully franked final dividend of 2.0 cents per share (the same as last year).

The dividends paid during the year ended 30 June 2006 were as follows:

	2006 \$'000
Final dividend for the year ended 30 June 2005 of 2 cents per share fully franked at 30 per cent, paid on 10 August 2005	1,750
	1,750

Significant Changes in the State of Affairs

Directors are not aware of any other significant changes in the operations of the Company, or the environment in which it operates, that will adversely affect the results in subsequent years.

Events Since Balance Date

Since the Balance Date 13.1 million of the options outstanding at 30 June 2006 have been exercised, and ordinary shares that qualify for the final dividend have been issued.

The Directors are not aware of any other matters or circumstance not otherwise disclosed in the Financial Report or the Directors' Report which has arisen since the end of the financial year that has affected or may affect the operations, or the results of those operations, or the state of affairs of the Company in subsequent financial years.

Environmental Regulations

The Company's operations are such that they are not directly affected by environmental regulations.

Rounding of Amounts

The Company is of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Unless specifically stated otherwise, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.



BOARD AND MANAGEMENT

Directors

Bruce B Teele BSc BCom (Melb), Chairman. Chairman of the Investment Committee.

Mr Teele was elected to the Board on 19 December 2003 and appointed Chairman on 25 February 2004. He is Chairman of Australian Foundation Investment Company Limited (AFIC) and Djerriwarrh Investments Limited. He was formerly the Executive Chairman of the JBWere Group.

Ross E Barker BSc (Hons) MBA (Melb) F Fin, Managing Director. Member of the Investment Committee.

Mr Barker was appointed Managing Director on 14 February 2001. He was appointed a Director of the Company in May 1996. He is also Managing Director of AFIC, Djerriwarrh Investments Limited and Mirrabooka Investments Limited.

Peter C Barnett FCPA. Chairman of the Audit Committee and member of the Investment Committee.


Mr Barnett is a company Director who was appointed a Director on 1 August 1996. He is a member of the advisory council of ABN AMRO Australasia. He is a former Director of Mayne Group Ltd and Santos Limited.

Terrence A Campbell AO BCom (Melb). Member of the Investment Committee.

Mr Campbell is a stockbroker and has been a Director since 30 May 1996. He was Chairman of the Company from February 2000 until February 2004. He is Chairman of Mirrabooka Investments Limited; a Director of AFIC and Djerriwarrh Investments Limited; a Council member of the Business Council of Australia; and the Executive Chairman of the Goldman Sachs JBWere Group.

Rupert Myer AM BCom (Hons) (Melb) MA (Cantab). Member of the Audit Committee and Investment Committee.

Mr Myer is a company Director and was appointed a Director on 25 January 2000. He is Chairman of The Myer Family Company Pty Ltd, a Director of Diversified United Investment Limited, and Chairman of the National Gallery of Australia.



Richard B (Bob) Santamaria BCom LLB (Hons) (Melb). Member of the Audit Committee and Investment Committee.

Mr Santamaria is a solicitor who was appointed a Director on 1 August 1996. He is also a partner of Allens Arthur Robinson, Solicitors.

Stan D M Wallis AC BCom (Melb). Member of the Investment Committee.

Mr Wallis is a company Director who has been a Director of the Company since 2004. He is Chairman of Rubicon Systems (Holdings) Pty Ltd and a Director of AFIC and the Walter and Eliza Hall Institute of Medical Research. He was formerly Chairman of Amcor Limited, AMP Limited, Santos Limited and Coles Myer Limited.

Senior Managers

Sue E Crook LLB BA MBA (Melb) SF Fin FCIS. Company Secretary and General Counsel.

Ms Crook joined the Company in June 2005. Former Associate Company Secretary and Head of Australian Secretariat, National Australia Bank Ltd for five years. Past President Chartered Secretaries Australia. She has more than 25 years experience mainly with large corporates in the financial sector.

Geoffrey N Driver B Ec Grad Dip Finance. General Manager Business Development and Investor Relations.

Mr Driver joined the Company in January 2003. Previously, he was with National Australia Bank Ltd for 18 years in various roles covering business strategy, marketing, distribution, investor relations and business operations.

Andrew JB Porter MA (Hons) (St And) FCA, Chief Financial Officer.

Mr Porter joined the Company in January 2005. He is a Chartered Accountant and has had over 15 years experience in accounting and financial management both in the United Kingdom with Andersen Consulting and Credit Suisse First Boston and in Australia where he was Regional Chief Operating Officer for the Corporate and Investment Banking Division of CSFB.

BOARD AND MANAGEMENT CONTINUED

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2006 and the numbers of meetings attended by each Director were:

	Board		Investment		Audit	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
BB Teele	12	12	24	24	-	-
RE Barker	12	12	24	23	-	3 [#]
PC Barnett	12	11	24	21	3	3
TA Campbell	12	10	24	18	-	-
RH Myer	12	10	24	18	3	3
RB Santamaria	12	12	24	22	3	3
SDM Wallis	12	12	24	23	-	-

Attended meetings by invitation.

Retirement, Election and Continuation in Office of Directors

Messrs Barnett and Campbell are the Directors retiring by rotation who, being eligible, offer themselves for re-election.

Insurance of Directors and Officers

During the financial year, the Company paid insurance premiums to insure the Directors and officers named in this report. Directors contributed towards the total insurance premium. The terms of the insurance contract preclude disclosure of further details.

REMUNERATION REPORT

(a) Principles Used to Determine Nature and Amount of Remuneration

The constitution of AMCIL requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Australian corporate Directors. The amount of remuneration excludes amounts that were owing to them when the Directors' retirement allowances were frozen at 31 December 2003. Shareholders approved an aggregate maximum amount of \$240,000 for the remuneration of Non-Executive Directors at the Annual General Meeting in August 1996.

Directors hold office until such time as they retire by rotation, resign or are removed from office under the terms set out in the constitution of the Company.

AMCIL does not pay any performance-based remuneration.

Mr Barker serves as Managing Director of AMCIL pursuant to an agreement with Australian Foundation Investment Company (AFIC). The fees to which he is entitled as a Director of the Company are paid directly to AFIC pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AFIC, Mr Barker receives an 'at risk' component determined by AFIC which is based on performance. The performance criteria includes quantitative and qualitative assessments which include, amongst other things, the services that he has provided to AMCIL and for which AFIC is paid.

The Directors and the Company have agreed to freeze Directors' retirement benefits at the 31 December 2003 level. This frozen amount will be paid to the respective Directors when they ultimately retire, without further adjustment. The Company continues to pay Superannuation Guarantee Contributions (SGC) on Directors' fees.

(b) Remuneration of Directors

Directors of the Company determine the fees of Directors within the aggregate limit established by shareholders in general meeting.

REMUNERATION REPORT CONTINUED

Details of the nature and amounts of each Director's remuneration in respect of the year to 30 June 2006 were as follows:

	Short Term	Post Employment	Total
	Fee/Base Salary \$	Superannuation \$	Remuneration \$
BB Teele – Chairman (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
RE Barker – Managing Director (Executive)*			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
PC Barnett – Director (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
TA Campbell – Director (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
RH Myer – Director (Non-Executive)			
2006	1,000	37,150	38,150
2005	29,000	2,610	31,610
RB Santamaria – Director (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
SDM Wallis – Director (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
Total Remuneration: Directors			
2006	211,000	56,050	267,050
2005	203,000	18,270	221,270

* Director's fees for RE Barker are paid across to AFIC as part of his employment arrangements.

(c) Directors' Retirement Allowances

The Board has proposed and shareholders have approved discontinuing the practice of paying Directors' retirement allowances.

The Director's retirement allowance provided in past years was equal to the total emoluments that the Director received in the three years immediately preceding retirement, where a Director had held office for five or more years and a proportionate part for less than five years service.

For Directors in office at 31 December 2003, the amounts accrued as at that date will be paid to them upon their ultimate retirement. No further accruals of Directors retiring allowances will be made after 31 December 2003. New Directors appointed to the Company after that date, including Mr Wallis who was appointed on 24 March 2004 and Mr Teele who was re-appointed on 19 December 2003, will not be entitled to any Directors' retirement allowance.

The amounts payable to the respective current Directors who were in office at 31 December 2003, which will be paid when they retire, are set out below. These amounts were expensed in prior years as the retirement allowances accrued. It is not expected that any of these Directors will retire within the next 12 months. The Company continues to pay SGC on Directors' fees.

	Amount Payable on Retirement \$
RE Barker	87,000
PC Barnett	87,000
TA Campbell	174,000
RH Myer	68,150
RB Santamaria	87,000
	503,150

REMUNERATION REPORT CONTINUED

Directors' Holdings of Securities Issued by the Company

As at the date of this report, Directors who hold shares issued by the Company for their own benefit or who have an interest in holdings in the name of another party, and the total number of such securities, are as follows:

	Shares	Options
BB Teele	14,251,890	14,000,000
RE Barker	2,053,175	2,000,000
PC Barnett	305,314	221,600
TA Campbell	2,007,863	2,000,000
RH Myer	181,250	180,000
RB Santamaria	52,138	50,000
SDM Wallis	1,716,847	200,000

(d) Executives

The Company has four executives, RE Barker, Managing Director; GN Driver, General Manager Business Development and Investor Relations; AJB Porter, Chief Financial Officer; and SE Crook who is Company Secretary and General Counsel (2005: four executives).

Other than the Managing Director whose Directors fees are paid directly to AFIC, no remuneration is paid to the executives as their services are provided pursuant to the arrangements with AFIC outlined in the Notes to the Financial Statements.

NON-AUDIT SERVICES

Details of non-audit services performed by the auditors may be found in note 21 of the Financial Report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company, or jointly sharing economic risk and rewards.

A copy of the Auditors' Independence Declaration is set out on page 18.

This report in relation to the financial year to 30 June 2006 is presented by the Directors of AMCIL in accordance with a resolution of Directors.



Bruce B Teele
Chairman

Melbourne
2 August 2006

AUDITORS' INDEPENDENCE DECLARATION



PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditors' Independence Declaration

As lead auditor of AMCIL Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AMCIL Limited during the period.

A handwritten signature in black ink, appearing to read 'Simon Gray'.

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
2 August 2006

The Board of AMCIL is committed to high standards of ethical behaviour and corporate governance.

AMCIL is a thematic investor which invests its capital to provide medium to long term investment gains through taking advantage of opportunities that arise from general thematic/cyclical rotations in the market, corporate activity and stock specific activity. The Company's approach to corporate governance principles and practices reflect its specialised nature and the limited scope of its activities.

In accordance with ASX Listing Rule 4.10.3, we have set out below the ASX Corporate Governance Council's 10 principles of good corporate governance and outlined accordingly how the Board has sought to comply with the best practice recommendations for each.

Principle 1: Laying Solid Foundations for Management and Oversight

The first Principle requires the Company to recognise and publish the respective roles and responsibilities of both the Board and management.

The role of the Board of Directors is to set goals and policies for the operation of the Company, to oversee the Company's management, to regularly review performance and to generally monitor the Company's affairs in the best interests of shareholders. For these responsibilities the Board is accountable to its shareholders.

All Directors have entered into an agreement with the Company covering the terms of their appointment, access to documents, Director's indemnity against liability, and Directors and officers insurance.

One of the notable features of the Company's activities is the involvement of the Company's Directors in the investment decisions of the Company through the Board Investment Committee. The Board has access to research resources and dealing capabilities from Goldman Sachs JBWere. It has outsourced administrative and management functions to Australian Foundation Investment Company Limited (AFIC) under the leadership of the Managing Director. This team takes responsibility for administering the Company's affairs in conformity with the Board's goals and policies.

The Managing Director is responsible and accountable to the Board for the Company's management.

The Board believes that the Company is fully compliant with Principle 1.

Principle 2: Structuring the Board to Add Value

The Principle requires the Company to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

See the Directors' Report for details of the skills, experience, and expertise of each Director. The number of meetings held during the year and attendance by Directors are set out on page 12. The Directors meet formally as a Board at least 11 times a year.

The Board is comprised of a Chairman (BB Teele), Managing Director (RE Barker) and five Non-Executive Directors (PC Barnett, TA Campbell, RH Myer, RB Santamaria, and SDM Wallis), all of whom have a personal financial interest in the Company. Four of the five Non-Executive Directors are regarded as independent, that is, PC Barnett, RH Myer, RB Santamaria, and SDM Wallis, so that the Board is comprised of a majority of independent Non-Executive Directors.

Independence of Directors

BB Teele, the Chairman, was a Director of the Company from the original commencement of activities in 1996 up to February 2000 and again since December 2003. He and his related interests together have a substantial shareholding in the Company and therefore he is not considered to be an independent Director. Given that AMCIL is a Listed Investment Company, it is of great assistance to have a Chairman with a depth of experience and skills in the securities industry and who is also involved in the investment decisions of the Company. Accordingly, an independent Chairman is not regarded as necessary.

Given the relationship between AMCIL and Goldman Sachs JBWere, with whom the Company maintains a strong relationship, TA Campbell, Executive Chairman and a shareholder of Goldman Sachs JBWere, is also not regarded as independent.

RB Santamaria is a partner of the law firm, Allens Arthur Robinson, which firm received fees for services rendered during the year of \$23,000. He was not involved in the selection of the firm to undertake the work and the Board is of the view that this does not compromise his independence.

Non-Executive Directors PC Barnett, RH Myer and SDM Wallis are also regarded as independent. Accordingly, the Board consists of a majority of independent Non-Executive Directors.



Details of the term of office held by each Director in office as at the date of this report are as follows:

BB Teele – 3 years plus almost four years from May 1996 to February 2000
RE Barker – 10 years
PC Barnett – 10 years
TA Campbell – 10 years
RH Myer – 6 years
RB Santamaria – 10 years
SDM Wallis – 2 years

The Board strongly endorses the importance of maintaining an orderly process of self-renewal. The Board needs to continue to identify, attract and retain candidates of a high calibre who provide the required skills and experience and who are able to bring an independent and fresh approach to the Board deliberations. It is regarded as important that tenure should not interfere with the continual renewal and refreshment of the Board.

Due to the size of the Company, it has not established a formal Nomination Committee and the functions of a Nomination Committee are undertaken by the full Board.

To assist Directors to fully meet their responsibilities to bring an independent view to matters coming before them, the Board has agreed a procedure in appropriate situations for Directors to take independent professional advice, at the expense of the Company, after advising the Chairman of their intention to do so.

Consideration is also given to the issue of Director independence in any situation where an individual Director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with the Company. The Board would consider whether the relevant Director remained independent in any situation where, as a result of the commercial relationship with the Company, an amount in excess of \$200,000 is paid or received and the Director had a direct or indirect material interest. The threshold is considered by the Board on an annual basis.

The Board believes that the Company is fully compliant with Principle 2 but acknowledges that for the reasons stated above it does not comply with Recommendation 2.2 that the Chairman should be an independent Director or Recommendation 2.4 that a separate Nomination Committee be established.

Principle 3: Promotion of Ethical and Responsible Decision-making

The Principle requires that the Board should actively promote ethical and responsible decision making.

The Company, including its Directors and key executives, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the shareholders' interests.

The Company has published a Corporate Principles of Conduct Statement and a Trading Policy for Directors which are available on the website together with the Company's Trading Policy that the Company has for dealing in its own shares by its officers or those working on the Company's behalf. These documents are provided to management and new Directors as they join the Company and any updates are provided to all employees and Directors.

The Board believes that the Company is fully compliant with Principle 3.


Principle 4: Safeguarding Integrity in Financial Reporting

The Principle requires that the Company has a structure to independently verify and safeguard the integrity of the Company's reporting.

The Company has established an Audit Committee to oversee the integrity of the financial reporting process and which reports to the Board. The Audit Committee has three members all of whom are independent Directors: PC Barnett (Chairman), RH Myer and RB Santamaria. Details of their qualifications, number of meetings and attendance are set out in the Directors' Report. All members of the Audit Committee have the requisite financial experience and understanding to effectively discharge its mandate.

The Board has obtained from the Managing Director and the Chief Financial Officer written affirmation concerning the Company's financial statements as set out in the Directors' Declaration.

The Company has a process to ensure the independence and competence of the Company's external auditors including the Audit Committee reviewing any non-audit



work to ensure that it does not conflict with audit independence. Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is set out on the website. Policies relating to rotating external audit engagement partners are set by the external audit firm in accordance with Corporations Act requirements.

The Board believes that the Company is fully compliant with Principle 4.

Principle 5: Timely and Balanced Disclosure

The Principle requires that the Company promotes timely and balanced disclosure of all material matters concerning the Company.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. Accordingly, we keep the market advised of all information required to be disclosed under the Listing Rules which we believe would or may have a material effect on the price or value of the Company's securities.

The Company has a written policy and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The policy is publicly available on the Company's website.

The Board believes that the Company is fully compliant with Principle 5.

Principle 6: Respecting the Rights of Shareholders

The Principle requires that the Company respect the rights of shareholders and facilitates the effective exercise of those rights.

Our shareholders own the Company and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. The Board maintains active communication with shareholders as owners of the Company.

In addition to the Annual and Half Year Reports, the Company holds an Annual General Meeting of shareholders to fulfil statutory requirements, to provide shareholders with the opportunity to meet with representatives of the Board and Management, to learn more about the Company's activities and, particularly, to provide an opportunity to question the Board and management about any aspect of the Company's activities.

An internet website is maintained on which all ASX announcements, Annual Reports, Half Yearly Reports, details of corporate governance practices, presentations to shareholders, and related material are posted and available for shareholders and investors.

The Board believes that the Company is fully compliant with Principle 6.

Principle 7: Recognising and Managing Risk

The Principle requires that the Board establish a sound system of risk oversight and management and internal control.

The Company has established and maintains a sound system of risk oversight, management and internal control.

Investment Risk


The Board Investment Committee is primarily responsible for dealing with issues arising from investment risk. By its nature as a Listed Investment Company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

Other Risks

The Company's management is primarily responsible for recognising and managing all other risk issues such as operational risk, disaster recovery, operational health and safety, credit and counter-party risk. This is in the context that most of AMCIL's administrative functions have been outsourced to AFIC using its systems and staff. Accordingly, risk issues associated with these activities are handled in accordance with the policies and procedures adopted by AFIC for dealing with them. The Audit Committee has specific oversight of management's role in identifying and responding to risk issues.

The Risk Management Framework adopted by the Board is available on the Company's website.

The Board has obtained from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal



compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to the financial reporting risks.

The Board believes that the Company is fully compliant with Principle 7.

Principle 8: Encouraging Enhanced Performance

The Principle requires that the Board fairly review and actively encourage board and management effectiveness.

The Company has not established a formal performance review procedure and performance of the Board and management is the subject of continuous oversight by the Chairman and the Board as a whole.

Each Director of the Company is encouraged to have a financial interest in the Company and each current Director has a meaningful financial interest in the Company. In this way, the Directors participate in improving shareholder value on the same basis as all other shareholders.

The Board believes that the Company is fully compliant with Principle 8.

Principle 9: Remunerating Fairly and Responsibly

The Principle requires that the level and composition of remuneration be sufficient and reasonable and that its relationship to corporate and individual performance be defined.

The Board does not have a separate Remuneration Committee. The Board deals with matters relating to the remuneration of Directors itself and a separate Remuneration Committee is not regarded as necessary. The Company has no employees as most of AMCIL's administrative functions have been outsourced to AFIC using its systems and staff.

Directors' Remuneration

The Constitution of AMCIL requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the

time demands made on Directors together with such factors as the general level of fees paid to Australian corporate Directors.

Management Remuneration Approach

The Company does not pay any performance based remuneration.

R Barker serves as Managing Director of AMCIL pursuant to an agreement with AFIC. The fees to which he is entitled as a Director of the Company are paid directly to AFIC pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AFIC, R Barker receives an 'at risk' component determined by AFIC which is based on performance. The performance criteria include quantitative and qualitative assessments which include, among other things, the services that he has provided to AMCIL and for which AFIC is paid.

Further information on Directors and Executives remuneration is set out in the Financial Report.

The Board believes that the Company is fully compliant with Principle 9 but acknowledges that, for the reasons given above, it does not comply with Recommendation 9.2 that a separate Remuneration Committee be established.

Principle 10: Recognising Legitimate Interests of Stakeholders

The Principle requires that the Company recognises legal and other obligations to all legitimate stakeholders.

Because of AMCIL's operation as a Listed Investment Company, its key stakeholders are its shareholders, agents and the small number of creditors connected with the administration of the Company's affairs. As noted above, the Company has published its Corporate Principles of Conduct which are intended to guide the activities of Directors, senior executives and agents and are designed to ensure that the legal requirements and the obligations to our stakeholders are complied with at all times.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
Dividends and distributions		2,537	1,194
Revenue from deposits and bank bills		141	720
Other revenue		-	1
Total revenue		2,678	1,915
Income from options written		-	-
Net gains/(losses) on trading portfolio		(282)	641
Income from operating activities before net gains on investments		2,396	2,556
Finance costs		(53)	-
Administration expenses		(789)	(779)
Operating profit before income tax expense and net gains on investments	4	1,554	1,777
Income tax credit/(expense)*	5	211	(153)
Net operating profit before net gains on investments		1,765	1,624
Net gains on investments			
Net gains on ordinary securities sold from the investment portfolio		1,570	1,038
Net losses on other securities		-	-
Net losses on open options positions		-	(36)
Tax credit on net gains on investments*	5	-	11
		1,570	1,013
Profit for the year		3,335	2,637
		Cents	Cents
Basic earnings per share		3.79	3.01
Diluted earning per share		1.97	3.01

Information on earnings per share, including net operating profit before net gains on investments per share, can be found in Note 18.

Total tax credit/(expense) is the sum of income tax credit/(expense) and tax credit on net gains on investments.

	2006 \$'000	2005 \$'000
* Total tax credit/(expense)	211	(142)

This Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
Current assets			
Cash	6	89	8,523
Receivables	7	1,576	342
Tax credit receivable		94	-
Trading portfolio	8	2,532	2,960
Total current assets		4,291	11,825
Non-current assets			
Investment portfolio	9	68,957	40,938
Deferred tax assets	10	331	131
Total non-current assets		69,288	41,069
Total assets		73,579	52,894
Current liabilities			
Payables	11	510	1,382
Borrowings	6	2,000	-
Tax payable		-	66
Options written portfolio	12	-	-
Total current liabilities		2,510	1,448
Total liabilities		2,510	1,448
Net assets		71,069	51,446
Shareholders' equity			
Share capital	13	63,832	62,671
Revaluation reserve	14	22,132	5,255
Accumulated losses	15	(14,895)	(16,480)
Total shareholders' equity		71,069	51,446

This Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
Total equity at the beginning of the year		51,446	44,162
Dividends paid	17	(1,750)	-
Exercise of options	13	1,161	27
Total transactions with equity holders in their capacity as equity holders		(589)	27
Revaluation of investment portfolio		16,877	4,620
Net unrealised gains recognised directly in equity	14	16,877	4,620
Profit for the year		3,335	2,637
Total recognised income (including unrealised gains) and expense for the year		20,212	7,257
Total equity at the end of the year		71,069	51,446

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
Note	Inflows/ (Outflows)	Inflows (Outflows)
Cash flows from operating activities		
Sales from trading portfolio	2,064	6,179
Purchases for trading portfolio	(3,254)	(4,865)
Proceeds from entering into options in options written portfolio	-	308
Payment to settle options in options written portfolio	-	(138)
Interest received	165	809
Dividends and distributions received	2,310	935
	<u>1,285</u>	<u>3,228</u>
Other receipts	-	1
Administration expenses	(818)	(769)
Finance costs paid	(68)	-
Income taxes paid	(153)	(173)
Net cash inflow/(outflow) from operating activities	22	2,287
Cash flows from investing activities		
Sales from investment portfolio	9,002	6,805
Purchases for investment portfolio	(18,989)	(26,267)
Net cash inflow/(outflow) from investing activities	(9,987)	(19,462)
Cash flows from financing activities		
Proceeds from borrowings	4,100	-
Repayment of borrowings	(2,100)	-
Capital returns	-	(100)
Share issues	1,057	27
Dividends paid	(1,750)	-
Net cash inflow/(outflow) from financing activities	1,307	(73)
Net increase/(decrease) in cash held	(8,434)	(17,248)
Cash at the beginning of the financial year	8,523	25,771
Cash at the end of the financial year	6	8,523

This Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

This general purpose Financial Report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. This Financial Report has been authorised for issue as per the Directors Declaration and is presented in the Australian currency. The Company has the power to amend and reissue the Financial Report.

The Company has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	AASB Terminology
Market value	Fair value for actively traded securities
Cash	Cash and cash equivalents
Share capital	Contributed equity

This Financial Report has been prepared in accordance with AIFRS (Australian equivalents to International Financial Reporting Standards). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

The Company's financial statements until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the financial statements for the year ended 30 June 2006 the Company has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. The Company has not taken advantage of the exemption available under AASB 1 to defer application of AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Company's equity and net income are given in Note 24.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Company has elected to adopt AASB 7 *Financial Instruments: Disclosures* early when preparing the financial statements. The Company has not yet applied any other Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2006 ('the inoperative standards'). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. This includes the amended AASB 139 *Financial Instruments: Recognition and Measurement*. The Company only intends to adopt the inoperative standards at the date at which their adoption becomes mandatory.

(a) Basis of Accounting

The financial statements are prepared using the valuation methods described below for holdings of securities including options. All other items have been treated in accordance with the historical cost convention.

(b) Holdings of Securities

(i) Balance Sheet Classification

The Company has three discrete portfolios of securities, the investment portfolio, the trading portfolio and the options written portfolio. The purchase and the sale of securities are accounted for at the date of trade.

The investment portfolio relates to holdings of securities which the Directors intend to retain on a long term basis.

The trading portfolio comprises securities held for short term trading purposes, including exchange traded options contracts that are entered into, as described in Note 8.

The options written portfolio contains exchange traded options contracts that are entered into as described in Note 12.

Ordinary securities within the investment portfolio are classified as 'assets available for sale', whereas securities that contain a derivative element (e.g. Convertible Notes) and the trading portfolio are classified as 'assets measured at fair value through the Income Statement'.



(ii) Valuation of Investment Portfolio

Securities, including listed and unlisted shares and notes, are initially brought to account at market value, which is the cost of acquisition including transaction costs, and are revalued to market values continuously. Increments and decrements on Ordinary Securities are taken to the Revaluation Reserve.

Where disposal of an investment occurs any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Income Statement.

Increments and decrements on the value of the securities that contain a derivative element (known as 'Hybrids') are taken directly through the Income Statement.

(iii) Valuation of Trading Portfolio

Securities, including listed and unlisted shares, notes and options, are initially brought to account at market value, which is the cost of acquisition or proceeds in the case of options, and are revalued to market values continuously.

Increments and decrements on the value of securities in the trading portfolio are taken directly through the Income Statement.

(iv) Valuation of Options Written Portfolio

Options written are initially brought to account at the amount received upfront for entering the contract (the premium) and subsequently revalued to current market value. Increments and decrements are taken through the Income Statement.

(v) Income from Holdings of Securities

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis and distributions relating to unlisted securities are recognised as income when received unless the distributions are capital returns on ordinary shares in which case the amount of the distribution is treated as an adjustment to the carrying value of the shares.

The realised gain or loss on options written is not recognised until the option expires, is exercised or is repurchased. All unrealised gains or losses which represent movements in the market value of the options are recognised through the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(c) Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to the unused tax losses. Deferred tax assets and liabilities are offset as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis.

A tax provision is made for the unrealised gain or loss on securities valued at fair value through the Income Statement – i.e. Hybrids and the trading and options written portfolios.

A provision has to be made for any taxes that could arise on disposal of securities in the investment portfolio, even though there is no intention to dispose of them. Where the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes offset against any capital losses carried forward.

(d) Cash Flows

For the purpose of the cash flow statement, 'cash' includes cash, deposits held at call, investment grade promissory notes and discounted bills of exchange.

(e) Bills of Exchange

Bills of exchange and investment grade promissory notes, which have been purchased in the market at a discount to face value, are carried at an amount representing amortised cost using the effective interest rate method, and the amortised interest is accounted for as interest received.

(f) Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and liabilities of the Company approximates their carrying value.

The fair value for assets that are actively traded on market is defined by AASB 139 as 'last bid price'.

(g) Directors' Retirement Allowances

The Company recognises as 'amounts payable' Directors' retirement allowances that have been crystallised. No further amounts will be expensed as retirement allowances.

(h) Rounding of Amounts

The Company is of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the financial report have been rounded off in accordance with that Class Order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2. Critical Accounting Estimates and Judgements

The preparation of Financial Reports in conformity with AIFRS requires the use of certain critical accounting estimates. This requires the Board and management to exercise their judgement in the process of applying the Company's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB112 *Income Taxes* deferred tax liabilities need to be recognised for Capital Gains Tax (CGT) on the unrealised gain in the investment portfolio at current tax rates. The Company currently has capital losses brought forward sufficient to cover the current unrealised gain in the investment portfolio, and therefore no provision has been made. This has been done on the assumption that the Company will continue to meet the continuity of ownership test (COT) or, should it fail this test, continue to meet the same business test (SBT). The Company's tax advisers believe that in the absence of a significant change in the Company's shareholder base or the Company's activities, the ATO will not move to disallow the use of these losses to offset future capital gains.

Apart from this, there are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Financial Reporting by Segments

The Company operates as a Listed Investment Company in Australia. It has no reportable business or geographic segments.

4. Operating Profit Before Income Tax Expense and Net Gains on Investments

	2006 \$'000	2005 \$'000
Dividends and distributions (excluding interest)		
- securities held in investment portfolio	2,288	1,006
- securities held in trading portfolio	249	188
	2,537	1,194
Interest income		
- deposits and income from bank bills	141	720
	141	720
Net gains/(losses) and write downs		
- net gains from trading portfolio sales	330	670
- realised gains on options written portfolio	-	-
- unrealised gains/losses in trading portfolio	(612)	(29)
	(282)	641
Other income	-	1
Income from operating activities before net gains on investments	2,396	2,556
Finance costs	(53)	(-)
Administration fees paid to Australian Foundation Investment Company (AFIC)	(224)	(174)
Other administration expenses	(565)	(605)
Operating profit before income tax expense and net gains on investments	1,554	1,777

Further information relating to remuneration of auditors is set out in Note 21, Directors and Executives in Note 19. The administration fees paid to AFIC are pursuant to an outsourcing arrangement covering the Company's day-to-day management and administration.

5. Income Tax Expense

	2006 \$'000	2005 \$'000
(a) Reconciliation of income tax (credit)/expense to prima facie tax payable		
Operating profit before income tax expense and net gains on investments	1,554	1,777
Tax at the Australian tax rate of 30 per cent (2005 – 30 per cent)	466	533
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Tax offset for franked dividends	(657)	(264)
Sundry items	(14)	(120)
	(205)	149
Under (over) provision in prior years	(6)	4
Income tax expense/(credit) on operating profit before net gains on investments	(211)	153
Net gains/(losses) from investments	1,570	1,002
Tax at the Australian tax rate of 30 per cent (2005 – 30 per cent)	471	301
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Impact of parcel selection for capital gains purposes	-	3
Capital gains set-off against bought-forward losses	(471)	(315)
Income tax expense/(credit) on net gains on investments	-	(11)
Total income tax (credit)/expense	(211)	142
(b) Income tax expense composition		
Charge for tax payable relating to the current year	(5)	123
Under (over) provision in prior years	(6)	4
Increase (decrease) in deferred tax assets – other	(200)	15
	(211)	142

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Current Assets – Cash

	2006 \$'000	2005 \$'000
Cash at bank and in hand	10	6
Deposits at call	79	550
Discounted bills of exchange	-	7,967
	89	8,523

Deposits at call yield an average floating interest rate of 5.46 per cent (2005: 5.21 per cent). Discounted bills of exchange and investment grade promissory notes yield an average fixed return of 5.65 per cent (2005: 5.49 per cent) and have a fixed term of up to three months.

(a) Credit Risk Exposure

The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest. Purchased bills of exchange are carried on the balance sheet at an amount less than the amount realisable at maturity. The credit risk exposure of the Company regarding purchased bills of exchange is the carrying value, which comprises the cost of the bank bills and the income accrued to balance date.

The management of cash investments is outsourced. Under the terms of this outsourcing, funds can only be invested in short term debt where the issuer has a Standard & Poor's short term rating of A1+ (for Banks, A1+, A1 or A2) or Government or semi-Government issuers. The average weighted maturity of the portfolio invested in is no greater than 90 days.

(b) Standby Arrangements and Credit Facilities

The Company is party to agreements under which the National Australia Bank have agreed to accept or accept and discount bills of exchange.

	2006 \$'000	2005 \$'000
National Australia Bank – floating rate bill facility	10,000	10,000
Amount drawn down	2,000	-
Undrawn facilities	8,000	10,000

The above borrowings are unsecured. Repayment of facilities is done either through the use of cash received from distributions or the sale of securities, or by rolling existing facilities into new ones. Facilities are normally drawn down for no more than 90 days.

7. Current Assets – Receivables

	2006 \$'000	2005 \$'000
Dividends and distributions receivable	212	318
Interest receivable/pre-paid	15	24
Outstanding settlements – trading portfolio	1,338	-
Prepayments	11	-
	<u>1,576</u>	<u>342</u>

Receivables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

The credit risk exposure of the Company in relation to receivables is the carrying amount.

8. Current Assets – Trading Portfolio

	2006 \$'000	2005 \$'000
Listed securities at market value		
- shares and trust units	2,602	3,036
- options written by the Company		
- Calls	(70)	(52)
- Puts	-	(24)
	<u>2,532</u>	<u>2,960</u>

Credit Risk Exposure

Credit risk exposures of the Company arise in relation to converting and convertible notes and other interest-bearing securities to the extent of their carrying values, in the event of a shortfall on winding-up of the issuing companies.

Credit risk exposure also arises in relation to options bought by the Company, if any, to the extent of their carrying value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Company enters into option contracts in the trading portfolio as part of its trading activities to generate profits on dealing in securities, under the same conditions as in the options written portfolio (Note 12).

As at balance date the Company had sold put options which at the option of the purchaser may require the Company to buy prior to the respective expiry dates if they were exercised, certain securities at prices which in aggregate totalled \$Nil (2005: \$0.6 million). As at balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of \$0.7 million (2005: \$1.0 million).

As at balance date all of these contracts are exchange-traded options and are entered into within the constraints and controls imposed by the Australian Stock Exchange Limited. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily. The Investment Committee meets regularly (normally fortnightly) to consider, review and approve the investment, trading and sub-underwriting transactions of the Company and related matters.

9. Non-current Assets – Investment Portfolio

	2006 \$'000	2005 \$'000
Listed securities		
- shares at market value	68,957	40,938

There were no hybrids in the investment portfolio at balance date.

10. Non-current Assets – Deferred Tax

The Company's deferred tax assets ("DTA") arise from temporary differences in the recognition of items for taxation and accounting purposes, as described in Note 1(c). The key components are:

(a) The difference in the value of the trading portfolio for tax and accounting purposes	161	(35)
(b) Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	14	19
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	156	164
(d) Interest and dividend income receivable which is not assessable for tax until receipt	-	(17)
	331	131

	2006 \$'000	2005 \$'000
Movements		
Opening balance at 1 July	131	146
Credited/(charged) to Income statement	200	(15)
	331	131

The net DTA arising from provisions and expenses charged but not yet tax deductible, will be obtained when the relevant items become tax deductible, provided that the Company derives sufficient assessable income to enable the benefit from the deductions to be taken in that year and there are no intervening changes in tax legislation adversely affecting the Company's ability to claim the tax deduction.

The portion of DTA likely to be reversed within the next 12 months is \$176,000 (2005: \$27,000). This relates primarily to items described in notes (a), (b) and (d) above.

At balance date, the Company had unused losses on the sale of investments available to set-off against future capital gains of \$30.0 million (2005: \$31.6 million). During the year, \$1.6 million worth of bought forward losses were applied to realised capital gains. There is no Deferred Tax Liability shown against the unrealised gains on the Investment Portfolio, as the amount of unrealised gains of \$22.1 million (2005: \$5.3 million) is below the amount of the unused losses available for set-off against any potential gains.

11. Current Liabilities – Payables

	2006 \$'000	2005 \$'000
Outstanding settlements – investment portfolio	-	748
Capital returns payable	-	100
Director retirement benefits	503	503
Other payables	7	31
	510	1,382

Payables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Options Written Portfolio

The Company enters into option contracts in the options written portfolio for the purpose of enhancing returns from the premiums received. Where the Company sells a call option it is obligated to deliver securities at an agreed price if the taker exercises the option. Whereas if the Company sells a put option it is obligated to buy the underlying shares at an agreed price if the taker exercises the option.

These contracts are exchange-traded options and are entered into within the constraints and controls imposed by the Australian Stock Exchange Limited. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily. The Investment Committee meets regularly (normally bi-weekly) to consider, review and approve the investment, trading and sub-underwriting transactions of the Company and related matters.

\$1.29 million of shares are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company (2005: \$1.31 million). These shares are held by ACH under the terms of ACH Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

13. Shareholders' Equity – Share Capital

Movements in share capital of the Company during the past two years were as follows:

Date	Details	Notes	Number of Shares '000	Issue Price \$	Paid-up Capital \$'000
1/07/2004	Balance		87,463		62,644
Various	Exercise of options	(i)	53	0.50	27
30/06/2005	Balance		87,516		62,671
Various	Exercise of options	(i)	2,323	0.50	1,161
30/06/2006	Balance		89,839		63,832

(i). The Company issued a prospectus, dated 28 November 2003, inviting the public to subscribe for shares and options in the Company for an issue price of 50 cents per share and option. Under this public offer each applicant as well as being issued ordinary shares also received an identical number of options entitling the holder, upon exercise before the expiry date of 28 February 2007, to receive 1 share in the company for an exercise price of 50 cents for each option. These options will only affect the contributed equity of the Company upon exercise. At 30 June 2005 there were 81,440,200 options on issue. During the year, 2,322,550 options were exercised at 50 cents per option, and 2,322,550 new shares were issued. At 30 June 2006, there were 79,117,650 options on issue.

14. Revaluation Reserve

	2006 \$'000	2005 \$'000
Opening balance at 1 July	5,255	635
Revaluation of investment portfolio	16,877	4,620
	22,132	5,255

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note 1(b)(ii).

15. Accumulated Losses

	Retained Losses \$'000	Retained Profits \$'000	Total \$'000
1/07/04	(19,822)	705	(19,117)
30/06/05	(19,822)	3,342	(16,480)
30/06/06	(19,822)	4,927	(14,895)

	2006 \$'000	2005 \$'000
Opening balance at 1 July	(16,480)	(19,117)
Dividends paid	(1,750)	-
Profit for the year	3,335	2,637
	(14,895)	(16,480)

16. Financial Risk Management

Accounting Standard identifies three types of risk associated with financial instruments (i.e. the Company's investments, receivables, payables and borrowings):

Credit Risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk is managed as noted in Notes 6(a), 7 and 8 with respect to cash, receivables and securities in the trading portfolio. None of these assets are over-due or considered to be impaired.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Liquidity Risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company monitors its cash-flow requirements daily. Furthermore, the Investment Committee monitors the level of contingent payments on a fortnightly basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received, put options that may require the Company to purchase securities and facilities that need to be repaid. The Company ensures that it has either cash or access to short term borrowing facilities sufficient to meet these contingent payments.

The relatively low level of gearing that the Company has ensures that covenant levels associated with facilities are unlikely to be breached. In the unlikely event that a fall in the value of the stock market is such that a breach would appear possible, the Company would amend its cash-flows through the sale of securities and the cessation of purchases to ensure that any short term debt is extinguished.

The Company's inward cash-flows depend upon the level of distributions received. Should these drop by a material amount, the Company would amend its outward cash-flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is manageable by the Board and management.

Furthermore, the assets of the Company are largely in the form of readily tradable securities which can be sold on-market if necessary.

Any borrowing facilities are normally drawn for a period no longer than 90 days.

Market Risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

By its nature as a Listed Investment Company that invests, the Company will always be subject to market risk as it invests its capital in securities which are not risk free – the market price of these securities can fluctuate.

A general fall in market prices of 5 per cent and 10 per cent, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's equity of \$3.4 million and \$6.9 million respectively.

A fall in the market value of the trading portfolio of 5 per cent and 10 per cent equally across all securities held within the portfolio, would lead to a pre-tax reduction in the trading result of \$0.13 million and \$0.25 million respectively.

The Revaluation Reserve at 30 June 2006 was \$22 million. It would require a fall in the value of the investment portfolio of 32 per cent to fully deplete this. In accordance with Accounting Standards, any further falls in value would continue to be recognised in Equity as unrealised losses, thereby impacting the shareholders' equity of the Company.

The Company seeks to minimise market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Investment Committee, normally fortnightly, and risk can be managed by reducing exposure where necessary. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Company's investment by sector is as below:

	2006 %	2005 %
Energy	1.15	2.01
Materials	26.54	32.75
Industrials	20.74	11.53
Consumer discretionary	12.26	7.97
Consumer staples	1.98	2.70
Banks	8.21	25.95
Other financials (including property trusts)	18.85	6.49
Telecommunications	4.13	5.77
Other – healthcare, info technology, utilities	6.14	4.83

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Securities representing over 5 per cent of the combined investment and trading portfolio at 30 June 2006 were:

	Percentage of Portfolio
BHP Billiton	11.0%
Peet	10.8%
Rio Tinto	8.7%
St George Bank	8.2%
Alumina	6.9%
AMP	6.4%
ConnectEast Group	6.3%
News Corporation Inc	6.0%

No other security represents over 5 per cent of the Company's investment and trading portfolios.

The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars.

In the trading portfolio, the writing of call options provides some protection against a fall in market prices as it generates income to compensate for a fall in capital values.

Under Accounting Standards, movements in the market value of the trading portfolio are reflected directly through the Income Statement. As at 30 June 2006, it was 3.5 per cent of the total invested including cash (2005: 5.6 per cent). This low proportion reduces the risk to the Company's earnings of a short term fall in the value of securities held in the trading portfolio.

The Company has no hedges or hedging instruments.

17. Dividends

	2006 \$'000	2005 \$'000
(a) Dividends Paid During the Year		
Final dividend for the year ended 30 June 2005 of 2.0 cents fully franked at 30 per cent paid on 30 August 2005 (2005: Nil)	1,750	-
	<u>1,750</u>	<u>-</u>
(b) Franking Credits		
Balance on the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables	4,762	4,639
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(882)	(750)
Net available	<u>3,880</u>	<u>3,889</u>
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	9,053	9,074
The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and the Company paying tax.		
(c) Dividends Declared After Balance Date		
Since the end of the year Directors have declared a final dividend of 2 cents per share fully franked at 30 per cent. The aggregate amount of the final dividend for the year to 30 June 2006 to be paid on 29 August 2006, but not recognised as a liability at the end of the financial year	2,058	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Earnings Per Share

	2006 Number	2005 Number
Basic earnings per share		
Weighted average number of ordinary shares used as the denominator	87,975,481	87,486,668
	\$'000	\$'000
Profit for the year	3,335	2,637
	Cents	Cents
Basic earnings per share	3.79	3.01
Diluted earnings per share*	Number	Number
Weighted average number of ordinary shares used as the denominator (as above)	87,975,481	87,486,668
Weighted average number of options used as the denominator (see below)	80,981,083	-
	168,956,564	87,486,668
	\$'000	\$'000
Profit for the year	3,335	2,637
	Cents	Cents
Diluted earnings per share	1.97	3.01
Basic Net Operating Profit Before Net Gains on Investments Per Share		
	Number	Number
Weighted average number of ordinary shares used as the denominator	87,975,481	87,486,668
	\$'000	\$'000
Net operating profit before net gains on investments	1,765	1,624
	Cents	Cents
Basic net operating profit before net gains on investments per share	2.01	1.86

Diluted Net Operating Profit Before Net Gains on Investments Per Share*

	2006 Number	2005 Number
Weighted average number of ordinary shares used as the denominator	87,975,481	87,486,668
Weighted average number of options used as the denominator (see below)	80,981,083	-
	168,956,564	87,486,668
	\$'000	\$'000
Net operating profit before net gains on investments	1,765	1,624
	Cents	Cents
Diluted net operating profit before net gains on investments per share	1.04	1.86

* In June 2005, the Company had 81,440,200 options on issue which upon exercise by the holder entitles them to receive one share at an exercise price of 50 cents per option. These potential ordinary shares would have a dilutive impact on earnings per share if the Company's share price exceeded the exercise price of 50 cents. As the Company's average share price was under 50 cents per share for the year ended 30 June 2005, the options did not have a dilutive impact on earnings per share. For the year ended 30 June 2006, the Company's average share price exceeded 50 cents and therefore the options have a dilutive effect.

19. Directors and Executives

Persons who were Directors of AMCIL Limited for part or all of the financial year ended 30 June 2006 were:

BB Teele
 PC Barnett
 RE Barker
 TA Campbell
 RH Myer
 RB Santamaria
 SDM Wallis

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Persons who were executives with the authority for the strategic direction and management of the Company for part or all of the financial year ended 30 June 2006 were:

RE Barker – Managing Director

GN Driver – General Manager Business Development and Investor Relations

AJB Porter – Chief Financial Officer

SE Crook – Company Secretary and General Counsel

Other than the Managing Director whose Director's fees are paid directly to AFIC no remuneration is paid to the executives as their services are provided pursuant to an outsourcing arrangement with AFIC.

The constitution of AMCIL requires approval by the shareholders in general meeting of a maximum amount of remuneration per year to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Committee takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Australian corporate Directors. The amount of remuneration approved by shareholders excludes retirement benefits, and at the 1996 Annual General meeting, a maximum of \$240,000 per annum was approved for Non-Executive remuneration.

Non-Executive Directors hold office until such time as they retire, resign or are removed from office under the terms set out in the constitution of the Company.

AMCIL does not pay any performance based remuneration. Mr Barker is made available as Managing Director of AMCIL by AFIC. The fees to which he is entitled as a Director of the Company are paid directly to AFIC pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AFIC, Mr Barker receives an 'at risk' component determined by AFIC which is based on performance. The performance criteria includes quantitative and qualitative assessments which include, amongst other things, the services that he has provided to AMCIL and for which AFIC is paid.

The Directors and the Company have agreed to freeze Directors retirement benefits at the 31 December 2003 level. This frozen amount will be paid to the respective Directors when they ultimately retire, without further adjustment. The Company continues to pay SGC on Directors fees.

(a) Remuneration of Directors

Details of the nature and amounts of each Director's remuneration in respect of the year to 30 June 2006 were as follows:

	Short Term	Post Employment	Total
	Fee/Base Salary \$	Superannuation \$	Remuneration \$
BB Teele – Chairman (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
RE Barker – Managing Director (Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
PC Barnett – Director (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
TA Campbell – Director (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
RH Myer – Director (Non-Executive)			
2006	1,000	37,150	38,150
2005	29,000	2,610	31,610
RB Santamaria – Director (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
SDM Wallis – Director (Non-Executive)			
2006	35,000	3,150	38,150
2005	29,000	2,610	31,610
Total Remuneration: Directors			
2006	211,000	56,050	267,050
2005	203,000	18,270	221,270

No share-based payment was made to Directors.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(b) Share and Option Holdings

At balance date, shares issued by the Company and held directly, indirectly or beneficially by Non-Executive Directors and executives of the Company, or by entities to which they were related were:

	Opening Balance	Net Changes	Closing Balance
BB Teele	14,251,890	-	14,251,890
RE Barker	2,053,175	-	2,053,175
PC Barnett	305,314	-	305,314
TA Campbell	2,007,863	-	2,007,863
RH Myer	181,875	(625)	181,250
RB Santamaria	52,138	-	52,138
SDM Wallis	1,716,847	-	1,716,847
GN Driver	50,000	-	50,000
SE Crook	-	18,100	18,100

AJB Porter does not hold shares in AMCIL.

At balance date, options issued by the Company and held directly, indirectly or beneficially by Non-Executive Directors and executives of the Company, or by entities to which they were related were:

	Opening Balance	Net Changes	Closing Balance
BB Teele	14,000,000	-	14,000,000
RE Barker	2,000,000	-	2,000,000
PC Barnett	221,600	-	221,600
TA Campbell	2,000,000	-	2,000,000
RH Myer	593,000	(413,000)	180,000
RB Santamaria	50,000	-	50,000
SDM Wallis	200,000	-	200,000
GN Driver	50,000	10,000	60,000

AJB Porter and SE Crook do not hold options in AMCIL.

20. Related Parties

Director TA Campbell is interested in the following transactions as Director, employee and shareholder of Goldman Sachs JBWere Pty Ltd, Goldman Sachs JBWere Services Pty Ltd and Goldman Sachs JBWere Capital Markets Limited. All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

	2006 \$'000	2005 \$'000
(a) The Company invests surplus funds in deposits at call with Goldman Sachs JBWere Capital Markets Limited and bills of exchange		
- interest revenue received or receivable	138	196
- expense paid or payable for management of the cash and bill portfolio	11	20
- deposits at call (at balance date)	79	550
(b) The Company buys and sells securities through Goldman Sachs JBWere Pty Ltd amongst other brokers		
- brokerage expenses paid or payable	33	66
(c) RB Santamaria is a partner of Allen Arthur Robinson, Solicitors, which provided general legal services to the Company during the year for total fees of	23	15

21. Remuneration of Auditors

	2006 \$	2005 \$
During the year the auditor earned the following remuneration:		
PricewaterhouseCoopers		
Audit or review of financial reports	64,240	62,139
Non-audit services		
Taxation compliance services	9,900	11,825
Other taxation services	1,760	-
Total remuneration	75,900	73,964

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit related tax compliance services provided by the audit firm to ensure they do not compromise independence. Other non-audit services would not normally be provided by the external audit firm. However, if for special reasons such services were to be proposed, the Audit Committee would review the proposal to also ensure they did not affect the independence of the external audit function. The Company also conforms to legal requirements regarding audit partner rotation every five years.

22. Reconciliation of Net Cash Flows From Operating Activities to Profit

	2006 \$'000	2005 \$'000
Profit for the year	3,335	2,637
- Decrease (increase) in the trading portfolio	428	955
- Net capital (gains)/losses on investments before tax	(1,570)	(1,038)
- Dividends received as securities under DRP investments	(329)	-
- Decrease (increase) in current receivables	(1,234)	(165)
- less increase (decrease) in receivables for investment portfolio	-	-
- Decrease (increase) in deferred tax assets	(200)	15
- Increase (decrease) in options written	-	(82)
- Increase (decrease) in current payables	(872)	627
- less decrease (increase) in payables for investment portfolio	748	(717)
- less decrease (increase) in capital returns payable	100	-
- Increase (decrease) in tax payable	(160)	(45)
- Increase (decrease) in other provisions	-	100
Net cash flows from operating activities	246	2,287

23. Contingencies

At balance date Directors are not aware of any material contingent liabilities or contingent assets other than those already disclosed elsewhere in the financial report.

24. Explanation of Transition to Australian Equivalents to IFRS ("AIFRS")

In preparing the opening AIFRS compliant balance sheet, adjustments have been made to the figures previously reported in the 30 June 2005 financial report. The impacts of the adoption on the total equity brought forward and 2005 Profit after tax reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below:

(i) Income Statement for Year Ended 30 June 2005

	AGAAP \$'000	Adjustment \$'000	AIFRS \$'000
Revenue from investment portfolio	1,006	-	1,006
Income from options written portfolio	-	-	-
Income from trading portfolio ^(a)	858	(29)	829
Revenue from deposits and bank bills and other income	720	-	720
Other income	1	-	1
Total income from ordinary activities	2,585	(29)	2,556
Administration and borrowing expenses	(779)	-	(779)
Operating profit	1,806	(29)	1,777
Income tax expense ^(c)	(162)	9	(153)
Net operating profit	1,644	(20)	1,624
Realised gains on ordinary securities in investment portfolio	1,038	-	1,038
Unrealised gains/(losses) on options written portfolio ^(b)	-	(36)	(36)
Tax on unrealised gains/(losses) on options written portfolio ^(c)	-	11	11
Net profit	2,682	(45)	2,637
Direct adjustments against equity			
Unrealised gains/(losses) on investment portfolio (net of tax)	4,620	-	4,620
Unrealised gains/(losses) on options written portfolio ^(b)	(36)	36	-
Total valuation adjustments recognised directly in equity	4,584	36	4,620
Net profit plus direct equity adjustments	7,266	(9)	7,257

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(ii) Balance Sheet

	AGAAP		Adjustment		AIFRS	
	\$'000 1/07/04	\$'000 30/06/05	\$'000 1/07/04	\$'000 30/06/05	\$'000 1/07/04	\$'000 30/06/05
Trading portfolio ^(a)	3,819	2,893	96	67	3,915	2,960
Deferred tax asset ^(c)	186	151	(40)	(20)	146	131
Investment portfolio	15,101	40,938	-	-	15,101	40,938
Other assets	25,948	8,865	-	-	25,948	8,865
Total assets	45,054	52,847	56	47	45,110	52,894
Deferred tax liability ^(c)	-	-	-	-	-	-
Other liabilities	(948)	(1,448)	-	-	(948)	(1,448)
Total liabilities	(948)	(1,448)	-	-	(948)	(1,448)
Net assets	44,106	51,399	56	47	44,162	51,446
Shareholders' equity						
Share capital	62,644	62,671	-	-	62,644	62,671
Reserves	671	5,255	(36)	-	635	5,255
Retained earnings	(19,209)	(16,527)	92	47	(19,117)	(16,480)
Total shareholders' equity	44,106	51,399	56	47	44,162	51,446

(iii) Statement of Cash Flows

The adoption of AIFRS has not resulted in any material adjustments to the statement of cash flows for the year ended 30 June 2005.



(iv) Explanatory Notes

(a) Investments Measured at Market Value

All Investments (including the trading portfolio) are measured at Market Value. The Accounting Standard (AASB 139) defines 'Last Bid Price' as the relevant Market Value.

(b) Unrealised Gains/Losses on the Trading Portfolio and Options Written Portfolio

All unrealised gains or losses on the trading portfolio and the options written portfolio are included in the Income Statement for that period.

(c) Provision for Deferred Tax on Unrealised Gains/Losses in the Income Statement

A provision for the tax that would be due on unrealised gains or the credit receivable on unrealised losses that are included in the Income Statement is made on the Balance Sheet, and changes to this provision are reflected in the Income Statement.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (1) the financial statements and notes set out on pages 27 to 57 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and the Chief Financial Officer regarding the financial statements in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006. The declarations received were that, in the opinion of the Managing Director and the Chief Financial Officer and to the best of their knowledge, the financial records of the Company have been properly maintained, that the financial statements comply with accounting standards and that they give a true and fair view.



Bruce Teele
Chairman

Melbourne
2 August 2006

INDEPENDENT AUDIT REPORT



Independent audit report to the members of AMCIL Limited

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Audit opinion

In our opinion, the financial report of AMCIL Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of AMCIL Limited as at 30 June 2006, and of its performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for AMCIL Limited (the "Company"), for the year ended 30 June 2006.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

INDEPENDENT AUDIT REPORT CONTINUED



We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
Chartered Accountants

A handwritten signature in cursive script that reads "Simon Gray".

Simon Gray
Partner

Melbourne
2 August 2006

INFORMATION ABOUT SHAREHOLDERS

At 31 July 2006 there were 2,710 holdings of shares and 1,035 holdings of options. These holders were distributed in the following categories:

Size of Holding	Number	
	Shareholdings As at 31/07/2006	Option Holdings As at 31/07/2006
1 to 1,000	1,056	1
1,001 to 5,000	384	171
5,001 to 10,000	193	270
10,001 to 100,000	943	526
100,001 and over	134	67
	2,710	1,035
Percentage held by the 20 largest holders	48.24%	54.86%
Average shareholding	37,702	64,526

There were 978 shareholdings of less than a marketable parcel of \$500 (800 shares). There were 174 optionholdings of less than a marketable parcel of \$500 (5,264 options).

INFORMATION ABOUT SHAREHOLDERS CONTINUED

Major Shareholders

The 20 largest holdings of the Company's ordinary shares as at 31 July 2006 are listed below:

	Units Held	%
Bruce Ballantine Teele	14,251,890	13.95
Djerriwarrh Investments Limited	12,471,530	12.21
M F Custodians Ltd	4,380,451	4.29
Ross Barker	2,053,175	2.01
Terrence Arthur Campbell	2,007,863	1.97
Christine Joy Campbell	2,000,000	1.96
Bromyard Investments Pty Ltd	1,716,847	1.68
Invia Custodian Pty Limited	1,617,732	1.58
Fobsha Pty Limited	1,500,000	1.47
ANZ Nominees Limited	1,446,750	1.42
Zonda Pty Limited	1,000,000	0.98
Austymca Nominees Pty Ltd	691,932	0.68
Diana Eirene Angliss Gibson & John Digby Norris & Graeme William Ballard	653,750	0.64
Colangie Nominees Pty Ltd	628,775	0.62
Yelgarn Pty Ltd	550,000	0.54
Lyndis Ann Flynn & Aidan John Flynn	506,118	0.50
Turions Pty Ltd	501,603	0.49
Robert Tasman Warne Permezel & Elizabeth Dorothy Permezel	500,000	0.49
Ainslie Robert Telford	406,250	0.40
Mecdan Pty Ltd	400,000	0.39

Substantial Shareholders

The Company has been notified of substantial shareholdings as follows:

Holder	Number of Shares	Date Notified
Bruce B Teele	14,251,890	25/07/2006
Djerriwarrh Investments Limited	12,471,530	25/07/2006

Major Option Holders

The 20 largest holdings of the Company's options as at 31 July 2006 are listed below:

	Units Held	%
Bruce Ballantine Teele	14,000,000	20.96
Invia Custodian Pty Limited	5,755,000	8.62
M F Custodians Ltd	3,940,000	5.90
Christine Joy Campbell	2,000,000	2.99
Terrence Arthur Campbell	2,000,000	2.99
Ross Barker	2,000,000	2.99
ANZ Nominees Limited	1,000,000	1.50
A J Dixon Pty Ltd	713,866	1.07
Colangie Nominees Pty Ltd	600,000	0.90
A & M Dixon Investments Pty Ltd	580,000	0.87
Sally Jane Ahern	569,000	0.85
Mark Bofinger	559,000	0.84
Fobsha Pty Limited	500,000	0.75
Yelgarn Pty Ltd	500,000	0.75
Julian Alan Stoller & Marie Janine Stoller	450,000	0.67
William Ronald Naughtin & Denise Ann Naughtin	321,600	0.48
David John Brydon	300,000	0.45
Engoordina Pty Ltd	300,000	0.45
Robert Tasman Warne Permezel & Elizabeth		
Dorothy Permezel	300,000	0.45
Geoffco Pty Ltd	250,000	0.37

HOLDINGS OF SECURITIES

AS AT 30 JUNE 2006

Details of the Company's portfolios are given below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share (which is recorded each month on the toll-free telephone service at 1800 780 784).

Ordinary Shares

Code	Company	Principal Activities	Number Held 2005 '000	Number Held 2006 '000	Market Value 2006 \$'000
ABS	A.B.C. Learning Centres	Involved in private child care and education businesses	501	400	2,560
ADT	Advent	Investor in funds in capital opportunities	0	55	45
AMP	AMP	Major Australasian financial services organisation	0	500	4,565
ASZ	ASG Group	Provider of computer infrastructure, application development, systems integration and specialist technical services	0	1,650	1,089
AWC	Alumina	Mining, refining, and smelting of aluminium	854	729	4,921
BAX	Baxter Group	Waste management	0	700	3,045
BHP	BHP Billiton	Diversified international resources company	270	270	7,830
BIL	Brambles Industries	Global support services group involved in pallets and containers, document storage, logistics and industrial services	0	100	1,100
BKN	Bradken	Manufacturer and supplier of consumable parts, capital equipment and associated refurbishment and maintenance services	400	578	3,004

Code	Company	Principal Activities	Number Held 2005 '000	Number Held 2006 '000	Market Value 2006 \$'000
CCL	Coca-Cola Amatil	Manufacturer, vendor and distributor of Coca-Cola products throughout Asia Pacific region	0	200	1,418
CEU	ConnectEast Group	Investment vehicle set up for investment in the Mitcham-Frankston Project	2,000	3,956	4,530
DMP	Domino's Pizza Australia New Zealand	Involved in home delivery and takeaway pizza segment in Australia and New Zealand	500	500	1,950
EQT	Equity Trustees	Financial services providing private client, trustee, estate administration and funds management services	200	66	1,218
NWS	News Corporation Inc	International media company	138	138	3,740
NWSLV	News Corporation Non-Voting Inc	International media company	20	20	517
OKN	Oakton	IT services company providing planning, delivering and running of IT solutions for customers	1,187	1,000	3,290
OSH	Oil Search	Exploration, development and production of oil and gas in PNG and Australia	299	200	820
PPC	Peet	Involved in the acquisition, management, development, marketing and sales of broadacre residential land estates	1,900	1,900	7,695

HOLDINGS OF SECURITIES CONTINUED

AS AT 30 JUNE 2006

Code	Company	Principal Activities	Number Held 2005 '000	Number Held 2006 '000	Market Value 2006 \$'000
RIO	Rio Tinto	Diversified international mining company	80	80	6,224
SGB	St George Bank	Australia's fifth largest bank	200	200	5,866
TCL*	Transurban Group	Development and operation of electronic toll roads	100	255	1,701
TLS	Telstra Corporation	Telecommunications operator and provider of information products and services	503	803	2,955
TOL	Toll Holdings	A major transport and logistics group in the Asia Pacific region	0	100	1,405
Total					71,489

* Investments marked with an asterisk were the subject of options, either for the whole holding or part of it.



TRANSACTIONS IN SECURITIES

During the year ended 30 June 2006, the Company recorded 135 transactions in securities. \$107,768 in brokerage (including GST) was paid or accrued for the year.

SHARE CAPITAL CHANGES

Date	Type	Price/ Amount
18 October 1996	Initial issue	\$2.00
12 September 1997	DRP	\$1.95
27 March 1998	DRP	\$2.17
17 June 1998	1-for-2 rights issue	\$2.00
16 September 1998	DRP	\$2.14
15 March 1999	DRP	\$2.38
2 June 1999	1-for-3 rights issue	\$2.40
10 September 1999	DRP	\$2.54
24 January 2000	Exercise of WERE Option	\$2.00
7 April 2000	1-for-5 rights issue	\$2.00
18 November 2002	Capital return	\$0.33
17 January 2003	Capital return	\$0.32
11 March 2003	Capital return	\$0.40
23 May 2003	Capital return	\$0.40
15 August 2003	Capital return	\$0.40
19 December 2003	Capital consolidation	1 for 16
23 January 2004	Share issue	\$0.50

COMPANY PARTICULARS

AMCIL Limited ("AMCIL")
ABN 57 073 990 735

The Company was incorporated as a limited liability company in Victoria, Australia, on 21 May 1996 and commenced operations on 18 October 1996. AMCIL is a Listed Investment Company with its shares listed on the Australian Stock Exchange. The Company has no parent entity or ultimate parent entity. The Company is a thematic investor in entities listed on the Australian Stock Exchange.

Directors

Bruce B Teele, Chairman
Ross E Barker, Managing Director
Peter C Barnett
Terrence A Campbell AO
Rupert Myer AM
Richard B (Bob) Santamaria
Stan D M Wallis AC

Company Secretary

Sue E Crook

Auditor

PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation

Australia

Registered Office

Level 21, 101 Collins Street
Melbourne, Victoria 3000

Contact Details

Mail Address GPO Box 2114
Melbourne, Victoria 3001
Telephone (03) 9650 9911
Facsimile (03) 9650 9100
Email invest@amcil.com.au
Website www.amcil.com.au

For enquiries regarding net asset backing (as advised each month to the Australian Stock Exchange):

Telephone 1800 780 784 (toll free)
Website www.amcil.com.au

Share

Registrar Link Market Services Limited
Mail Address Locked bag A14
South Sydney, NSW 1235
Level 12, 680 George Street
Sydney NSW 2000

Shareholder

Enquiry Line 1300 554 474
+61 2 8280 7111 (from overseas)
Facsimile (02) 9287 0303
Email registrars@linkmarketservices.com.au
Website www.linkmarketservices.com.au

For all enquiries relating to shareholdings, dividends and related matters, please contact the share registrar as above.

Stock Exchange Code

AMH Ordinary Shares
AMHO Company Options
(Expire on 28 February 2007)

Annual General Meeting

Time 10.00am
Date Thursday 28 September 2006
Venue Hilton on the Park
Location 192 Wellington Parade
East Melbourne, Victoria

